Thin-Film Deposition | Surface Engineering | Thermal Processing | Wet Chemical

SINGULUS

Innovative Technologies

Annual Report 2016
of the SINGULUS TECHNOLOGIES AG

At a Glance

Consolidated Key Figures 2015 - 2016

		2016	2015
Sales	in EUR million	**68.8**	83.7
Order intake	in EUR million	**152.1**	96.3
Order backlog (Dec. 31)	in EUR million	**109.9**	26.6
EBIT	in EUR million	**-17.7**	-34.5
Earnings before taxes	in EUR million	**20.1**	-43.3
Net profit/loss	in EUR million	**18.9**	-43.4
Operating cash flow	in EUR million	**14.1**	-10.5
Shareholders' equity	in EUR million	**12.1**	-21.5
Balance sheet total	in EUR million	**96.2**	92.1
Research & development expenditures	in EUR million	**12.3**	11.2
Employees (Dec. 31)		**318**	335
Number of shares outstanding	shares	**8,087,752**	305,814
Earnings per share, basic	EUR	**5.13**	-141.92

SINGULUS TECHNOLOGIES
Innovations for New Technologies

SINGULUS TECHNOLOGIES builds machines for economical and resource-efficient production processes.

SINGULUS TECHNOLOGIES' strategy is based on the use and expansion of its existing core competencies. The application areas include coating technology, surface processing, wet-chemical applications as well as the related chemical and physical processing steps. The company's target is to reach a technologically leading position in the Solar division.

For all machines, processes and applications SINGULUS TECHNOLOGIES draws upon its know-how in the areas of automation and process technology.

SINGULUS TECHNOLOGIES

The Year 2016 in Review

Q1

- Outlook for the current business year 2016 published
- SINGULUS TECHNOLOGIES published detailed information about financial restructuring concept
- Bondholder meeting on February 15, 2016 as well as extraordinary general meeting on February 16, 2016 approve financial restructuring of the company
- SINGULUS TECHNOLOGIES reports consolidated financial statements 2015 on March 24, 2016
- Fairs/exhibitions in the 1st quarter 2016:
  - Joint MMM – Intermag Conferennce, San Diego, California, USA
  - World Future Energy Summit, Abu Dhabi, VAE
  - PV Expo, Tokyo, Japan

Q2

- SINGULUS TECHNOLOGIES reports results for the 1st quarter of 2016 on May 19, 2016
- On May 24, 2016 two letters of intent for the delivery of machines for the production of CIGS thin-film modules with a total volume of about EUR 110 million are signed
- The resolved capital reduction is implemented
- SINGULUS TECHNOLOGIES with positive feedback from Intersolar Europe 2016
- Subscription of new shares and new bonds free of charge through subscription offer
- Fairs/exhibitions in the 2nd quarter 2016:
  - April 2016 PaintExpo, Karlsruhe, Germany
  - SVC TechCon 2016, Indianapolis, Indiana, USA
  - SNEC PV POWER EXPO 2016, Shanghai, China
  - O&S 2016, International Fair for Surface Treatments and Coatings, Stuttgart, Germany
  - 43rd IEEE Photovoltaic Specialists Conference, Portland, USA
  - International Conference on Coatings on Glass and Plastics ICCG11, Braunschweig, Germany
  - MEDIA-TECH Conference Europe 2016, Hamburg, Germany
  - 32nd EU PVSEC, Munich, Germany
  - Intersolar Europe 2016, Munich, Germany

03

- Exchange admission of new shares for the exchange capital increase (July 21, 2016) as well as of new bonds (July 22, 2016)
- Sales forecast for the current business year 2016 and the business year 2017 published
- SINGULUS TECHNOLOGIES reported results for the first half-year 2016 on August 18, 2016
- SINGULUS TECHNOLOGIES founder Roland Lacher becomes biggest shareholders in the SINGULUS TECHNOLOGIES AG
- SINGULUS TECHNOLOGIES receives orders for production machines for high-performance solar cells
- Agreed prepayments for CIGS production machines received
- SINGULUS TECHNOLOGIES shareholders approve all agenda items in the course of the ordinary general meeting
- Publication of the implementation of the subscription right capital increase (September 16, 2016)
- SINGULUS TECHNOLOGIES signs agreement (memorandum of understanding) for production machines for heterojunction solar cells in China
- International chip manufacturer orders additional process modules from SINGULUS TECHNOLOGIES
- Fairs/exhibitions in the 3rd quarter 2016:
  - Intersolar North America, San Francisco, California, USA
  - Semicon West, San Francisco, California, US
  - Intersolar South America, São Paulo, Brazil
  - Renewable Energy India Expo, Greater Noida, India
  - N Type c-Si Cell and Module Forum, Changzhou, China
  - Cosmetic Business Poland 2016, Warsaw, Poland

Q4

- SINGULUS TECHNOLOGIES places all shares from the capital increase for cash on October 6, 2016 and therefore successfully completes the subscription offer
- New shares are traded at the Frankfurt Stock Exchange on October 12, 2016 for the first time
- SINGULUS TECHNOLOGIES reports results for the first nine months on November 14, 2016
- SINGULUS TECHNOLOGIES receives additional agreed prepayments for CIGS project
- Fairs/exhibitions in the 4th quarter 2016:
  - PV TAIWAN 2016, Taipeh, Taiwan
  - PVSEC-26, Singapore
  - International exhibition of renewable energies, clean energies and sustainable development, Oran, Algeria
  - Asia Clean Energy Summit Conference & Exhibition, Maria Bay Sands, Singapore
  - The Green Expo 2016, WTC Maya Hall, Mexico City, Mexico
  - 61st Annual Conference on Magnetism and Magnetic Materials, New Orleans, USA

SINGULUS TECHNOLOGIES

Table of Contents

5
TABLE
OF CONTENTS

03

P. 112 – P. 150
Consolidated Financial Statements of the SINGULUS TECHNOLOGIES AG

04

P. 154 – P. 164
Additional Information


SINGULUS
SINGULUS
SINGULUS

01

VISTARIS

VACUUM DEPOSITION SYSTEM FOR THE MANUFACTURING OF CIGS SOLAR MOULES

Inline sputtering system with vertical substrate transportation and automatic carrier return sytem.

To the shareholders of the SINGULUS TECHNOLOGIES AG

Report of the Supervisory Board

Dear Shareholders,

The business year 2016 was a critical year for our company. The successful financial restructuring of the company and the safeguarding of the operating activities were a particular challenge for SINGULUS TECHNOLOGIES.

The SINGULUS TECHNOLOGIES AG is a supplier of machines and production equipment in the areas of vacuum thin-film and plasma coating, wet-chemical processes as well as thermal processing technologies.

The operating activities of SINGULUS TECHNOLOGIES were very mixed with respect to the individual segments. In the Solar division the expected large order for production machines for CIGS solar cells was realized in the business year 2016. The business activities in the Optical Disc and the Semiconductor divisions were weak in the business year 2016 similar to the previous years. The delay in order placements of the aforementioned Solar order resulted in delayed recognized sales in the Solar segment and will thus only be realized materially in the business year 2017 and not in 2016.

We still see great opportunities in the Solar segment and we will continue to extensively expand our existing product portfolio in this area in order to benefit from the growth in this market. Details regarding the development of the company are depicted in the Status Report.

The report of the Supervisory Board informs about the focus of the activities of the Supervisory Board in the past business year.

In 2016, the Supervisory Board attended to all legal and statutory duties and adhered to the guidelines of the bylaws of the Supervisory Board. In particular in light of the difficult business situation and the implemented restructuring, the Supervisory Board regularly advised the Executive Board of the SINGULUS TECHNOLOGIES AG in managing the company and provided constant oversight over the activities of the Executive Board. The Executive Board of the SINGULUS TECHNOLOGIES AG involved the Supervisory Board in all significant decisions and processes. It also informed the Board about all relevant proceedings.

There were no objections on part of the Supervisory Board regarding the conduct of business in the course of the business year 2016 by the Executive Board of the SINGULUS TECHNOLOGIES AG at any time.

There were no changes in the composition of the Supervisory Board in the business year 2016.

From left to right:

*Dr.-Ing. Wolfhard Leichnitz, Chairman of the Supervisory Board,
Christine Kreidl, Deputy Chairperson of the Supervisory Board,
Dr. rer. nat. Rolf Blessing, Member of the Supervisory Board*

SUPERVISORY BOARD MEETINGS 2016

During the business year 2016 fifteen meetings of the Supervisory Board were convened: There were seven meetings in presence and eight conference calls. The Supervisory Board was completely represented in each of the meetings detailed below.

- *Meeting in presence on February 9, 2016*
- *Conference call on March 3, 2016*
- *Meeting in presence on March 17, 2016*
- *Conference call on March 23, 2016*
- *Conference call on May 12, 2016*
- *Conference call on June 1st, 2016*
- *Meeting in presence on June 7, 2016*
- *Conference call on August 11, 2016*
- *Meeting in presence on August 30, 2016*
- *Meeting in presence on August 31, 2016*
- *Conference call on September 19, 2016*
- *Meeting in presence on October 5, 2016*
- *Conference call on October 6, 2016*
- *Meeting in presence on November 9, 2016*
- *Conference call on December 20, 2016*

ADVICE AND OVERSIGHT BY THE SUPERVISORY BOARD

During its meetings the Supervisory Board dealt in detail with the financial restructuring of the company and the course of business of the SINGULUS TECHNOLOGIES AG in the business year 2016. The basis for the reporting by the Executive Board were the respective key figures with respect to the trends of order intake, sales and earnings trends as well as the continuous reporting on the liquidity situation and the development of shareholders' equity. The actual course of business in the year 2016 was compared with the projected company's budgets and all deviations as well as required measures for potential adjustments were deliberated with the Executive Board. Additional written and oral reports of the Executive Board, by other employees, the auditors as well as by external consultants supplemented the reporting.

The strategic positioning of the company was agreed between the Executive Board and the Supervisory Board and its implementation discussed at regular intervals. The required capital expenditure plans were discussed and analyzed within the scope of the resolved strategy.

The Supervisory Board has assured itself of the legitimacy, expediency and compliance of the presented business events under the particular consideration of the economic situation of the company.

The Supervisory Board was provided with all interim reports as well as half-year reports for the year 2016 in a timely manner ahead of publication. The Executive Board laid out to the Supervisory Board the reports and important key figures as well as statements in detail. The Supervisory Board had the profit-and-loss statement as well as specific balance sheet items explained in detail. The recommendations of the Supervisory Board with regard to individual interim reports as well as to the half-year report were implemented by the Executive Board.

In the past business year, the Supervisory Board was regularly informed about the course of business and the financial situation of the group of companies. In monthly reports the Executive Board informed the Supervisory Board about the current course of business within the individual segments including the development of the market environment and explained order intake and backlog as well as financial key figures such as the development of the liquidity or the shareholders' equity of the SINGULUS TECHNOLOGIES Group including a forecast. The liquidity of the company was documented and continuously monitored during the entire course of the year. Furthermore, the Chairman of the Supervisory Board regularly discussed the situation of the company and its future development in individual talks with the Executive Board. At all times, the other members of the Supervisory Board were informed about these meetings thereafter.

Business activities that had to be approved or were required to be discussed by the Supervisory Board due to company interests were discussed and reviewed by the Supervisory Board. These also included new projects concerning the extension of the current range of products and services offered.

The Supervisory Board was directly involved in all decisions, which were of fundamental importance to the company.

ECONOMIC SITUATION OF THE COMPANY AND FINANCIAL RESTRUCTURING

The difficult economic situation of the company and the realization of an organizational and financial restructuring were also in the spotlight of the Supervisory Board meetings in the first couple of months. The background of the still weak development of the Optical Disc division, the delays in the order placement for production machines for solar cells as well as the weak trend in the Semiconductor segment were analyzed and discussed. The Supervisory Board discussed with the Executive Board the market situation in the individual segments and deliberated in detail all economic and financial key figures.

In the business year 2016, the Executive Board monitored the going-concern assumption of the company until the completion of the financial restructuring and reported on this to the Supervisory Board. The Executive Board provided information to the Supervisory Board in a timely manner about requested information regarding the potential excessive indebtedness and the liquidity status of the company. The company appointed the PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main (PwC), with the ongoing analysis of the liquidity situation at a Group-wide and company-specific level as well as with the continuous monitoring of the current developments.

Following negotiations with the joint representative of the bondholders, who was appointed by the bondholder meeting on October 29, 2015, the company had reached an agreement on December 21, 2015 with respect to a concept for the financial restructuring of the company. The Supervisory Board agreed to this concept. It presented a good solution to appropriately account for the interests of the bondholders and the shareholders respectively and to offer the company a perspective to once again act successfully on the market and to return to profitability.

The bondholder meeting of the SINGULUS TECHNOLOGIES AG approved the restructuring of the SINGULUS bond on February 15, 2016, based on the presented concept, which the extraordinary general meeting on February 16, 2016 subsequently also approved. Accordingly, the SINGULUS TECHNOLOGIES AG was then able to implement the resolved restructuring of the SINGULUS bond in a timely manner. In particular, the respite of the interest payment under the SINGULUS bond until March 23, 2017 and the temporary waiver of certain termination rights already became effective in the first quarter 2016.

The resolution of the extraordinary general meeting with respect to the reduction of the nominal capital was effected on June 6, 2016 and the conversion of the listing of the shares of SINGULUS TECHNOLOGIES was implemented with a ratio of 160 : 1 at the Frankfurt Stock Exchange.

In addition, the bondholders of the SINGULUS bond had resolved on February 16, 2015 to transfer the certificates of the SINGULUS bond to the settlement agent and in return to receive for each certificate of the SINGULUS bond respective purchase rights for new shares and for the newly secured bonds. Within the purchase period, the former bondholders were then able to exercise the overall held purchase rights.

The new shares and new bonds that were not subscribed in the course of the purchase offer were publicly offered to the former bondholders, subscription right-entitled shareholders and individual subscribers and were sold based on the submitted offers.

As a final step of the financial restructuring, SINGULUS TECHNOLOGIES has issued 2,021,938 new shares for a subscription price of EUR 3.25 per new share in the course of the subscription right capital increase. All of the offered shares were subscribed through the execution of subscription rights and the oversubscription of subscription right holders. The nominal capital of the company of EUR 6,065,814 was increased by EUR 2,021,938 by this to then EUR 8,087,752.

For further information please refer to page 50 of this Annual Report.

FURTHER DEVELOPMENT OF THE COMPANY

The Executive Board provided the Supervisory Board for all meetings of the business year 2016 with the current analyses and insights with respect to the products of SINGULUS TECHNOLOGIES in the various market segments.

The expected recovery of the solar market gained momentum in the business year 2016. The large order for production machines for CIGS solar cells signed in mid-2016 was discussed in all steps and the Executive Board kept the Supervisory Board informed about the ongoing negotiations with the customer. The due prepayments for the machines for the first production site were received in the second half of the business year 2016. Furthermore, the Executive Board informed the Supervisory Board about all additional large solar projects and presented their respective status.

The weak production volumes for Optical Disc suggest a weak market for new Blu-ray Disc production machines in the future. The hesitant introduction of the new Blu-ray Disc format "Ultra HD Blu-ray" for the current business year does not provide stimulus for new investments. SINGULUS TECHNOLOGIES is in talks with all major disc producers, but currently only sees a limited willingness *of the customers to invest into the new machine technology BLULINE III for Blu-ray Discs with a storage capacity of up to 100 GB. However, for the foreseeable future continuing stable service and replace part activities are expected for this segment.*

The Supervisory Board was also informed about the challenges in the Semiconductor segment and discussed with the Executive Board the further development of this division.

The Supervisory Board extensively discussed with the Executive Board the required structural change of the company and talked about the strategic positioning of SINGULUS TECHNOLOGIES on new application and business areas. The Executive Board presented the Supervisory Board potential new application areas of the relevant technologies and discussed these respective growth opportunities.

SUPERVISORY BOARD MATTERS

The members of the Supervisory Board appointed by the Annual General Meeting on August 31, 2016, namely Dr.-Ing. Wolfhard Leichnitz, Ms. Christine Kreidl, WP/StB, and Dr. rer. nat. Rolf Blessing convened for a constituting Supervisory Board meeting following the acceptance of their appointments. All members of the Supervisory Board waived the adherence of the legal and statutory requirements with respect to form and notice of the convening and holding of the meeting.

Dr.-Ing. Wolfhard Leichnitz was appointed Chairman of the Supervisory Board. The appointment is effective until the completion of the Annual General Meeting, which resolved about the discharge for the fourth business year after the start of the mandate, while the business year, in which the mandate starts, is not included. Dr.-Ing. Leichnitz accepted the appointment. Ms. Christine Kreidl, WP/StB, was appointed Deputy Chairwoman of the Supervisory Board. The appointment is effective until the completion of the Annual General Meeting, which resolved about the discharge for the fourth business year after the start of the mandate, while the business year, in which the mandate starts, is not included. Ms. Kreidl, WP/StB, accepted the appointment.

In the business year 2016, the Supervisory Board continued to refrain from forming audit, nomination and other Supervisory Board committees, since a proper attainment of the tasks of the Supervisory Board is given for the full Supervisory Board with a three-member Supervisory Board. In this case, committees will neither provide 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.

DIRECTIVE 2014/56/EU AMENDING DIRECTIVE 2006/43/EC ON STATUTORY AUDITS AS WELL AS REGULATION (EC) NO. 537/2014 ON SPECIFIC REQUIREMENTS REGARDING STATUTORY AUDIT OF PUBLIC-INTEREST ENTITIES

As a consequence of the financial market crisis on a European level, Directive 2014/56/EU amending directive 2006/43/EC on statutory audits as well as regulation (EC) No. 537/2014 on specific requirements regarding statutory audit of public-interest entities were passed. At a national level, the regulation 2014/56/EC was implemented through the Abschlussprüferaufsichtsreformgesetz (Auditor Oversight Reform Act) and the Abschlussprüfungsreformgesetz (AReG / Audit Reform Act), which also includes the regulations for the implementation of the directly applicable regulation (EC) No. 537/2014.

The aforementioned regulations in particular affect the previous approval of non-audit services, which are provided by auditors. They include increased qualifications with respect to the Supervisory Board and Audit Committee members, respectively, and govern the appointment process for auditors to be appointed in the future.

The Supervisory Board reviewed the respective consequences for the SINGULUS TECHNOLOGIES AG in detail and resolved an amendment of the bylaws for the Supervisory Board and the Executive Board. In addition, during its meeting on January 26, 2017 the Supervisory Board resolved guidelines, which govern the approval of certain non-auditing services. To ensure a Group-wide adherence to the guidelines the company has set up a central function position, which approves the non-auditing services before placing the assignment.

CONFLICTS OF INTEREST

In the past business year there were no conflicts of interest of members of the Executive or Supervisory Boards, which have to be disclosed to the Supervisory Board immediately and which the Annual General Meeting has to be informed about.

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 33 of this Annual Report 2016).

CORPORATE GOVERNANCE

The SINGULUS TECHNOLOGIES AG and its Supervisory Board subscribe to the principles of proper and responsible corporate governance. The Executive Board and the Supervisory Board have made a declaration of conformity pursuant to Art. 161 AktG and Art. 3.10 of the German Corporate Governance Code (the "Code"), according to which the company adheres to the recommendations of the German Corporate Governance Code except for the mentioned and explained deviations. The declaration of conformity was published on the company's website in January 2017. For a detailed representation of the Corporate Governance Report as well as the current Declaration of Conformity please refer to pages 24 to 33 of the Annual Report 2016.

EXECUTIVE BOARD MATTERS

In its meeting on March 17, 2016 the Supervisory Board discussed and approved agreements on objectives for the business year 2016 with the Executive Board. The target agreements form the basis for the determination of the variable compensation components of the Executive Board members. In its meeting on March 14, 2017 the Supervisory Board resolved the level of target achievements for both members of the Executive Board on the basis of the preliminary results. For this purpose, the Supervisory Board assessed all personal targets individually and reviewed the respective levels of target achievement. Overall, the Supervisory Board recognized the achievements of the Executive Board in the past business year and made positive representations about the dedication, commitment and the qualitative results.

Due to the currently difficult economic situation of the company, the Executive Board had proposed to the Supervisory Board to maintain in 2016 the salary cuts of 20 % resolved in the prior year as well and to refrain from adjusting the compensation to the contractual level in 2016. The Supervisory Board had welcomed the initiative of the Executive Board and resolved to maintain the reduction of the fixed salary for the business year 2016 of both members of the Executive Board by 20 % in view of the still difficult economic situation. For details please refer to the Compensation Report on the pages 92 to 103 of the Annual Report 2016.

RISK MANAGEMENT

According to relevant regulations of stock corporation and commercial laws the SINGULUS TECHNOLOGIES AG is subject to special requirements with respect to an internal risk management system. The relevant monitoring system is adjusted to the respective current developments. During the course of the Supervisory Board meeting on November 9, 2016 the Supervisory Board was informed by the Executive Board about the risk management systems and assessed the efficiency of the system with regard to contents. The Supervisory Board regards the monitoring system of the SINGULUS TECHNOLOGIES AG as constructive and satisfactory and shares the risk assessment of the Executive Board in all aspects (the Risk Report can be found on page 76 of the Annual Report 2016).

During the second half of the past business year, Executive and Supervisory Board members participated in a workshop for the implementation of the compliance guidelines in practice. In this connection, the Supervisory Board has assured itself that the Executive Board has set up an appropriate compliance system.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS AS WELL AS STATUS REPORT

The audited financial accounts of the SINGULUS TECHNOLOGIES AG, the audited consolidated financial statements as well as the combined status report as of December 31, 2016 were subject of the Supervisory Board meeting on March 14, 2017 concerning the adoption of the financial statements. The Executive Board has drawn up the financial statements and the status report of the SINGULUS TECHNOLOGIES AG for the business year 2016 pursuant to the regulations of the German Commercial Code (HGB) and the German 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 respective 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 auditor KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main (KPMG), 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.

The members of the Supervisory Board were provided with the audited financial results, the combined status report as well as the audit report of KPMG for review in a timely manner. During the meeting on March 14, 2017 the responsible auditors were present, who explained the results of the audit and answered the questions of the Supervisory Board members in detail.

The Supervisory Board extensively continued to discuss the financial statements, the consolidated financial statements, the combined status report as well as the audit by the auditor and did not have any objections. The financial statements and the combined status report did not deviate materially from the interim reports of the Executive Board to the Supervisory Board. The assumptions, on which the going-concern assumption rested, as well as the consequences drawn by the Executive Board and KPMG, were discussed once again. Requests by members of the Supervisory Board were answered by the Executive Board and by present auditors with due elaborateness.

There were no objections on part of the Supervisory Board regarding the annual accounts of the SINGULUS TECHNOLOGIES AG, the consolidated financial statements and the combined status report as of December 31, 2016 as well as regarding the audit by KPMG.

In its meeting on March 14, 2017 the Supervisory Board approved the financial statements of the SINGULUS TECHNOLOGIES AG drawn up by the Executive Board, the consolidated financial statements and the combined status report. Accordingly, the annual financial statements and the consolidated financial statements have been adopted.

The Supervisory Board would like to thank the Executive Board and all employees for their great commitment in the past business year 2016 and wishes success for the business year 2017.

Kahl am Main, in March 2017

Dr.-Ing. Wolfhard Leichnitz
Chairman of the Supervisory Board

The Executive Board

Letter to Shareholders

Dear shareholders of the SINGULUS TECHNOLOGIES AG, dear Ladies and Gentlemen, in 2016, SINGULUS TECHNOLOGIES has made a big step forward.

In the upcoming Solar division, the company was able to win its biggest order in the company's history with a volume of about EUR 110 million. In addition, in the past year the financial restructuring of our company, which already started in 2015, was successfully implemented and concluded in all aspects. Therefore, we are further progressing on the path to reposition SINGULUS TECHNOLOGIES and to solidly establish the company in new markets outside of the optical disc market. This transformation has not yet been completed and it is still associated with risks and potential setbacks. However, we as the Executive Board see the potential and opportunities for our company. We are convinced to follow the right path successfully and will continue this to the full extent.

In the following, we would like to present the key events in the past business year and to elaborate on our perspective. In this connection, we will provide details regarding the two most influencing events, namely the signing of six delivery contracts for machines for the production of CIGS solar modules with two subsidiaries of the Chinese state-owned enterprise China National Building Materials, Beijing, China (CNBM), during the course of the PV trade fair SNEC 2016 in Shanghai, China as well as the successful implementation of the financial restructuring.

Economic situation of the company and trends within individual segments

In the past couple of years, we have progressed the positioning of SINGULUS TECHNOLOGIES in the photovoltaics markets for both thin-film as well as crystalline cell technologies. The conclusion of the major orders over six contracts for the delivery of machines to two different factory sites in China for the production of CIGS solar modules includes a volume in excess of about EUR 110 million and was thus a direct success of this strategy. The customer CNBM is a Chinese state-owned enterprise and one of the largest Chinese building material groups with reportedly sales of more than EUR 40 billion and more than 250,000 employees. CNBM has strongly expanded its activities in the areas of wind power and photovoltaics in the past couple of years and is one of the largest manufacturers of high-transparency front glasses for solar modules. The Chinese government pursues an ambitious program to expand solar energy and the growth plans for CNBM are an essential component of this governmental strategy. For many years, we have been working closely with the German subsidiary, the Avancis GmbH, Torgau, and we regard CNBM as a reliable and strong partner for our further growth plans in the area for CIGS technology. Half of the machines ordered for the first factory site are already being constructed and assembled. The prepayments for the machines for the second factory site are expected for the first half of 2017. Accordingly, the timely implementation of this second half of the major order will be realized.

Overall, we see promising interest for the CIGS technology, in particular from China, where additional large CIGS projects are started in 2017 by several major corporations. However, there is also increasing interest for the industrial manufacturing of thin-film solar modules on the basis of CIGS from other parts of the world. Therefore, we expect additional orders for our CIGS production machines from other customers in the coming quarters.

Dr.-Ing. Stefan Rinck
With effect from September 1, 2009 Dr.-Ing. Stefan Rinck was appointed as member of the Executive Board of the SINGULUS TECHNOLOGIES AG. Since April 1, 2010 he has been Chief Executive Officer and is responsible for the departments Production, Marketing & Sales, Technology, Research & Development as well as Strategy and International Activities. In addition, Dr.-Ing. Rinck is a member of the Main Executive Board of the VDMA and Chairman of the Committee for Research and Innovation.

Dr.-Ing. Stefan Rinck (born 1958) studied Engineering with a Major in Production Technology at the Rheinisch-Westfaelischen Technischen Hochschule (RWTH) in Aachen where he received a PhD.

Dipl.-Oec. Markus Ehret
Dipl.-Oec. Markus Ehret was appointed ChiefFinancial Officer of the SINGULUS TECHNOLOGIES AG as of April 19, 2010. He heads the departments Finance, Controlling, Investor Relations, Human Resources, Procurement and IT.

Markus Ehret (born 1967) studied at the University Hohenheim, Stuttgart and at the University of Massachusetts, US, from 1988 until 1994 and received a graduate degree as Diplom-Ökonom (Graduate Economist).

In the market for crystalline cell technology our focus rests an new high-performance cells of the next generation (amongst others heterojunction solar cells), which will dominate the next large investment cycle according to general expectations by market researchers. For the production of heterojunction solar cells, we have reached a leading market position with our wet-chemical etching and cleaning machines SILEX II and will expand this position consistently. We were already able to sell more than 30 of these systems to customers in Europe, the US and China. Additional projects in the area of heterojunction solar cells are being prepared and suggest a successful conclusion in the current business year.

With our forceful focus on the two key areas of photovoltaics, we still pursue a clear growth strategy in the Solar division. However, this segment also has to achieve satisfactory business volumes in the coming quarters so that the company can operate economically successfully and to grow sustainable.

The machine types TIMARIS and ROTARS, which we have developed for our customers in the Semiconductor division, reach the highest standard of vacuum coating technology (physical vapor deposition, PVD), which is currently worldwide achievable in this industry. Here, in the past couple of years SINGULUS TECHNOLOGIES has been able to sell several machines to research institutes and other large semiconductor manufacturers for their development departments. With these customers SINGULUS TECHNOLOGIES works on the development of ultra-thin magnetic layers for applications such as sensor technology, Microsystems (MEMS), in magnetic storage components (MRAM) as well as extreme ultra-violet (EUV) technology. This high level of competence in the construction of these machines lays the foundation for good opportunities in the future, if one of the technologies will be introduced for the mass production for consumer markets in the range of automotives, medical technology or consumer electronics. Consequently, we will further advance this technology, the efficiency of the machines as well as projects and thus the entire segment.

In our former core segment Optical Disc, the stagnating production volumes for Blu-ray Disc caused a weak market for new production machines. This will also continue for the traditional Blu-ray Discs. Here, we only project smaller replacement investments. The introduction of the new Blu-ray Disc format "Ultra HD Blu-ray" has not provided significant stimulus for additional investments in new production equipment up to now, either. We are in talks with all key disc manufacturers. However, we currently only see limited willingness of customers to invest in first production machines for Ultra HD Blu-ray. Only our large installed base of still thousands of machines, on which billions of CDs, DVDs and Blu-ray Discs are still produced annually, provide for stable revenues in this market from service and replacement part activities.

Outside our core markets, we have initiated new product lines as well as research and development activities. In particular, our first fully-automated coating line for three-dimensional plastic parts under the name DECOLINE II should be emphasized. They were delivered, installed and successfully accepted by the customers in 2016. The range of applications of this production line includes mass consumer products, such as cosmetics, automobile parts and numerous other 3D components.

Of course, we are developing other machines for the expansion of vacuum thin-film and plasma coating, for wet-chemical processes or thermal surface treatment in diverse application areas, in which we should expect attractive sales markets in the next couple of years due to our projects with customers as well as on the basis of the most current market research. Our goal is then for SINGULUS TECHNOLOGIES to attain a market leading position in the respective markets.

Financial restructuring of the company in 2016

The financial restructuring of the company tied up a lot of time and resources within the company in the business year 2016. The successful completion forms the basis for SINGULUS TECHNOLOGIES to be regarded as a stable and long-term partner in the market. This in turn is the foundation for a sustainable positive development of our company. Due to the significance for you as our shareholders, in the following we would like to shortly describe the key steps of the financial restructuring from the Executive Board's point of view.

During the first half of 2016 SINGULUS TECHNOLOGIES was able to already complete the financial restructuring of the corporate bond due in March 2017 as far as possible. The second bondholder meeting of the SINGULUS TECHNOLOGIES AG with respect to the former bearer certificates of partial debenture, which were issued in 2012, had already resolved the restructuring of this bond on February 15, 2016. This was also approved by our shareholders on February 16, 2016 in the course of an extraordinary general meeting. With the resolution, s the basic foundation for the implementation of the restructuring concept was laid. The concept mainly provided for the exchange of the old SINGULUS bond into new shares of the company as well as new bearer notes of the secured bond, which was newly issued in the meantime. As a final step of the financial restructuring, SINGULUS TECHNOLOGIES had issued 2,021,938 new shares for a subscription price of EUR 3.25 per new share during the second half of the year in the course of the subscription right capital increase. All shareholders were offered a subscription right with a ratio of 3 : 1. In addition, the existing shareholders had the right of oversubscription. All of the offered shares were subscribed through the *execution of subscription rights and the oversubscription of subscription right holders. The entry of the implementation of the capital increase into the commercial register was effected on October 7, 2016. The nominal capital of the company of EUR 6,065,814 was increased by EUR 2,021,938 by this to then EUR 8,087,752. (For further information regarding the restructuring of the company please refer to pages 50 to 52 within the Status Report.)*

The Future – our Expectations

The strategy of our company is aimed at utilizing our core competencies in processing technology and engineering to gain additional market share in our key markets – in particular Solar – through innovative engineering and machine concepts. In our Solar division we have already established ourselves as a supplier for machines for the manufacturing of new, efficient cell concepts in the past year and we will continue to expand this position. Through the integration of our experience in vacuum coating technology, plasma technology as well as the wet-chemical and thermal process technologies into new concepts for high-performance solar cells, we develop clear competitive advantages for our machines, which in turn help our customers to employ innovative and efficient production processes. Therefore, our customers' success pays off for them and will also increasingly transform our economic success in the future. In a globally growing energy market, which is ever more transitioning towards photovoltaics as an energy resource, we see high potential here in the medium-term and provide the technologic requirements and competence to play a significant role as a global technology provider.

We will make targeted use of our core competencies in the aforementioned technologies for the treatment of surfaces in the area of production equipment for semiconductors, consumer goods and electronic components. Here, the production processes are also becoming increasingly challenging from a technologic point of view and highly automated. We have developed solutions, provide them to the market and will further develop innovative concepts and machines. This will provide us with noticeable competitive advantages in the coming years and will make us successful in the future accordingly.

Dear ladies and gentlemen!

The financial restructuring was successfully completed and we are well positioned for a favorable development of our operating activities, which we envisage in particular in the growth market Solar in the near future.

For the business year 2017, the company thus expects a doubling of sales compared with the prior year 2016 and a positive operating result (EBIT) as well as correspondingly improved earnings before depreciation and amortization (EBITDA). Our forecast for the full-year targets 2017 mainly rest on the assumptions that the work for the second production site for CNBM will commence in a timely manner during the first half of the year and that we will be able to realize our expected additional orders for production machines in the Solar division, especially in the area of wet-chemical equipment. Correspondingly, the forecasts assume a substantial expansion of sales in the segment Solar. Furthermore, the Semiconductor and Optical Disc division should improve compared with the previous year.

The path, which we have chosen in the past couple of years, is opening up for us and we expect that we will be able to successfully proceed. The entire company is determined to follow this path and to tactically realize the opportunities presented. Therefore, the Executive Board and all employees of SINGULUS TECHNOLOGIES continue to jointly work on these goals with great commitment to make SINGULUS TECHNOLOGIES successful and thus profitable once again.

Kahl am Main, in March 2017

Best regards,

SINGULUS TECHNOLOGIES AG

Dr.-Ing. Stefan Rinck
Chief Executive Officer, CEO

Dipl.-Oec. Markus Ehret
Chief Financial Officer, CFO

Corporate Governance Report

The SINGULUS TECHNOLOGIES AG highly values proper and responsible corporate governance within the context of the guidelines of appropriate corporate governance.

For the Executive and Supervisory Boards this means leadership and management of the company aligned for the long-term success. Corporate governance aims to safeguard a targeted and efficient cooperation between Executive Board and Supervisory Board, the respect for the interests of our shareholders and employees, the suitable handling of risks and transparency as well as a responsibility for all corporate decisions. The Executive and Supervisory Boards regard corporate governance as a process integrated into the company's development, which is constantly progressed.

There is a close connection with regard to content between the Corporate Governance Report pursuant to Art. 3.10 of the German Corporate Governance Code in its currently amended version as of May 5, 2015 (the Code) and the Declaration of Corporate Governance pursuant to Art. 289a of the German Commercial Code (HGB). For this reason, the Executive and the Supervisory Board of the SINGULUS TECHNOLOGIES AG together make the declaration in this connection.

CORPORATE GOVERNANCE DECLARATION PURSUANT ART. 289A HGB

The Corporate Governance Declaration pursuant to Art. 289a HGB includes the declaration of conformity pursuant to Art. 161 of the Germany Stock Corporation Act (AktG) (below 1.), relevant information about the corporate governance practices exceeding legal requirements (below 2.), a description of the composition and work processes of Executive and Supervisory Board (below 3.) and the declaration pursuant to Art. 76 Para 4 and Art. 111 Para. 5 AktG and the information, whether determined targets were achieved or not as well as the respective reasons (below 4.).

The corporate governance declaration pursuant to Art. 289a HGB is part of the status report. Pursuant of Art. 317 Para.2 Sent 4 HGB, the information pursuant to Art. 289a HGB is not included in the statutory audit.

1. Declaration of conformity pursuant to Art. 161 Para. 1 AktG

Pursuant to Art. 161 Para. 1 AktG the members of the Executive and Supervisory Boards of an exchange-listed stock corporation have to make annual declarations that the recommendations of the Code have been and is adhered to or which recommendation have not been or are not followed and state the reason for this. Each deviation from the recommendation of the Code has to be justified in detail. The declaration of conformity should be permanently publicly available on the company's website.

The members of the Executive and Supervisory Boards have extensively dealt with the recommendations of the Code and in January 2017 resolved the following declaration of conformity pursuant to Art. 161 Para. 1 AktG and published the declaration on the company's website under www.singulus.de.

"The last declaration of conformity was published in January 2016 on the basis of the German Corporate Governance Code (the Code) amended as of May 5, 2015. Except for the following deviations the SINGULUS TECHNOLOGIES AG (the Company) adhered and adheres to the Code effective at the relevant times:

1. As long as the Supervisory Board is comprised of three members, there were and will not be committees (cf. No. 5.3.1, 5.3.2 and 5.3.3 of the Code), since a proper fulfillment of the tasks of the Supervisory Board can only be achieved in a plenary meeting of the three-person Supervisory Board. In this case, committees will neither provide 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. In addition, corporate law provides that decision-making Supervisory Board committees have to have at least three Supervisory Board members. For this reason a delegation of tasks is not reasonable, either.

2. The Supervisory Board does not set a statutory limit for the time of membership to the Supervisory Board (cf. Art. 5.4.1 Para. 2 of the Code). The Supervisory Board does not deem a limit to be reasonable. The members of the Supervisory Board should exclusively be appointed based on expertise and qualification. The members are to advise and monitor the Executive Board in a competent and efficient manner. The company shall also have at its disposal the expertise of experienced and reliable members of the Supervisory Board. A statutory limit for the time of membership would unduly restrict the flexibility with respect to appointments and the number of potential candidates.

Except for the aforementioned deviations the SINGULUS TECHNOLOGIES AG adheres to the recommendation of the German Corporate Governance Code as amended as of May 5, 2015 and will adhere to them in the future as well.

Kahl am Main, January 2017

Dr.-Ing. Wolfhard Leichnitz
Chairman of the Supervisory Board

Christine Kreidl
Deputy Chairwoman of the Supervisory Board

Dr. rer. nat. Rolf Blessing
Member of the Supervisory Board

Dr.-Ing. Stefan Rinck
Chief Executive Officer, CEO

Dipl.-Oec. Markus Ehret
Member of the Executive Board Finance, CFO

2. Relevant information with regardd to corporate governance

MANAGEMENT STRUCTURE

The SINGULUS TECHNOLOGIES AG as a German corporation is subject to German Corporate Law and is thus comprised of a two-tiered management and monitoring structure consisting of Executive Board and Supervisory Board. The Executive Board manages the company and is responsible for the company's strategy, accounting, finances and development. It is advised and monitored by the Supervisory Board.

On the basis of the reports by the Executive Board the Supervisory Board discusses the business trends and planning, the corporate strategy and its implementation. Significant decisions by the Executive Board such as major acquisitions and financing measures are subject to the Supervisory Board's approval according to the bylaws for the Executive Board. It issues the audit mandate for the auditor elected at the Annual General Meeting and is informed about the audit. After its own review the Supervisory Board adopts the annual reports and the consolidated financial statements.

Against the background of the Directive 2014/56/EC with regard of the amendment of the "Auditor Directive" (Directive 2006/43/EC) as well as the Regulation (EC) No. 537/2014 with regard to the specific requirements to the statutory audit of public-interest entities, the Supervisory Board has resolved a respective amendment of the bylaws for the Supervisory and Executive Boards as of January 1, 2017. The legal changes include (i) the prior approval by the Supervisory Board of non-auditing services, which are to be provided by the auditor, (ii) the requirements with regard to the qualification of members of the Supervisory Board and (iii) the selection process of auditors to be appointed in the future. On January 26, 2017 the Supervisory Board resolved guidelines, according to which certain kinds of non-auditing services in general are approved and the Board resolved the set-up of a clearing position monitoring the adherence to the guidelines. In addition, the appointment of an auditor for non-auditing services, which are not generally approved by the guidelines in advance, is subject to the approval by the Supervisory Board.

The Executive Board currently consists of two members, the Supervisory Board of three members. The SINGULUS TECHNOLOGIES AG is not subject to the Co-Determination Act. Due to the company's size and to ensure efficient work, both boards currently only meet the legally required minimum in terms of members.

COMPLIANCE MANAGEMENT

For the Executive Board and the Supervisory Board of the SINGULUS TECHNOLOGIES AG, the adherence to extensive compliance is an essential prerequisite for a sustainable economic success. In addition to the recommendations of the Code, which the SINGULUS TECHNOLOGIES AG to a large extent follows, the Ethics Code of the SINGULUS TECHNOLOGIES Group is another relevant, company-wide applied corporate governance principle, which exceeds the legal requirements. The Ethics Code was adopted by the Executive and Supervisory Boards in spring 2014 and since then has been implemented group-wide in several steps. The relations within the company, but also with external business partners, shareholders and the public are subject of the Ethics Code. It includes binding internal rules, which are subject to high ethical and legal standards. In this context, the Ethics Code focuses on integrity in the conduct with business partners, employees, shareholders and the public.

The goal of the Ethics Code is to inform all employees of the SINGULUS TECHNOLOGIES AG about the key compliance issues (competition regulations, corruption, handling of conflicts of interest, money laundering, embargo and trade restriction rules, data security, media and public affairs, workplace safety). This Ethics Code is supported by action guidelines to the Ethics Code, which amongst others includes rules regarding the granting and acceptance of gifts, and action guidelines for whistle-blower, which governs specifics with regards to reporting of misdemeanor and illegal, immoral or inappropriate activities within the SINGULUS TECHNOLOGIES Group. In case of actual or suspected compliance breaches, employees of the SINGULUS TECHNOLOGIES AG can report to their superiors or to the ombudsperson at SINGULUS TECHNOLOGIES.

During the second half of the past business year, Executive and Supervisory Board members participated in a workshop covering the topics "Liability prevention through compliance management system" and "Implementation of the compliance guidelines in practice".

3. Composition and work processes of Executive and Supervisory Boards.

CLOSE COOPERATION OF EXECUTIVE AND SUPERVISORY BOARDS

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. This holds particularly true in the economically difficult business situation, to which the SINGULUS TECHNOLOGIES Group is currently exposed to. The business year 2016 was impacted by the implemented financial restructuring. The business year started with the resolutions of the bondholders' meeting and the extraordinary general meeting with regard to the financial restructuring and was followed by the subsequent implementation of the resolved corporate actions. In addition, in the first half of the business year 2016 the expected major order for production machines for CIGS solar cells was concluded. Accordingly, the cooperation between the Executive and Supervisory Boards was particularly pronounced. The basis of the information and monitoring activities of the Supervisory Board is the detailed monthly reporting. Additional, written and oral reports of the Executive Board, by other employees, the auditors as well as by external consultants supplement the reporting. Furthermore, the Chairman of the Supervisory Board regularly discusses the situation and the future development of the company during individual talks with the Executive Board and subsequently informs the other members of the Supervisory Board about these discussions. The reports are reviewed and discussed within the Supervisory Board and also jointly with the Executive Board. According to the bylaws of the Executive Board, significant business decisions are subject to the approval by the Supervisory Board. Overall, there were fifteen Supervisory Board meetings in the business year 2016, of which seven were meetings in present.

MEMBERS AND WORK OF THE EXECUTIVE BOARD

The Executive Board of the SINGULUS TECHNOLOGIES AG is currently comprised of two members. It is the management body of the company. In managing the company, the Executive Board is solely obligated to the interests of the company and follows the goal of a sustainable increase in the enterprise value as well as the interests of the shareholders and of the employees.

The current members of the Executive Board are Dr.-Ing. Stefan Rinck and Mr. Markus Ehret. Since April 1, 2010 Dr.-Ing. Stefan Rinck is the Chief Executive Officer, Mr. Markus Ehret is member of the Executive Board of the SINGULUS TECHNOLOGIES AG since April 19, 2010. The employment contract of Dr.-Ing. Stefan Rinck expires on August 31, 2017 and was already renewed in January for another five years, Mr. Markus Ehret's contract has a term until December 31, 2019.

As Chief Executive Officer, Dr.-Ing. Stefan Rinck is responsible for the departments Production, Marketing & Sales, Technology, Research & Development as well as Strategy and International Operations. Mr. Markus Ehret is responsible for the areas Finance, Controlling, Investor Relations, Human Resources, Procurement and IT.

MEMBERS AND WORK OF THE SUPERVISORY BOARD

The Supervisory Board of the SINGULUS TECHNOLOGIES AG is comprised of three members. No employee representative is a member of the Supervisory Board. The cooperation of the Supervisory Board was characterized by efficiency, professional competence and trust.

The Supervisory Board is currently comprised of Dr.-Ing. Wolfhard Leichnitz, Ms. Christine Kreidl WP/StB and Dr. rer. nat. Rolf Blessing. On August 31, 2016, the ordinary general meeting of the company reappointed the aforementioned persons to the Supervisory Board. Dr.-Ing. Wolfhard Leichnitz, who has been a member of the Supervisory Board since 2009 (Chairman since 2011), was once again appointed as Chairman of the Supervisory Board in the course of the constituting Supervisory Board meeting. Ms. Christine Kreidl, WP/StB, who is a member of the Supervisory Board since 2012 (Deputy Chairwoman since June 18, 2013), was reappointed by the Supervisory Board as Deputy Chairwoman. Dr. rer. nat. Rolf Blessing is a member of the Supervisory Board since 2011. Each appointment is effective until the completion of the Annual General Meeting, which resolved about the discharge for the fourth business year after the start of the mandate, while the business year, in which the mandate starts, is not included.

The Supervisory Board continued to refrain from forming an audit committee or other committees in the fiscal year 2016, because according to its assessment there is neither an increase in efficiency to be expected nor an improved handling of complex issues nor a more efficient or improved execution of tasks of the Supervisory Board in connection with issues about accounting principles, risk management or the audit. In addition, corporate law provides that decision-making Supervisory Board committees have to have at least three Supervisory Board members. For this reason, a delegation of tasks is not reasonable, either.

In order to more flexibly set the tenure of the members of the Supervisory Board, the ordinary general meeting on August 31, 2016 amended Art. 9 No. 9.2 Sent. 1 of the bylaws of the company as follows: "As long as the general meeting does not resolve a shorter tenure with respect to the appointment of individual members of the entire Supervisory Board, the members of the Supervisory Board are appointed until the conclusion of the ordinary general meeting, which resolves the discharge for the fourth business year after the start of the tenure." Accordingly, in the future members of the Supervisory Board can also be appointed for shorter tenures.

The Supervisory Board met in fifteen meetings in the business year 2016. The Supervisory Board regularly reviews the efficiency of its work. For detailed information about the work of the Supervisory Board in the business year 2016 please refer to the Report of the Supervisory Board on pages 8 to 17 of the Annual Report.

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

All members of the Supervisory Board are independent in the meaning of the Code. No conflicts of interests of members of the Supervisory Board arose during the period under review.

4. Reporting pursuant to Art. 289a Para. 2 No. 4 HGB

As an exchange-listed and non-codetermination stock corporation, the SINGULUS TECHNOLOGIES AG is obligated to define specific targets for the company with regard to the so-called women's quota and to resolve these targets by September 30, 2015 as well as publish them as part of the status report for the business year. The target for the Supervisory Board and the Executive Board has to be determined by the Supervisory Board pursuant to Art. 111 Para. 5 AktG and the targets for the management levels below these boards by the Executive Board pursuant to Art. 76 Para. 4 AktG. The first-time targets may not exceed the period until June 30, 2017.

Within the time limit, the Supervisory Board has set a target for the women's quota with regard to the Executive and Supervisory Boards and determined a deadline for the targets by June 30, 2017. At the time of the determination and also currently the Executive Board of the SINGULUS TECHNOLOGIES AG is comprised of two members with no female members. The Supervisory Board did not plan changes in the composition of the Executive Board nor an increase of the number of members before June 30, 2017 and thus set the target for the women's quota at 0 %. At the time of the determination and also currently the Supervisory Board of the SINGULUS TECHNOLOGIES AG is comprised of three members with one female member. The Supervisory Board intended to maintain a women's quota of 33 % and therefore determined the target for the women's quota of the Supervisory Board to 33 %.

The Executive Board has already employed women in management positions for years, if they have the professional and personal qualifications. Accordingly, two of the four authorized representatives of the SINGULUS TECHNOLOGIES AG are female. The Executive Board has set targets for the share of women at the first management level below the Executive Board to 30 % (currently: approx. 31 %) and to the second management level below the Executive Board to 20 % (currently: approx. 17 %) by June 30, 2017.

5. Additional corporate governance information

TRANSPARENCY AND COMMUNICATIONS

The Executive Board publishes potentially share price-relevant information concerning the SINGULUS TECHNOLOGIES AG immediately unless the company is being exempt in individual cases. All adhoc announcements published in 2016 as well as the insider information required to be published pursuant to Art. 17 MAR after taking effect of the Market Abuse Regulation (EC) 596/2014 on July 3, 2016 ("MAR") are accessible on the company's website. In addition, the company keeps an insider register pursuant to Art. 18 MAR, which includes all people with access to insider information. These persons are regularly informed in detail about the resulting legal obligations.

The SINGULUS TECHNOLOGIES AG makes sure that the shareholders of the company are able to gain timely and extensive access about the situation of the company through the information provided on its internet website. The SINGULUS TECHNOLOGIES AG reports about its business trends and the financial and earnings situation to its shareholders four times during the business year. All financial reports, current company presentations, the corporate calendar as well as ad-hoc announcements, Directors' Dealings_ pursuant to Art. 19 MAR and voting right announcements pursuant to Art. 21ff. WpHG are published under www.singulus.de in the segment Investor Relations. To improve transparency and to support the stock price the SINGULUS TECHNOLOGIES AG held several analyst conferences and numerous one-on-one discussions with investors.

Also, all reports and documents concerning corporate governance including the declaration of conformity to the German Corporate Governance Code, an internet link to the full text of the code itself and the articles of the SINGULUS TECHNOLOGIES AG as well as the invitations to the Annual General Meetings and resolution results can be accessed through SINGULUS TECHNOLOGIES' website under "Investor Relations".

The Annual General Meeting of the SINGULUS TECHNOLOGIES AG is usually held during the first half of the year. Notwithstanding this, during the business year 2016 the ordinary general meeting of the SINGULUS TECHNOLOGIES AG only took place on August 31, 2016. The reason for this was that the company decided to await the implementation of the measures for the bond restructuring and the reorganization of the capital structure, which was resolved by the bondholders' meeting on February 15, 2016 and the extraordinary general meeting on February 16, 2016. Since these corporate actions have resulted in a profound change in the shareholder structure, the former bondholders, who had become shareholders in the meantime, were given the opportunity to participate in the Annual General Meeting due to the postponement of the meeting until August 2016 and also to take part in the then upcoming appointments to the Supervisory Board and of auditors. The deadline of eight months after the conclusion of the fiscal year for holding an annual general meeting pursuant to Art. 175 Para. 1 Sent. 2 AktG was complied with.

With the use of electronic forms of communication, in particular the internet and email, the Executive Board facilitates the shareholders' participation in the Annual General Meeting and enables them to exercise their voting rights by representatives. In addition, the Executive Board may allow the shareholders to exercise the voting rights in written form and through electronic media without having to participate in the Annual General Meeting in person. All reports, annual financial reports and other documents, which have to be provided to the Annual General Meeting, as well as the agenda of the Annual General Meeting and counter-motions, if applicable, can be downloaded via the internet.

ACCOUNTING PRINCIPLES AND AUDIT OF FINANCIAL ACCOUNTS

The consolidated financial statements and the interim reports of the SINGULUS TECHNOLOGIES Group are drawn up in accordance with the International Financial Reporting Standards ("IFRS") applicable in the European Union as well as in accordance with the commercial law regulations pursuant to Art. 315a Para. 1 HGB. The individual financial statements of the SINGULUS TECHNOLOGIES AG are drawn up according to HGB and AktG principles as well as supplementary requirements according to the bylaws. The annual financial statements and consolidated statements for the business year 2016 drawn up by the Executive Board were audited by the auditor KPMG AG, Frankfurt am Main. The Supervisory Board reviewed the statements and the audit and adopted them. Important aspects were discussed with the Supervisory Board and the reports were approved by the board before publication.

Interim reports are published within 45 days after the respective end of the quarter. The consolidated financial statements and the annual financial statements are made publicly accessible within 90 days after the end of the respective business year. Half-year and quarterly financial reports are not subject to an audit.

The Annual Report for the business year 2016 and the interim reports are published on SINGULUS TECHNOLOGIES AG's website.

COMPENSATION OF EXECUTIVE AND SUPERVISORY BOARD MEMBERS

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. In addition, also the contributions to pensions, which are based on a defined contribution scheme, are disclosed individually. The details are set forth in the Compensation Report, which is part of the Status Report and supplements this

Corporate Governance Report. The Compensation Report lays out the compensation and the compensation scheme for the Executive Board in detail and also explains the design of the compensation components with long-term incentives. In addition, the remuneration of the members of the Supervisory Board is stated individually. The Compensation Report can be found on pages 92 to 103 of this Annual Report.

SHAREHOLDINGS AS WELL AS REPORTABLE SECURITIES' DEALINGS OF EXECUTIVE AND SUPERVISORY BOARD MEMBERS

1. Shareholdings of Executive and Supervisory Board members

No member of the Executive or Supervisory Board holds directly or indirectly a share of the nominal capital of the company exceeding 1 %.

The following members of the Executive and Supervisory Board held directly or indirectly shares in the SINGULUS TECHNOLOGIES AG as of December 31, 2016:

	December 31, 2016	December 31, 2015
Supervisory Board		
Dr.-Ing. Wolfhard Leichnitz	245	39,344
Executive Board		
Dr.-Ing. Stefan Rinck, CEO	122	19,619
Dipl.-Oec. Markus Ehret, CFO	**43**	**7,000**

The sitting members of the Executive and Supervisory Boards did not hold subscription rights through stock options or convertible bonds as of December 31, 2016.

2. Directors' Dealings

Pursuant to Art. 15a WpHG old version and since July 3, 2016 pursuant to Art. 19 MAR, members of the Executive and Supervisory Boards or related parties were and are obligated to report transactions in shares (since July 3, 2016: also debt securities) of the company or in associated derivatives or other related financial instruments, if the total volume of the transactions made within a calendar year meets or exceeds (since July 3, 2016: exceeds) a total of EUR 5,000. The company was not notified of any relevant transactions for the business year 2016.

SINGULUS TECHNOLOGIES on the Capital Market

GENERAL ENVIRONMENT

The stock market year 2016 presented some political surprises. On June 23, 2016 Great Britain voted whether or not to remain in the European Union (EU). With a narrow majority, the EU opponents and Brexit supporters won. It is now expected, that the British government will submit a formal application in spring 2017 to leave the EU. The economic consequences for the United Kingdom and the EU cannot be assessed at this point in time.

On November 8, 2016 Donald Trump was elected the 45th President of the United States of America. The economic consequences of this political change also cannot be assessed at this point in time.

The US central bank FED has continued its interest hiking cycle. In Europe and Japan, key interest rates still remain at very low levels. The bond repurchases by the central banks were prolonged in both regions until the end of 2017. The divergence of the central bank policies has resulted in sustained strength of the US-Dollar.

While the German benchmark index DAX had fallen below the level of 9,000 points in February 2016, it was able to strongly recover again during the course of the year and ended the year at a level of 11,481 index points. This corresponds to a gain of nearly 7 % compared with the close of 10,740 at the end of 2015. However, the record level of DAX of nearly 12,400 point in April 2015 was not reached during the course of the year.

THE SINGULUS TECHNOLOGIES STOCK

Xetra close in €

THE SINGULUS TECHNOLOGIES STOCK

During the course of the year, the shares of SINGULUS TECHNOLOGIES were subject to great fluctuations due to the implemented capital restructurings. As a first corporate action, in June the nominal capital was reduced with a ratio of 160 : 1. Correspondingly, 160 old shares become one new share. Subsequently, a capital increase in kind was implemented, which exchanged the old SINGULUS bond into new SINGULUS shares and a new SINGULUS bond. Accordingly, the nominal capital of SINGULUS was increased from EUR 305,814 to EUR 6,065,814. In fall 2017, a cash capital increase was implemented, which increased the nominal capital of the company from EUR 6,065,814 by EUR 2,021,938 to currently EUR 8,087,752. The shares from the cash capital increase were placed at EUR 3,25 and improved the liquidity position of SINGULUS TECHNOLOGIES. Since the first-time trading of the new shares on October 12, 2016 the share price improved during the remainder of the business year 2016 and closed at EUR 4.21 on December 30, 2016. In January 2017 the stock price opened at EUR 4.74 and developed favorably. On March 14, 2017 the shares closed at EUR 7.22.

SHAREHOLDER STRUCTURE

as of March 14, 2017

VVG Familie Roland Lacher KG	16.24 %
Universal-Investment-Gesellschaft mit beschränkter Haftung (inkl. FPM Funds SICAV Luxembourg)	10.43 %
Prime Capital AG	4.85 %

SHARE INFORMATION

Shares à EUR 1, as of December 31, 2016

Shares outstanding	8,087,752
Nominal capital in EUR	8,087,752
ISIN	DE000A1681X5
WKN	A1681X
Exchange symbol	SNG/Reuters SNGG.DE/ Bloomberg SNG.NM
Instrument	Bearer common share with nominal value of EUR 1 each
Prime Standard	Technology

THE SINGULUS TECHNOLOGIES CORPORATE BOND

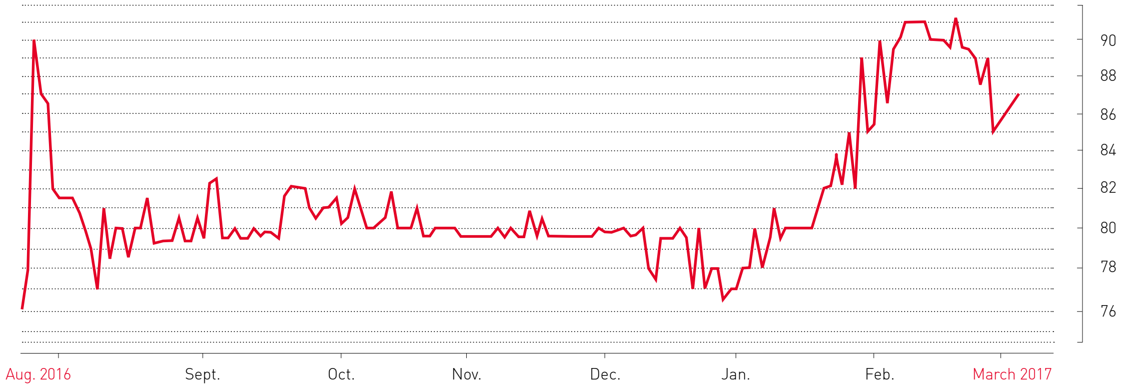
The bearers of the EUR 60.0 million 7.75 % bonds 2012/2017 of SINGULUS TECHNOLOGIES (overall the old SINGULUS bond) divided into 60,000 bearer notes with a nominal value of EUR 1,000 each, on February 15, 2016 in the course of the second bondholder meeting had resolved a financial restructuring of the old SINGULUS bond, which the Extraordinary General Meeting on February 16, 2016 also approved.

Trading in the old SINGULUS bond as well as the quotation at the Quotation Board of the Frankfurt Stock Exchange was halted after June 21, 2016. The cancellation of the bonds of the old SINGULUS bond and the transfer of the subscription rights for new shares of the SINGULUS TECHNOLOGIES AG and a purchase rights for new, secured bonds was effected on June 23, 2016.

The issuance and delivery of the new bond was effected on July 22, 2016. The quotation of the new bonds with WKN A2AA5H5 / ISIN DE000A2AA5H5 commenced on July 22, 2016. On March 14, 2017 the bond closed at 87 %.

PRICE OF SINGULUS TECHNOLOGIES CORPORATE BOND

Frankfurt Stock Exchange, %



Information about the new bond of the SINGULUS TECHNOLOGIES AG

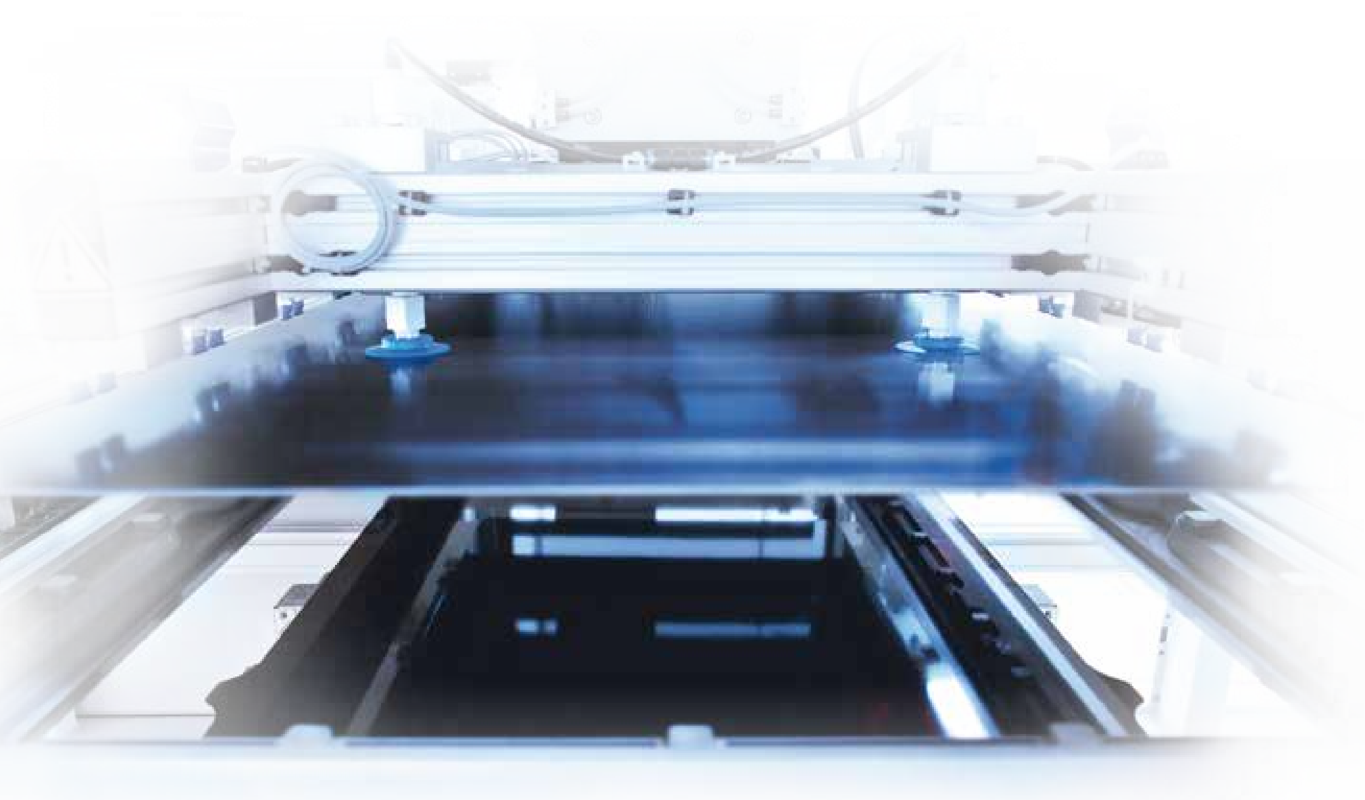
Exchange identifier	WKN A2AA5H/ISIN DE000A2AA5H5
Total nominal value	EUR 12,000,000.00
Issue date/Interest from	July 22, 2016
Face value	120,000 bearer notes with a nominal value of EUR 100.00 each
Coupon	Subject to early repayment, from interest period (including) until July 22, 2017 (excluding) with an interest rate of 3.00 % annually; → afterwards until July 22, 2018 (excluding) with an interest rate of 6.00 % annually; → afterwards until July 22, 2019 (excluding) with an interest rate of 7.00 % annually; → afterwards until July 22, 2020 (excluding) with an interest rate of 8.00 % annually; → afterwards until maturity (excluding) with an interest rate of 10.00 % annually. The interest payments will be made semi-annually retroactively on January 22 and July 22 each year, while the first interest payment will be made on January 22, 2017 and the final interest payment on the maturity date of the note.
Maturity	Subject to early repayment, the notes will be redeemed on July 22, 2021.
Termination	The issuer is entitled to terminate all outstanding notes entirely, but not partially, at any time with a notice period of at least 60 days and to redeem the notes in case of a redemption within twelve months of the interest period at EUR 103.00 per note and at any time thereafter at the early redemption price in the amount of EUR 100.00 per note, plus the accrued interest. Such a notice of termination is irrevocable. The terms of the bonds provide for additional termination options of the notes.

CONTINUING DIALOGUE WITH THE CAPITAL MARKET

The communication with private and institutional investors continues to have a high priority for the company. The annual general meeting held in Frankfurt am Main, the participation at several conferences, one-on-ones, road-shows as well as numerous publications are the key elements of the communication mix. SINGULUS TECHNOLOGIES presented the company at the German Equity Forum in Frankfurt in November 2016 and discussed the economic developments as well as the company's future goals with investors.

During the year 2016 the SINGULUS TECHNOLOGIES AG was covered by four analysts, who follow the company regularly and publish commentaries on current developments affecting the company.

In addition, all investors and interested parties are able to receive relevant information upon requests over the phone as well as through the investor relations section of the website www.singulus.de. Amongst others, the company's current presentations are published and available for downloading The Annual Report as well as all of the interim report are also available as online versions.



02

CISARIS

SELENISATION FURNACE FOR CIGS SOLAR MODULES

The CISARIS selenisation furnace is an inline rapid thermal processing equipment, designed for the CIGS absorber formation on large area glass substrates.

COMBINED MANAGEMENT REPORT OF THE SINGULUS TECHNOLOGIES GROUP AND SINGULUS TECHNOLOGIES AG

The Company has exercised the option in accordance with § 315 (3) of the German Commercial Code (Handelsgesetzbuch, „HGB“) and published a combined management report for the SINGULUS TECHNOLOGIES Group and SINGULUS TECHNOLOGIES AG. The course of business, the Company‘s situation, and the risks and opportunities affecting the future development of SINGULUS TECHNOLOGIES AG and the SINGULUS TECHNOLOGIES Group broadly coincide, and, where not otherwise indicated, the following explanations, in particular the figures, refer to the SINGULUS TECHNOLOGIES Group.

Basis of the Group

SINGULUS TECHNOLOGIES GROUP BUSINESS MODEL

The SINGULUS TECHNOLOGIES Group's business activities center on developing, manufacturing, and marketing machinery and equipment in the fields of coating technology, surface engineering, and wet chemistry, as well as the associated business areas and services – including the various forms of sales financing. The Company's primary focus is currently on the solar, semiconductor, and optical disc sales markets as well as related areas of application in coating technology. External factors mainly relate to demand for new production equipment within these markets.

In the Solar segment, SINGULUS TECHNOLOGIES offers vacuum deposition equipment, systems for thermal processes, and equipment for the wet-chemical processing of crystalline, copper indium gallium diselenide (CIGS), and cadmium telluride (CdTe) thin-film solar cells. The field of activity of crystalline solar cells includes production solutions for high-efficiency solar cell concepts such as HJT (heterojunction), IBC (interdigited back contact), PERC (passivated emitter rear cell), and PERT (high-efficiency passivated emitter, rear totally diffused cell) solar cells. SINGULUS TECHNOLOGIES also markets complete crystalline silicon solar cell production lines in this segment.

In the Optical Disc segment, SINGULUS TECHNOLOGIES offers machinery to produce common optical disc formats (CD, DVD, dual-layer Blu-ray discs with a storage capacity of up to 50 GB as well as Ultra HD Blu-ray Discs with a storage capacity of up to 100 GB). The range of equipment is complemented by the global replacement parts and service business for several thousand installed machines.

In the Semiconductor segment, SINGULUS TECHNOLOGIES offers the TIMARIS and ROTARIS ultra-high-vacuum modular equipment platforms for the deposition of semiconductor wafers with complex functional coatings.

GROUP STRUCTURE

Group management, accounting, sales and all central functions are based at the location in Kahl am Main, where machinery and equipment is designed, constructed, and manufactured for all segments. SINGULUS TECHNOLOGIES develops and constructs production systems for wet-chemical processes at the Fürstenfeldbruck location.

SINGULUS TECHNOLOGIES has a sales and service network in all relevant global regions, enabling it to offer advisory and other services worldwide. Some subsidiaries in key regions are supplemented by a network of long-term tied agents.

GOALS AND STRATEGIES

Solar segment: clear growth strategy for the solar market

In 2016, SINGULUS TECHNOLOGIES continued to focus considerable resources on developing and launching new production technologies to manufacture new solar cell concepts for crystalline and thin-film solar technology.

The Company's objectives are focused on achieving technology leadership in the core Solar segment over the coming years and to further expand its current position in the CIGS solar market. SINGULUS TECHNOLOGIES' first priority for the coming years is to achieve a sufficiently large business volume in order to generate stable profit and increase the enterprise value.

The Company has established a strong position in the market for systems to produce high-efficiency crystalline solar cells such as heterojunction solar cells with its SILEX II wet-chemical processing system. It developed further system concepts for coating technology and wet chemistry in fiscal year 2016 and will launch these in 2017.

SINGULUS TECHNOLOGIES' strategy is based on leveraging and expanding its existing core competences. Areas of application include coating technology as well as surface engineering, wet chemistry, and the associated chemical and physical processes.

Optical Disc segment: Ultra HD Blu-ray – a niche market

Since fiscal year 2015, SINGULUS TECHNOLOGIES has offered a new production technology for next-generation discs – Ultra HD Blu-ray with a storage capacity of up to 100 GB. It is expected that the market for BLULINE III systems will only develop into a niche market. The first investments will be decided on in the current fiscal year. SINGULUS TECHNOLOGIES will continue to primarily focus its activities in this segment on the global replacement parts and service business for the equipment installed in previous years.

Semiconductors segment: high-tech production platforms

In the Semiconductor segment, SINGULUS TECHNOLOGIES continues to collaborate with research institutions and industry partners on the introduction of the new MRAM (magnetoresistive random-access memory) semiconductor application as well as other new applications, for instance in sensor technology. The Company is working on testing further applications in the area of semiconductors and offering the corresponding systems. SINGULUS TECHNOLOGIES plans to unlock new applications for the TIMARIS and ROTARIS systems over the coming years and in this way, increase the market presence. This segment is the Company's smallest by business activity and financial key performance indicators.

Developing new fields of activity

SINGULUS TECHNOLOGIES' core competence is vacuum thin-film deposition, wet-chemical processes, surface technology, and thermal process technologies. It combines innovative process technology with leading-edge precision engineering. The Company's strategy is to transfer this expertise to further markets. These include areas such as sustainable energy, entertainment, mobility, semiconductor technology and surface refinement for a comprehensive range of consumer goods. The goal for the coming years is to launch further machinery in various markets, especially the market for surface engineering equipment.

MANAGEMENT SYSTEM

The Group is divided into reporting segments for the purposes of corporate management. The Group is managed exclusively using financial key performance indicators. Group management uses revenue and EBIT (earnings before interest and taxes) by segment to facilitate decisions regarding the allocation of resources and to determine the segments' performance. Financing is monitored and managed at Group level.

RESEARCH, DEVELOPMENT AND DESIGN

The Research, Development and Design department employed an average of 75 people across the Group in the fiscal year 2016.

The Group's non-capitalizable development costs amounted to EUR 12.2 million in 2016 (previous year: EUR 6.9 million). In addition, costs in the amount of EUR 0.1 million were capitalized (previous year: EUR 4.3 million), primarily for the development of modular components. The capitalization rate stood at 0.8 % in fiscal year 2016 (previous year: 38 %). Amortization of capitalized development costs amounted to EUR 1.3 million (previous year: EUR 1.8 million).

Key development areas in 2016

The focus in fiscal year 2016 was again on the creation and development of process systems for the production of CIGS solar modules as well as high-efficiency crystalline solar cells. A new cathode sputtering system for coating heterojunction solar cells was developed in 2016.

In the field of wet chemistry, the Company worked on optimizing the new inline processing facilities for cleaning and texturing wafers (LINEX).

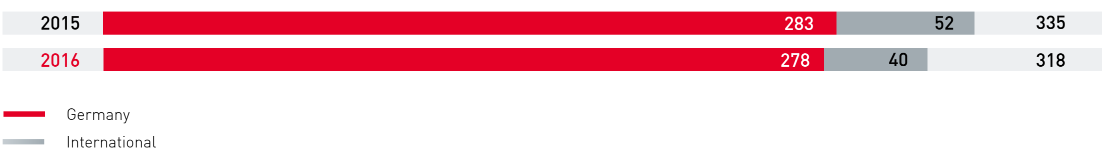
It presented a compact version of the DECOLINE II for finishing the surfaces of 3D parts that is suited to medium volumes.

HEADCOUNT

SINGULUS TECHNOLOGIES continued to pursue a conservative human resource (HR) policy in fiscal year 2016. The number of employees was therefore kept largely on a level with the previous year. HR policy focused on employee training and qualification.

The headcount in Germany remained more or less unchanged as of the end of the year, at 278 employees (previous year: 283 employees). Overall, the SINGULUS TECHNOLOGIES Group's global headcount declined to 318 employees (previous year: 335 employees).

EMPLOYEES AS OF DECEMBER 31



Report on Economic Position

MACROECONOMIC ENVIRONMENT

After a clear slowdown in the 2015/2016 winter half-year, the global economy picked up significantly in the second half of 2016. At 0.9 %, growth in global output in the third quarter of 2016 was even the highest rate in the last two and a half years according to the Kiel Institute for the World Economy (source: IfW – Kiel Institute for the World Economy). This was driven by an upturn in production in the United States. The situation also improved in the emerging economies. For instance, the Chinese economy again recorded much stronger growth in the summer half-year and the production downturn in Russia eased considerably. The IfW indicator for global economic activity in the fourth quarter of 2016 points to a further increase in economic momentum. The report anticipated growth of 1.7 % in the eurozone in 2016. Around the world, recent economic forecasts have brightened considerably, especially in the emerging markets. However, the Company's performance was largely independent of this trend, with the exception of a major order for the delivery of production equipment for CIGS solar cells.

SECTOR-SPECIFIC ENVIRONMENT

Market for solar cell production systems

The long-term development of the market for solar cell production systems is largely dependent on the cost of energy generated using photovoltaics. Lazard, a prominent international consulting firm from New York, USA, has published an updated study on the development of the levelized

Especially in hot climate zones of the world, CIGS solar modules offer an effective implementation of solar power in energy.

cost of energy (LCOE). In this study, Lazard found that the cost of solar is falling faster than other forms of energy. The cost of energy from photovoltaics declined by 11 % to between USD 46 and USD 61 per megawatt hour (MWh) in 2016, with the cost of thin-film solar slightly below that of energy from crystalline silicon.

This means that energy from photovoltaics costs less than fossil fuel technology. Combined cycle gas plants were still the cheapest at USD 48 to USD 78 per MWh. This is the second year in which Lazard has found that usable photovoltaic production is cheaper than energy from combined cycle gas plants or fossil fuels. The cost of photovoltaic technology is around half that of nuclear energy.

The global market continues to develop different types of solar cells and modules and produces monocrystalline, polycrystalline and thin-film modules. Today, crystalline solar cells relate to high-efficiency heterojunction cells as well as PERC and PERT cell formats. Thin-film solar technology is primarily broken down into CdTe and CIGS solar cells.

New photovoltaic modules grew by 50 % to 75 GW in 2016. This figure was also published on January 19, 2017 by the PV Market Alliance (PVMA), Brussels, Belgium, which was established in 2014 by Asia Europe Clean Energy (Solar) Advisory Co. Ltd. (AECEA) from Hong Kong, China, the Belgium Becquerel Institute from Brussels, Belgium, Creara from Madrid, Spain, and RTS Corporation from Tokyo, Japan. Photovoltaic systems installed worldwide therefore exceeded the 300 GW mark.

This includes the record expansion of 34 GW in China, which represents a 126 % increase year on year. In other words, 45 % of the newly installed photovoltaic capacity was in China.

The USA was second, adding around 13 GW in the past year. Japan installed photovoltaic systems with a total output of 8.6 GW in the previous year. In Europe, photovoltaic capacity increased by around 6.5 GW in 2016, particularly in the UK, Germany, Turkey and France.

Another major growth market is India, where 5 GW was installed in the past year. Other countries across all continents also recorded growing demand and became potential new sales markets.

SINGULUS TECHNOLOGIES' position in the solar market

SINGULUS TECHNOLOGIES concluded two precontracts for the delivery of production systems for CIGS solar modules with a subsidiary of state-owned China National Building Materials (CNBM) on May 24, 2016 during the SNEC PV Power Expo in Shanghai, China. The associated legally binding delivery agreements for the delivery of systems to produce CIGS solar modules were signed on May 28, 2016.

According to the precontracts, the orders to be placed include the delivery of CISARIS, VISTARIS and SELENIUS Hellenization and vacuum deposition equipment. The systems will be used at two different production locations and should have an output volume of around 150 MW each in the first expansion stage. Overall, the total order volume for SINGULUS TECHNOLOGIES is about EUR 110 million, split between the two Chinese production locations. The planned output volume at each location is approximately 300 MW. The customer aims to achieve this in a second expansion stage at each site.

The further development of the SILEX II etching and cleaning system in 2014 has since enabled the Company to achieve and expand its leading position in the market for systems to produce heterojunction solar cells. Several tier-one cell manufacturers (major solar cell manufacturers) are in project talks on further investments in this system. Around 30 of these systems have been sold to date.

In 2016, SINGULUS TECHNOLOGIES received orders from Hevel LLC, Novocheboksarsk, Russia (Hevel), one of the largest Russian photovoltaic manufacturers, to deliver production systems for high-efficiency solar cells (heterojunction). The signed agreements include SILEX II processing systems for wet-chemical processing, as well as other supply units required for a cell production line.

The systems and machines were delivered in late 2016. Revel plans to use the equipment to convert its production facilities in Russia to produce high-efficiency solar modules with an annual output of around 160 MW. The eastern European solar cell manufacturer will convert its existing setup for a-Si thin-film solar cells to production of the new high-efficiency heterojunction cells. Hevel's research center provides the process expertise needed to produce heterojunction solar cells.

SINGULUS TECHNOLOGIES has a good position in the CIGS solar cell market and can offer all key process steps. There is essentially only one competitor that offers turnkey production solutions for CIGS modules. Other competitors offer individual system concepts.

The market for the various crystalline cell formats is more complex. SINGULUS TECHNOLOGIES' wet-chemical products face high competitive price pressure. The Company is also subject to high competitive pressure both at a technical level and with respect to price for its range of vacuum deposition processes.

Development in the Optical Disc segment

British market research firm Futuresource Consulting, St Albans, UK, assumed that the market for Blu-ray discs stagnated or even declined slightly from 797 to 793 million discs in 2016. The relevant market research and publications (Digital Entertainment Group (DEG), Futuresource, German Association of Audio-visual Media *(Bundesverband Audiovisueller Medien)* assume that the consolidation will continue. In January 2017, the DEG reported that the new Ultra HD Blu-ray disc format saw good launch sales and that there are already around 110 films in this format. Approximately 300,000 Ultra HD Blu-ray players have been delivered in the USA to date. The launch of the next generation of discs – Ultra HD Blu-ray with a storage capacity of up to 100 GB – is still making slow progress.

However, changing consumer behavior and the global growth in online services is having a significant negative impact on demand for all physical media. This also impacts the service and replacement parts business. Above all, the Company faces increasing competition in this area.

SINGULUS TECHNOLOGIES is the only provider of production equipment in the world and has no direct competitors here.

Development of the market for semiconductor applications

The market for MRAM wafers – a specific focus for SINGULUS TECHNOLOGIES – still remains in the development phase.

The Company is well positioned for MRAM applications since a large number of research institutions already use equipment from SINGULUS TECHNOLOGIES. However, there are several providers of machines for MRAM applications around the world.

For other applications such as sensor technology, SINGULUS TECHNOLOGIES operates in a highly competitive environment with several competitors.

COURSE OF BUSINESS OF THE SINGULUS TECHNOLOGIES GROUP

SINGULUS TECHNOLOGIES did not achieve its published goals in the past fiscal year and fell significantly short of the forecasts for the 2016 reporting period. Both core segments – Solar and Optical Disc – performed worse than expected in the fiscal year. The Solar segment in particular remained significantly below the forecasts.

The Company had anticipated revenue of between EUR 115.0 million and EUR 130.0 million for fiscal year 2016 and negative EBIT of EUR -2.0 million to EUR -6.0 million. EBITDA was to be break-even to slightly positive. On June 1, 2016, the Company released an ad-hoc disclosure in accordance with § 15 of the German Securities Trading Act 2016 stating that its targets for the year and forecasts for 2016 would have to be adjusted.

At EUR 68.8 million, the revenue generated by SINGULUS TECHNOLOGIES in fiscal year 2016 was within the forecast range of EUR 68 million to EUR 78 million published on September 19, 2016.

The Solar segment posted revenue of EUR 40.5 million. Within this segment, some revenue and earnings were significantly delayed from fiscal year 2016 to 2017. This is attributable to the order of about EUR 110 million received from CNBM in May 2016 to deliver production systems for CIGS solar modules. Revenue in SINGULUS TECHNOLOGIES' Solar segment is generally recognized in the consolidated financial statements on completion of project milestones and so the revenue reported in fiscal year 2016 is strongly dependent on the timing of the implementation of such orders. Large parts of the revenue and profit will now be recognized in fiscal year 2017, since production started much later than expected when the forecast was prepared. In addition, there were delays in commissioning the equipment on the customer side in a project involving production systems for heterojunction solar cells. Here, too, the corresponding share of revenue could not be recognized in fiscal year 2016 as planned. We likewise expect to record the revenue and profit from the assembly and commissioning of this project in 2017. In addition, the wet-chemical equipment business clearly failed to meet expectations.

In its forecast for the Solar segment, the Executive Board had expected a significant improvement in 2016 following the weak performance in 2015. A strong year-on-year increase was forecast for revenue. EBIT was also expected to improve markedly against the previous year and be slightly positive. Ultimately, the forecasts for both revenue and EBIT in the Solar segment fell well short of planning. EBIT amounted to EUR -13.1 million in fiscal year 2016.

There was no significant demand for new production machines in the Optical Disc segment over the course of the year. Business activities in the Optical Disc segment settled at a low level in fiscal year 2016 and amounted to EUR 24.2 million. So far, there has been no further progress in talks on the new production technology for next-generation discs – Ultra HD Blu-ray with a storage capacity of up to 100 GB. The replacement parts and service business declined slightly year on year. The Executive Board's planning for 2016 assumed a slight decrease in revenue as against 2015. The negative EBIT was expected to reduce year on year to a slightly negative figure. Revenue fell considerably short of expectations due to the lack of demand for production machines, while EBIT was down only slightly on the forecast at EUR -4.3 million due to the realization of cost-saving potential.

In the Semiconductor segment, the Company again anticipated a year-on-year decline in revenue given the low level, leading to slightly higher but still negative EBIT. Although the segment did not receive any major orders in 2016, as anticipated, revenue was slightly higher than expected at EUR 4.1 million. The resulting EBIT of EUR -0.3 million almost broke even and was therefore up significantly on the forecast figure.

ECONOMIC DEVELOPMENT AND FINANCIAL RESTRUCTURING

In fiscal year 2016, SINGULUS TECHNOLOGIES successfully completed the financial restructuring of the corporate bonds maturing in 2017.

The second bondholders' meeting of SINGULUS TECHNOLOGIES AG on the 2012/2017 bearer bonds with a volume of EUR 60.0 million and a coupon of 7.75 % (ISIN: DE000A1MASJ4 / WKN: A1MASJ; collectively referred to as the "old SINGULUS bond"), divided into 60,000 bearer bonds with a nominal value of EUR 1,000 each, had resolved the financial restructuring of the old SINGULUS bond on February 15, 2016, which was then also approved by the extraordinary shareholders' meeting on February 16, 2016.

SINGULUS TECHNOLOGIES was therefore able to quickly implement the resolved financial restructuring of the old SINGULUS bond in the first half of 2016. In particular, the deferment of interest under the old SINGULUS bond until March 23, 2017 and the temporary waiver of certain call rights became effective as early as the first quarter of 2016.

The resolution of the extraordinary shareholders' meeting of SINGULUS TECHNOLOGIES AG from February 16, 2016 to reduce the share capital was implemented with effect as of June 6, 2016. The SINGULUS TECHNOLOGIES AG shares listed on the Frankfurt Stock Exchange were converted at a ratio of 160 : 1. In this connection, the Company's share capital was reduced from EUR 48,624,426 to EUR 305,814 and set off against other reserves.

Under agenda item 11 of the second bondholders' meeting on February 15, 2016, the bondholders of the old SINGULUS bond resolved, among other things, to transfer the old SINGULUS bonds held by them to the central settlement agent and, in return for each old SINGULUS bond with a nominal volume of EUR 1,000 each (plus interest accrued), be granted a right to acquire new shares in SINGULUS TECHNOLOGIES AG and a right to acquire new collateralized bonds with a total volume of EUR 12.0 million issued by SINGULUS TECHNOLOGIES AG.

For the purposes of the technical implementation of the derecognition of the old SINGULUS bonds and the recognition of the acquisition rights, trading of the old SINGULUS bond and its inclusion in the open segment of the Frankfurt Stock Exchange was suspended as of the end of June 21, 2016. The old SINGULUS bond was converted into acquisition rights on June 23, 2016. The purchase offer for the subscription of new shares and new bonds (with respect to bonds with WKN A1MASJ / ISIN DE000A1MASJ4) free of charge was published on June 28, 2016.

Under the purchase offer, holders of the old SINGULUS bond received 96 new shares and two new bonds with a nominal value of EUR 100 each for each old SINGULUS bond with a nominal value of EUR 1,000 each (including all related claims). If former bondholders did not exercise their acquisition rights free of charge, or did not do so by the deadline, these initially remained on the account of the bondholder in question and were then sold by ODDO SEYDLER BANK AG. The bondholders were promised and later paid appropriate cash compensation.

In the subscription period of June 29 to July 13, 2016, the former bondholders exercised the total acquisition rights due to them as follows:

- Rights to acquire shares exercised: 4,725,408 shares or 82.04 %
- Rights to acquire bonds exercised: nominal volume of EUR 9,858,200.00 or 82.15 %

The new bonds and new shares for which the former bondholders had not exercised their acquisition rights (liquidation shares and liquidation bonds) were publicly offered for sale to the former bondholders, shareholders with subscription rights, and individual subscribers. A subscription platform was set up on the website, on which the corresponding purchase offers could be submitted during the subscription period of June 29 to July 15, 2016 (inclusively in each case). ODDO SEYDLER BANK AG, Frankfurt am Main, then sold the new shares and the new bonds on the basis of the offers submitted. The purchase price for each liquidation share was fixed at EUR 3.25 after the end of the subscription period. The purchase price for each liquidation bond was fixed at 71.25 % of the nominal amount.

In the case that the liquidation bonds are neither sold, called or prematurely repaid during their term, the average annual yield for the period from the date of issue of the new bonds (inclusively) until the maturity date (exclusively) is 5.19 % for all bondholders who were granted the new bonds on the date of issue following the allocation of the liquidation shares and acquired these at the fixed purchase price.

Overall, 1,034,592 liquidation shares and 21,418 liquidation bonds were allocated and sold at the fixed purchase price of EUR 3.25 per liquidation share and EUR 71.25 per liquidation bond in accordance with the terms of the purchase offer.

The net sales proceeds less liquidation expenses were distributed as follows to the former holders of the SINGULUS bond who did not exercise their respective acquisition rights as share and bond cash compensation:

- Share cash compensation: EUR 312.00 per share acquisition right that was not exercised (corresponds to 96 new shares)
- Bond cash compensation: EUR 142.50 per bond acquisition right that was not exercised (corresponds to two new bonds with a nominal value of EUR 100.00 each)

The cash compensation for the shares and bonds was paid out between July 27 and 29, 2016.

The new shares (WKN A1681X / ISIN DE000A1681X5) from the swap capital increase were admitted to the regulated market of the Frankfurt Stock Exchange (Prime Standard) and the new bonds (WKN A2AA5H / ISIN DE000A2AA5H5) were admitted to trading on the Frankfurt Stock Exchange (Quotation Board) on July 20, 2016. The new shares were admitted to trading on July 21, 2016 and the new bonds were listed for the first time on July 22, 2016. 5,760,000 new shares with a par value of EUR 1.00 each were issued under the swap capital increase. As a result, the Company's share capital rose to EUR 6,065,814 and the capital reserves by EUR 5.4 million.

The new five-year bond has a nominal volume of EUR 12.0 million and provides for annually increasing interest payments. The initial interest rate amounts to 3.0 % and increases to 10.0 % p.a. subject to early repayment. The new bond is collateralized, in particular by the cash, receivables, inventories, property, plant and equipment, and intangible assets of SINGULUS TECHNOLOGIES AG.

SINGULUS TECHNOLOGIES AG also successfully completed a cash capital increase and placed all shares offered. All of the shares offered were subscribed for by exercising subscription rights and were oversubscribed by the holders of subscription rights. The capital increase generated gross proceeds of EUR 6.6 million. The implementation of the capital increase was entered into the commercial register of the Company on October 7, 2016. As a result, the Company's share capital of EUR 6,065,814, divided into 6,065,814 bearer shares with a par value of EUR 1.00 each, rose by EUR 2,021,938 to EUR 8,087,752, divided into 8,087,752 ordinary shares with a par value of EUR 1.00 each.

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

Results of operations

Gross revenue of EUR 68.8 million was generated in fiscal year 2016, down on the prior-year figure of EUR 83.7 million. This corresponds to a year-on-year decline of 17.8 %.

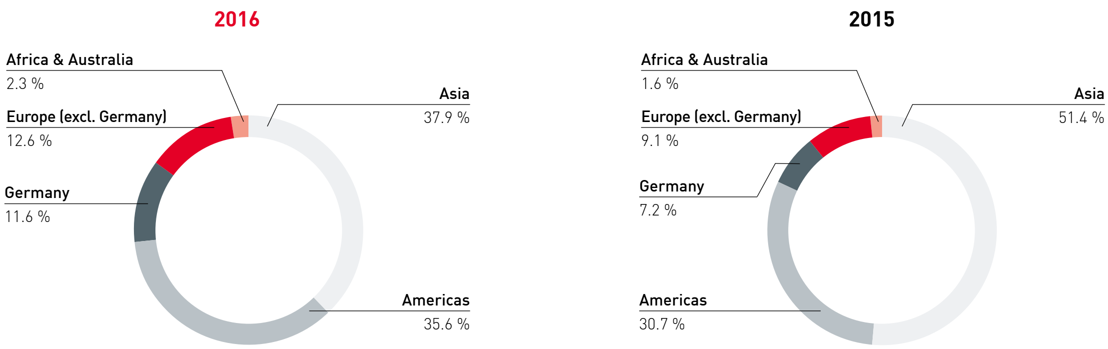
The Solar segment accounted for EUR 40.5 million (previous year: EUR 49.8 million) of gross revenue in 2016, Optical Disc for EUR 24.2 million (previous year: EUR 29.3 million), and Semiconductor for EUR 4.1 million (previous year: EUR 4.6 million).

The decline in revenue in the Solar segment (EUR -9.3 million) is mainly due to the fact that contrary to original expectations, production of the major order from CNBM could only be started at the end of the reporting year. The decrease in the Optical Disc segment (EUR -5.1 million) is primarily attributable to a contraction of the replacement parts and service business compared with the previous year. The Semiconductor segment was roughly on a level with the previous year (EUR -0.5 million).

The percentage regional breakdown of revenue for fiscal year 2016 was as follows: North and South America 35.6 % (previous year: 30.7 %), Europe 24.2 % (previous year: 16.3 %), Asia 37.9 % (previous year: 51.4 %), and Africa and Australia 2.3 % (previous year: 1.6 %).

REVENUE
in EUR million

REGIONAL REVENUE BREAKDOWN
in %



SINGULUS TECHNOLOGIES' gross margin amounted to 19.1 % in the reporting period (previous year: 15.8 %). This slight increase is chiefly associated with the improvement in margins in the Solar segment. In addition, a reduction in the underutilization of our production capacities was observed due to the slight increase in business activities.

Operating expenses amounted to EUR 30.6 million in fiscal year 2016 (previous year: EUR 47.5 million). Adjusted for restructuring items (one-off expenses), operating expenses were EUR 30.2 million (previous year: EUR 31.2 million). This decline is primarily attributable to lower general and administrative expenses (EUR -1.3 million) and the decrease in research and development expenses (EUR -0.7 million). Specifically, research and development expenses amounted to EUR 8.8 million (previous year: EUR 9.5 million). These expenses are primarily connected with development services for production solutions in the area of high-efficiency crystalline solar cells such as CIGS solar modules. Expenses for sales and customer service amounted to EUR 12.1 million (previous year: EUR 12.2 million) and general and administrative expenses totaled EUR 9.2 million (previous year: EUR 10.5 million). In 2016, restructuring items mainly comprised expenses in connection with the financial restructuring until October 2016. Specifically, these were expenses for consulting fees (EUR 1.6 million) as well as offsetting income from the reversal of provisions in the amount of EUR 1.2 million. One-off expenses in the previous year related to the remeasurement of business activities in the Optical Disc segment (EUR 9.2 million), legal and consulting fees in connection with the bond restructuring (EUR 3.1 million), and impairment expenses from the impairment of capitalized development costs (EUR 2.4 million).

Earnings before interest and taxes (EBIT) amounted to EUR -17.7 million in the reporting period (previous year: EUR -34.5 million). Adjusted for one-off expenses, EBIT amounted to EUR -17.3 million (previous year: EUR -18.2 million).

KEY FINANCIAL FIGURES

in EUR million

	2016	2015
EBIT	**-17.7**	-34.5
EBITDA	**-14.4**	-27.0
Net result	**18.9**	-43.4
Earnings per share in EUR	**5.13**	-141.92

Specifically, EBIT in the Optical Disc segment amounted to EUR -4.3 million (previous year: EUR -19.4 million). EBIT before one-off expenses amounted to EUR -4.2 million (previous year: EUR -9.2 million). EBIT in the Solar segment amounted to EUR -13.1 million (previous year: EUR -10.7 million). Adjusted for one-off expenses, the segment's EBIT amounted to EUR -12.8 million (previous year: EUR -5.9 million). In the Semiconductor segment, EBIT was negative at EUR -0.3 million (previous year: EUR -4.4 million). EBIT before one-off expenses amounted to EUR -0.3 million (previous year: EUR -3.1 million).

A restructuring gain of EUR 41.2 million was recognized in the reporting year in connection with the bond restructuring. This was reported under financial income. The EUR 6.2 million decline in finance costs to EUR 3.5 million is mainly due to lower interest on bonds. Overall, the financial result for fiscal year 2016 was EUR 37.8 million (previous year: EUR -8.8 million).

The tax expense for the year under review was EUR 1.2 million (previous year: EUR -0.1 million).

The net profit for the period amounted to EUR 18.9 million in fiscal year 2016 (previous year: net loss of EUR 43.4 million). Before for one-off expenses, the net profit for the period was EUR 19.3 million (previous year: net loss of EUR 27.1 million).

Total order intake was up significantly on the prior-year figure to EUR 152.1 million in the reporting period (previous year: EUR 96.3 million). The major order with state-owned CNBM in China in particular led to a year-on-year increase in order intake. The order backlog as of December 31, 2016 was EUR 109.9 million (previous year: EUR 26.6 million).

ORDER INTAKE
in EUR million

ORDER BACKLOG
in EUR million

Financial position

PRINCIPLES AND GOALS OF FINANCIAL MANAGEMENT

SINGULUS TECHNOLOGIES uses centralized financial management to manage its liquidity. The goal of financial management is to ensure a sufficient liquidity position. Where possible, excess liquidity at subsidiaries is concentrated and monitored at the parent company. Derivative financial instruments are used to hedge against exchange rate risk, primarily forward exchange contracts. Their sole purpose is to hedge against currency risks arising from the Group's business activities. No derivatives are entered into without a corresponding hedged item. Credit insurance and bank guarantees are used where possible to hedge against credit risk from trade receivables. Further information about the management of individual financial risks can be found in note 37 to the consolidated financial statements.

LIQUIDITY MANAGEMENT

As well as the restructuring of the old bond, the Company implemented a subscription right capital increase on October 7, 2016 to further strengthen liquidity. 2,021,938 new bearer shares were issued. The Company generated gross proceeds of EUR 6.6 million with this measure.

In addition, the Group had bank guarantee lines in the amount of EUR 20.8 million as of December 31, 2016. EUR 20.4 million of these had been drawn down as of the end of the fiscal year. Most of these loan commitments were 100 % secured by cash deposits as of the reporting date. Over the coming weeks, the majority of these loan commitments are to be transferred to a new financing consortium. In this connection, cash and cash equivalents in the amount of EUR 10.6 million would have been released from the collateral deposits as of December 31, 2016. This would then be available to the Company, primarily for the production of the first systems under the major order from CNBM and thus for other operating activities. The Company expects to receive commitments its new partners in the near future, which will reduce cash deposits and thus have a positive effect on liquidity. The Company took out a collateralized loan of EUR 4.0 million with a term of 12 months to secure short-term liquidity in the new fiscal year.

In addition, further guarantee lines with lower cash deposits will be drawn down by EUR 17.5 million over the coming weeks. These will be needed for further prepayments by the CNBM account.

The Solar segment in particular may require additional financing arrangements depending on project-specific requirements. The Company is currently in discussion with further potential financing partners with regard to these commitments.

SINGULUS TECHNOLOGIES invests its excess liquidity exclusively in overnight and time deposits. Foreign currency risks from operations abroad are assessed as part of a risk analysis. Some sales of the SINGULUS TECHNOLOGIES Group are subject to the US dollar (USD) currency risk. For this reason, derivative financial instruments are used to hedge against USD exchange rate risks. Where material, risks from foreign currencies are continually assessed as part the risk management system.

The Group generated a positive operating cash flow of EUR 14.1 million in fiscal year 2016, a significant improvement on the previous year (EUR -10.5 million). This was mainly due to the receipt of the first prepayments from the major order signed with CNBM.

The cash flow from investing activities amounted to EUR -0.5 million (previous year: EUR -4.7 million). This included payments for investments in other intangible assets and property, plant and equipment in the amount of EUR 0.4 million in 2016 (previous year: EUR 0.4 million). Cash paid for investments in development projects declined to EUR -0.1 million (previous year: EUR -4.3 million).

The cash flow from financing activities amounted to EUR -14.1 million (previous year: EUR -2.3 million) and included the transaction costs from the in-kind capital increase and the issue of the new bond in the amount of EUR 2.1 million. In addition, the financial assets subject to restrictions on disposal rose by EUR 17.7 million (previous year: decrease of EUR 1.3 million). By contrast, cash received from capital increases amounted to EUR 5.7 million.

Overall, cash and cash equivalents decreased slightly in the reporting period, declining by EUR 0.5 million to EUR 18.5 million as of December 31, 2016. There were unused commitments under guarantees in the amount of EUR 0.4 million as of the end of fiscal year 2016.

CASH FLOW

in EUR million

	2016	2015
Cash flows from operating activities	**14.1**	-10.5
Cash flows from investing activities	**-0.5**	-4.7
Cash flows from financing activities	**-14.1**	-2.3
Increase/decrease in cash and cash equivalents	**-0.5**	-17.5
Cash and cash equivalents at the beginning of the fiscal year	**19.0**	35.8
Changes due to exchange rates	**0.0**	0.7
Cash and cash equivalents at the end of the fiscal year	**18.5**	19.0

Net assets

Total assets rose slightly year on year to EUR 96.2 million as of December 31, 2016 (previous year: EUR 92.1 million).

Non-current assets amounted to EUR 16.1 million as of the end of the reporting period, down on the prior-year figure (EUR 21.0 million). This was largely due to the EUR 1.1 million decrease in deferred tax assets and the EUR 1.0 million reduction in non-current trade receivables with a remaining term of more than one year. Furthermore, capitalized development costs were down EUR 2.1 million on the previous year due to a decline in the capitalization rate as well as the recognition of write-downs.

At EUR 80.1 million, current assets in the reporting period were up on the 2015 year-end (previous year: EUR 71.1 million). Specifically, the financial assets subject to restrictions on disposal rose by EUR 17.7 million, primarily as a result of the prepayments received for the major order from CNBM. These were secured by bank guarantees and cash and cash equivalents provided in the full amount by the Company. At the same time, receivables from construction contracts decreased by EUR 6.4 million as a result of the decline in business activities. Other receivables and other assets rose by EUR 3.4 million. This is largely attributable to the EUR 3.8 million increase in prepayments for current construction contracts.

ASSET AND EQUITY STRUCTURE
in EUR million

	2016	2015
Non-current assets	**16.1**	21.0
Inventories	**22.0**	28.9
Receivables and other assets (current)	**18.6**	19.9
Cash and cash equivalents	**18.5**	19.0
Financial assets subject to restrictions on disposal	**21.0**	3.3
Total assets	**96.2**	92.1
Non-current liabilities	**30.0**	77.3
Current liabilities	**54.1**	36.3
Equity	**12.1**	-21.5
Total equity and liabilities	**96.2**	92.1

Inventories declined by EUR 6.9 million as a result of the lower business volumes.

Current liabilities rose by EUR 17.8 million compared with the 2015 fiscal year-end and amounted to EUR 54.1 million as of December 31, 2016 (previous year: EUR 36.3 million). This was mainly due to higher liabilities from construction contracts (EUR 26.8 million) in connection with the receipt of the first prepayments for the major order. The major order also lifted trade payables by EUR 2.4 million. By contrast, current financing liabilities from the old bond in the amount of EUR 3.2 million were derecognized following the financial restructuring. Provisions for restructuring measures declined by EUR 2.1 million, mainly as a result of the payment of consulting fees in relation to the bond restructuring.

Non-current liabilities decreased by EUR 47.3 million to EUR 30.0 million (previous year: EUR 77.3 million). This decline is largely due to the financial restructuring of the Company. In this connection, the financial liabilities of EUR 59.6 million from the bond issued in 2012 were derecognized. By contrast, a financial liability of EUR 12.0 million arose from the new bond issued in July 2016.

The Group's equity rose by EUR 33.6 million in the reporting period to EUR 12.1 million as of December 31, 2016 (previous year: EUR -21.5 million).

In June 2016, the Company's share capital was reduced by EUR 48,624,426 to EUR 305,814.00 at a ratio of 160 : 1, with EUR 48.6 million set off against the loss carryforward. The in-kind capital increase and the associated issue of 5,760,000 new shares with a par value of EUR 1.00 each increased subscribed capital by EUR 5,760,000.00 and the capital reserves by EUR 4.6 million.

2,021,938 bearer shares with a par value of EUR 1.00 each were issued as part of a cash capital increase to further strengthen the capital structure. As a result, the Company's share capital rose by another EUR 2,021,938 and the capital reserves by EUR 3.7 million.

The net profit for the period increased equity by EUR 18.9 million in the reporting year.

EUR 11.3 million of equity is attributable to the shareholders of SINGULUS TECHNOLOGIES AG and EUR 0.8 million is attributable to non-controlling interests. The equity ratio was around 13 % as of December 31, 2016 (previous year: -23 %).

Capital management

The overriding objective of capital management is to further strengthen the capital structure. Following the successful restructuring of the long-term financial liabilities and the subsequent cash capital increase, the aim going forward is to regain entrepreneurial flexibility and the confidence of investors and lenders (please refer to the section "Economic Development and Financial Restructuring" for further information on the financial restructuring). A particular focus will be on meeting future financing requirements at appropriate terms via the capital markets.

ANNUAL FINANCIAL STATEMENTS IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HANDELSGESETZBUCH, "HGB")

The provisions of the German Accounting Directive Implementation Act (*Bilanzrichtlinie-Umsetzungsgesetz*, "BilRUG") were applied for the first time in fiscal year 2016. This results in changes to both the presentation and the composition of the income statement items. The prior-year presentation was adjusted accordingly and the previous year's extraordinary expenses reported under other operating expenses. The prior-year figures were left in accordance with HGB in the version prior to BilRUG.

The comparability of the figures in the income statement for the reporting period with the prior-year figures is limited due to the merger of SINGULUS STANGL SOLAR GmbH (acquired company) with SINGULUS TECHNOLOGIES AG (acquiring company) effective as of May 1, 2015.

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS OF SINGULUS TECHNOLOGIES AG HGB ANNUAL FINANCIAL STATEMENTS/FINANCIAL KEY PERFORMANCE

in EUR million

	2016	2015
Revenue	**51.0**	29.8
Gross revenue for the period	**53.8**	57.0
Cost of materials	**-24.6**	-57.7
Personnel expenses	**-23.5**	-23.5
Net other operating income and expenses	**29.3**	-16.9
Net income for the year (previous year: net loss for the year)	**23.1**	-53.7
Fixed assets	**38.2**	45.5
Current assets (excluding bank balances)	**7.9**	29.6
Bank balances of which subject to restrictions	**33.4** **21.0**	15.8 3.3
Equity	**20.4**	-20.4
Provisions	**23.6**	27.2
Bonds	**12.0**	60.0
Other liabilities	**23.7**	24.2

Net assets, financial position and results of operations of SINGULUS TECHNOLOGIES AG

Revenue and earnings after taxes fell well short of expectations in fiscal year 2016 as a result of the weak performance of the Solar segment. This was mainly due to a delay in the assembly and commissioning of a major order for a customer in the USA, which is now planned for fiscal year 2017. In addition, sales figures in wet chemistry were significantly lower than anticipated.

The effects with a significant impact on the net assets, financial position, and results of operations for the past fiscal year are presented below.

Revenue rose from a low level by EUR 21.1 million or 70.8 % to EUR 51.0 million. The increase is primarily attributable to the recognition of revenue from a major order for a customer in Asia. Revenue in the Solar segment amounted to EUR 28.2 million, as against EUR 7.9 million in the previous year. At EUR 17.5 million, income in the Optical Disc segment was on a level with the previous year (EUR 17.0 million). Revenue generated by the Semiconductor segment remained level year on year at EUR 5.0 million in the year under review (previous year: EUR 5.0 million).

Inventories were down significantly year on year due to the decrease in business activities and the billing of completed projects.

Gross revenue for the period (revenue plus change in inventories) thus amounted to EUR 53.8 million in fiscal year 2016 (previous year: EUR 57.0 million).

The other operating income of EUR 45.8 million in the year under review (previous year: EUR 5.8 million) mainly comprises the restructuring gain of EUR 42.7 million from the bond restructuring. It also included income from the reversal of provisions for warranty obligations (EUR 0.7 million) as well as the derecognition of liabilities (EUR 0.7 million).

The cost of materials decreased from EUR 57.7 million to EUR 24.6 million. The cost of materials ratio was 45.7 % (previous year: 101.3 %). In the previous fiscal year, this included impairment write-downs on inventories totaling EUR 10.8 million in connection with the remeasurement of business activities in the Optical Disc segment. Adjusted for these write-downs, the cost of materials ratio for fiscal year 2015 was 82.3 %. The significant year-on-year decrease in the cost of materials ratio is primarily attributable to the higher revenue.

At EUR 23.5 million, personnel expenses were unchanged as against the prior year (EUR 23.5 million). Specifically, wages and salaries rose by EUR 0.7 million, while social security and pension costs declined by EUR 0.7 million. In the fiscal year, SINGULUS TECHNOLGIES AG had an annual average of 286 permanent employees (previous year: 287).

Other operating expenses of EUR 16.5 million (previous year: EUR 22.8 million) mainly comprise the costs of the annual financial statements, legal and consulting fees, costs for premises, transport, and packaging, travel and entertainment expenses, and other rental costs. Legal and consulting fees remained at a high level in fiscal year 2016 as a result of the bond restructuring and totaled EUR 4.6 million (previous year: EUR 3.1 million). In the previous year, other operating expenses of EUR 2.1 million were incurred due to the sale of repurchased own bonds with a nominal volume of EUR 5.2 million. Impairment write-downs on trade receivables amounted to EUR 1.2 million (previous year: EUR 0.6 million). The provisions of the German Accounting Directive Implementation Act (*Bilanzrichtlinie-Umsetzungsgesetz,* "BilRUG") were applied for the first time in fiscal year 2016. This results in changes to both the presentation and the composition of the income statement items. The prior-year presentation was adjusted accordingly and the previous year's extraordinary expenses in the amount of EUR 4.3 million reported under other operating expenses.

Net interest income was negative at EUR -3.6 million (previous year: EUR -6.0 million). At EUR 3.8 million, interest and similar expenses were down significantly on the prior-year level of EUR 7.2 million. Of this figure, EUR 2.3 million was due to interest expenses relating to the issuance of the corporate bond in 2012 (previous year: EUR 4.7 million). Interest expenses of EUR 0.4 million were incurred in 2016 from the issue of the new bond. The interest income of EUR 0.1 million (previous year: EUR 1.2 million) is chiefly due to non-current receivables from customers.

Financial assets were written down by EUR 1.5 million (previous year: EUR 1.3 million). This was mainly due to the impairment of a loan to a subsidiary in the fiscal year.

Earnings after taxes amounted to EUR 23.1 million (previous year: EUR -53.6 million) and were significantly impacted by the restructuring gain of EUR 42.7 million in connection with the restructuring of the bond issued in 2012. Adjusted for this one-off income, earnings after taxes amounted to EUR -19.6 million.

The restructuring gain realized significantly reduced the Company's existing loss carryforwards. This was exempt from the minimum taxation on taxable income in accordance with the German Tax Restructuring Decree (*Sanierungserlass*). The Company received authoritative information from the relevant financial authorities confirming this.

Overall, the net income for the year amounted to EUR 23.1 million (previous year: net loss of EUR 53.7 million).

At EUR 79.7 million, the Company's total assets were down EUR 31.7 million year on year as of December 31, 2016.

Fixed assets accounted for 47.9 % of total assets and amounted to EUR 38.2 million as of the reporting date (previous year: EUR 45.5 million). These primarily relate to intangible fixed assets, mostly attributable to the merger with SINGULUS STANGL SOLAR GmbH in fiscal year 2015. The EUR 5.1 million decline to EUR 20.4 million is due to depreciation and amortization.

Tangible fixed assets decreased from EUR 12.7 million to EUR 11.5 million, also mainly as a result of depreciation.

Long-term financial assets amounted to EUR 6.3 million as of the reporting date (previous year: EUR 7.3 million). The decrease was largely due to the impairment of loans to affiliated companies.

The prepayments received (EUR 84.8 million) exceeded inventories (EUR 75.6 million) as of the fiscal year-end. The excess amount is reported as a liability under prepayments received (EUR 9.2 million). The prepayments received primarily related to two major orders.

Trade receivables amounted to EUR 5.3 million as of the reporting date, up EUR 0.5 million year on year due to reporting date factors.

Overall, cash and cash equivalents rose by EUR 17.6 million in fiscal year 2016 to EUR 33.4 million as at the end of the fiscal year. Of this figure, a total of EUR 21.0 million is held in blocked accounts as collateral deposits (previous year: EUR 3.3 million). The increase in cash and cash equivalents is mainly attributable to the receipt of the first prepayments in connection with the major order received.

Equity rose by EUR 40.8 million in the year under review. As a result, SINGULUS TECHNOLOGIES AG reported positive equity of EUR 20.4 million as of the end of the reporting period (previous year: EUR 20.4 million deficit not covered by equity). The equity ratio was 25.6 %. Further details can be found in the section on Group equity.

Debt amounted to EUR 59.3 million as of December 31, 2016 (previous year: EUR 111.4 million).

Provisions decreased by a total of EUR 3.6 million to EUR 23.6 million as of the reporting date (previous year: EUR 27.2 million). Other provisions totaled EUR 13.9 million as of December 31, 2016 (previous year: EUR 17.4 million). These primarily include provisions for expected losses (EUR 5.6 million), mainly connected with the underutilization of production capacities (EUR 4.5 million), personnel provisions (EUR 3.0 million), provisions for outstanding invoices (EUR 0.9 million) and provisions for follow-up costs (EUR 0.6 million). The EUR 3.5 million decline was primarily due to a reduction in provisions for expected losses and restructuring.

Liabilities decreased from EUR 84.2 million in the previous year to EUR 35.7 million as of December 31, 2016. The financial liabilities of EUR 60.0 million from the bond issued in 2012 were derecognized as part of the financial restructuring of the Company. By contrast, a financial liability of EUR 12.0 million arose from the new bond issued in July 2016. Trade payables declined from EUR 6.9 million in the previous year to EUR 2.6 million as of December 31, 2016 due to reporting date factors.

The Company also reported other liabilities in the amount of EUR 8.3 million, of which EUR 7.2 million (previous year: EUR 8.3 million) are lease liabilities for the office and production property at its headquarters. The decrease in other liabilities is also largely attributable to the lower interest liabilities as a result of the new bond.

SINGULUS TECHNOLOGIES AG's forecast for fiscal years 2017 and 2018

In the annual financial statements in accordance with the HGB, customer orders in the Solar and Semiconductor segments are only recognized as revenue on contract completion, meaning that they are deferred in comparison to IFRS revenue recognition. Based on project structure in the Solar segment, we expect that there will be a significant increase in contract completion in this segment in 2017. In particular, the completion of the first machine delivery contracts under the major order from CNBM should make a substantial contribution here. We also expect to assemble and commission equipment in connection with a major solar project in North America. Revenue in both the Optical Disc and Semiconductor segments should be down slightly year on year.

Overall, following low revenue in the previous year, we are forecasting significant revenue growth but negative earnings before taxes in the low double-digit million euro range under HGB for SINGULUS TECHNOLOGIES AG in fiscal year 2017. We again anticipate a significant increase in revenue as against 2017 in 2018 as a result of contract completions. We expect earnings before taxes to improve considerably and break into positive territory in 2018. Further information about the liquidity situation can be found in the report on expected developments below. Explanations regarding the assumptions forming the basis for the forecast can be found in the corresponding section of the consolidated financial statements.

If business does not develop in line with expectations in 2017, this would very likely lead to an erosion of half the share capital of SINGULUS TECHNOLOGIES AG in the second half of the current fiscal year. Accordingly, this would trigger the Executive Board measures provided for in § 92 (1) AktG.

Report on Expected Developments

MACROECONOMIC ENVIRONMENT

In an update to its World Economic Outlook dated January 16, 2017, the International Monetary Fund, Washington, USA (IMF), reported that it continues to expect global GDP growth of 3.4 % and 3.6 % for 2017 and 2018, respectively.

However, actual developments may differ significantly from these forecasts due to political uncertainty, the new administration in the United States, and the global effects of this. This being said, according to the IMF's baseline scenario, the US economy will grow by 2.3 % in 2017 and 2.5 % in 2018. The economic consequences of the change of president in the USA are still difficult to gauge at present. The negative effects of the Brexit vote are clearly less pronounced than expected in the short term but there is still significant uncertainty about the long term.

For 2017 and 2018, the IMF is forecasting growth rates of 6.5 % and 6.0 % for China, 0.2 % and 1.5 % for Brazil, and 1.7 % and 2.0 % for Mexico. The growth forecasts for Russia were unchanged at 1.1 % and 1.2 % for 2017 and 2018, respectively.

Cosmetics can be refined by vacuum-coating. The production system DECOLINE II was specially developed for the reimbursement of 3D parts.

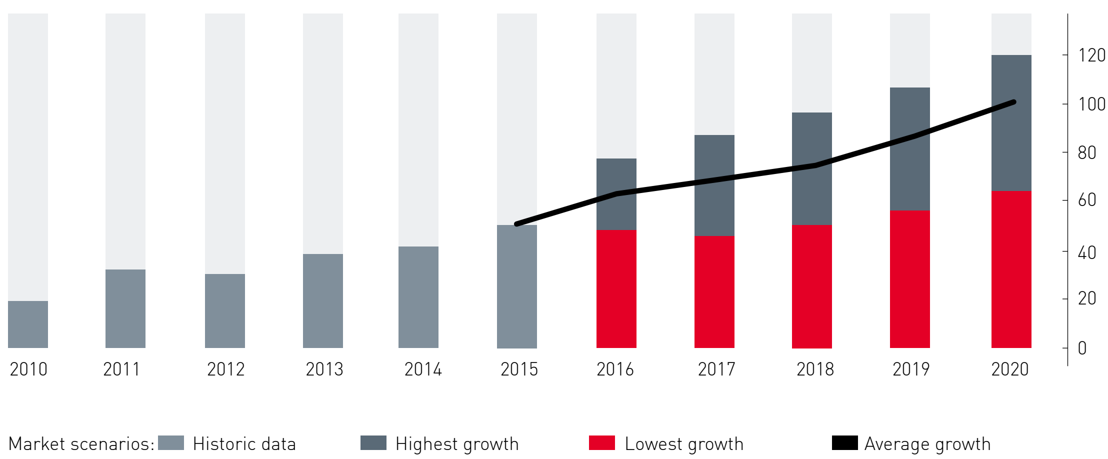
SECTOR-SPECIFIC EXPECTATIONS AND OUTLOOK FOR FISCAL 2017

Solar segment

At the COP21 climate change conference in Paris on December 12, 2015, 195 states reached an agreement containing binding commitments for all countries. This signals the global community's binding pledge under international law to limit growth in global warming to below two degrees Celsius. The agreement was ratified by a corresponding majority and entered into force in October 2016. The next COP22 climate summit, which was held in Morocco from November 7–18, 2016, then laid down the implementation of the targets agreed in Paris. One of the targets set in Morocco was that by 2030, up to 52 % of electricity should be generated by renewable sources.

The appeal of photovoltaic systems continued to gain ground on other sources of energy due to the decrease in module prices and thus in system costs as well (see Lazard study, p. 44). Photovoltaics can already compete with conventional sources of energy in many countries, which is driving forward the increased integration of photovoltaics into the energy mix. Globally, this means that photovoltaics has the potential to position itself as key element in energy supply. The Middle East and North and South America in particular offer enormous potential for the commercial integration of photovoltaic energy into their power systems.

GLOBAL ANNUAL GROWTH IN PHOTOVOLTAIC CAPACITY UNTIL 2020
GW



Source: Global Market Outlook for Solar Power, 2016–2020

According to its 2016 Global Market Outlook, industry association Solar Power Europe, Brussels, Belgium, expects photovoltaics to account for 700 GW of energy generation by 2020.

In its study for 2016, Solar Power Europe, forecasts growth in photovoltaic capacity of at least 47.1 GW and 76.7 GW at the most. The actual figure is likely to be in the region of 70 GW. The study anticipates average growth of around 70 GW for 2017. This figure should increase to a maximum of 120 GW per year by 2020.

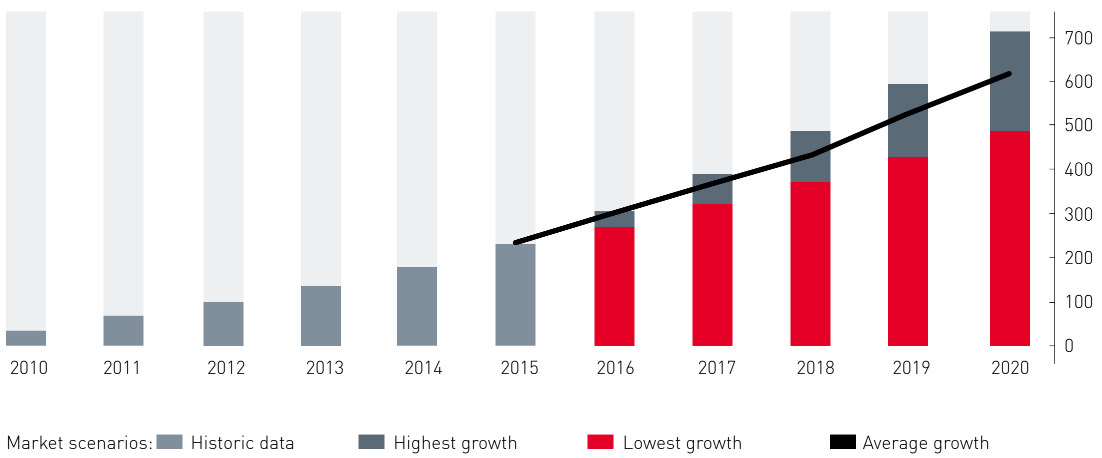
China, Japan, the USA and India remain the largest national markets according to the study by Solar Power Europe. Other countries in Asia, South America, as well as in Africa will contribute to this growth.

Over the coming years, SINGULUS TECHNOLOGIES will focus on the submarkets for thin-film solar modules (CIGS) and new high-efficiency crystalline solar cells (heterojunction solar cells, PERC, PERT).

The Chinese government and large state-owned companies in China have released major plans to expand existing solar production facilities. These include our customer CNBM, which plans to establish production capacity of 3 GW for CIGS solar modules in the medium term. Other regions such as Africa and the Middle East have also announced plans to expand production facilities for thin-film solar modules.

GLOBAL CUMULATIVE GROWTH IN PHOTOVOLTAIC CAPACITY UNTIL 2020

GW



Source: Global Market Outlook for Solar Power, 2016–2020

Going forward, investments in crystalline technology are expected to focus on high-efficiency cell formats such as heterojunction and PERC. SINGULUS TECHNOLOGIES aims to share in this growth with its wet-chemical processing systems and new developments in vacuum coating.

The Solar segment should perform much better with respect to its financial KPIs than in previous years in 2017. A significant year-on-year increase in revenue is anticipated in fiscal year 2017. However, this assumes that the orders already placed by CNBM for the two contracted CIGS production locations are executed on schedule. In particular, the Company expects to receive CNBM's first prepayment for the second of the two production locations in the course of the first half of 2017 and consequently, to start project operations for this part of the order. Achieving these targets also requires significant order intake in the first half of the year so that the related revenue can be recognized in 2017 in accordance with IFRS. Overall, revenue generated by this segment should more than double year on year. The operating result (EBIT) is expected to improve significantly compared with the previous year. Depending on the revenue achieved and the underlying product mix, positive EBIT in the mid single-digit million euro range is forecast for the segment Solar.

Optical Disc segment – onward march of digitization, market for physical media stagnating

Consumer behavior in the entertainment industry has changed radically over the past few years. Younger consumers in particular are using tablets and smartphones as well as online services to play media. The highest growth rates are today seen in movies and TV series available online or via cable or satellite TV. Video-on-demand (VoD) services such as Amazon Prime and Netflix are working intensely to expand their distribution channels and now produce their own films.

PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main (PwC), anticipates a downward trend for the physical video market that will continue over the coming years. The launch of the new Blu-ray disc format – Ultra HD Blu-ray – offers an additional opportunity for physical disc formats. However, the slow uptake of the new players and the resulting weak demand for the new discs reveal a lack of willingness by disc manufacturers and thus our potential customers to invest in the new BLULINE III system technology in the short term.

SINGULUS TECHNOLOGIES assumes that apart from limited investment in the replacement and expansion of CD, DVD and Blu-ray systems, only BLULINE III production systems for Ultra HD Blu-ray discs will see significant investments in the future. SINGULUS TECHNOLOGIES believes that the market for BLULINE III will remain a niche market and so it only expects low order intake for production systems in this segment.

The budgeted contributions to total revenue and consolidated earnings are primarily expected to be generated by the service and replacement parts business. This is broadly stable due to the large number of systems installed globally. The Executive Board's planning for 2017 assumes a slight year-on-year decrease in revenue. However, the negative operating result (EBIT) should improve slightly year on year. The cost savings implemented in this segment in the previous year will have a positive effect on earnings.

Semiconductor segment

SEMI (Semiconductor Equipment and Materials International, Milpitas, USA) expects new investments in semiconductor production systems to increase by 9.3 % in the current fiscal year based on the 2016 figure of USD 39.7 billion.

MRAM memory chip technology is only expected to be commercialized in early 2019. According to the market study, demand for MRAM memory chips in the forecast period of 2016 to 2024 will primarily be driven by growth in flexible mobile devices. As well as in flexible devices, MRAM is used in various product segments such as robotics, automotive, aerospace, sensor technology, and medicine.

Rapid advances are currently being made in flexible and wearable consumer electronics. Flexible magnetic storage is a key component of flexible and wearable electronic consumer devices for storing and processing data.

SINGULUS TECHNOLOGIES therefore believes that the further development and significance of MRAM as the potential memory technology of the future remains open.

In addition to MRAM applications, the Company is focusing its systems family on new potential applications relating to vacuum deposition in the area of sensor technology, for example.

We expect significant revenue growth in this segment in fiscal year 2017 compared with the low level seen in 2016. The operating result (EBIT) for this segment should be slightly positive. The competencies developed in ongoing projects in this environment offer long-term potential for future success.

Modern building facades can be covered with CIGS thin-film solar modules. The visual design of the facade is at the same time an effective source of energy.

OUTLOOK FOR FISCAL YEARS 2017 AND 2018

SINGULUS TECHNOLOGIES expects revenue to double year on year in the current year under IFRSs. It is forecasting a positive operating result (EBIT) for the Group in the mid single-digit million euro range.

In the Solar segment, revenue in the current year will be generated by the construction and commissioning of production systems, primarily based on a small number of major orders. This is especially the case for orders investing in production lines for thin-film solar modules based on CIGS technology. The segment continues to expect orders for production systems for high-efficiency crystalline cells (such as heterojunction cells).

The annual targets forecast for 2017 is mainly based on the assumption that growth will continue in the solar market, that the major orders on the books relating to contracted delivery agreements can be largely completed on schedule in the fiscal year, that the production systems for thin-film solar modules that are also currently being negotiated can be finalized in the short term, and that further orders for wet-chemical systems can be generated in the first half of 2017. As in previous years, revenue in the Optical Disc segment will mainly be generated by the service and replacement parts business. The Company again assumes that production systems will generate little business in 2017.

It is expected that the majority of revenue will be attributable to the Solar segment, at around 75 % of revenue, and around 20 % to the Optical Disc segment. The Semiconductor segment will account for a share of approximately 5 %.

For 2018, the Company expects a moderate increase in revenue as against the figure for fiscal year 2017. An improvement in the gross margin is expected to lift EBIT further compared with 2017.

If the order intake in fiscal year 2017 and 2018 remains significantly below expectations, this would jeopardize the Company's continued existence. Ensuring short- and medium-term liquidity is also vital to the Company's continued existence. In this connection, the Company concluded a super senior loan with a nominal volume of EUR 4.0 million on March 10, 2017. In addition, the cash deposit for the guarantee is to be reduced by cash and cash equivalents in the near future and CNBM's first prepayment for the second of the two production locations is expected to be received in the course of the first half of 2017. If, contrary to expectations, these events do not occur as planned and the Company's alternative financing options are not available, this would jeopardize the continued existence of the Company in the short term in 2017 due to the resulting restricted liquidity.

However, the Executive Board considers it highly likely that the cash deposit for the guarantees will be significantly reduced in the near future and that CNBM's first prepayment for the second production location will still be received in the first half of 2017.

The outlook for fiscal year 2017 forming part of the annual financial statements in accordance with the HGB can be found in the section "Annual Financial Statements in Accordance with the HGB" on page 61 of this management report.

Risk Report (including the declaration in accordance with § 289 (5) and § 315 (2) no. 5 HGB)

The following disclosures apply to both parent company SINGULUS TECHNOLOGIES AG and to the SINGULUS TECHNOLOGIES Group. The parent company plays a key role in our risk and opportunity management.

OBJECTIVES AND PRINCIPLES OF RISK MANAGEMENT

For SINGULUS TECHNOLOGIES, efficient and forward-looking risk management is a crucial and value-creating task. Risk management is a core business function and has a decisive impact on the success of our business activities.

Specifically, risk management supports the achievement of our corporate objectives by providing transparency about the Company's risk situation as the basis for risk-conscious decisions, by identifying potential risks to the Company's net assets, financial position, and results of operations, and by prioritizing the risks and necessary actions. In addition, risk management ensures the targeted management of risks through implementing and monitoring the appropriate measures. Furthermore, it aims to limit risks to an acceptable level and to optimize risk costs.

Risk management helps increase enterprise value, is aligned with the interests of investors and stakeholders, and serves to ensure regulatory compliance.

Risk management at SINGULUS TECHNOLOGIES is based on the following principles:

- Risk management is primarily ensured by the operating segments as part of their management tasks;
- Risk management cannot be limited to financial risks, but must cover all risks associated with the Company's business activities;
- Risk management must constitute an integral part of the business processes;
- The prerequisite for effective risk management is the clear and coherent allocation of tasks and responsibilities and a systematic risk management process;
  Support and active involvement from management;

- The efficiency and reliability of the risk management system must be monitored on an ongoing basis and adjusted where necessary;
- The risk management system must be appropriately documented and the risk management principles and guidelines must be determined in writing and communicated to the respective functions;
- Opportunities are not part of risk management.

In particular, risk management is aimed at making the following contributions:

- To improve risk awareness and transparency;
- To identify, appropriately manage, and monitor all material risks;
- To highlight risk accumulations;
- To provide reliable management information about the Company's risk situation.

Risk management organization

Risk management is integrated into SINGULUS TECHNOLOGIES' existing organization. It does not constitute an independent structure. The risk management organization at SINGULUS TECHNOLOGIES is the responsibility of the heads of the respective departments, who are supported by the risk manager and the Chief Financial Officer. The Chief Financial Officer agrees all activities connected with risk management at SINGULUS TECHNOLOGIES with the Chief Executive Officer.

In order to identify risks, risk development is reflected once per year in the corporate planning, and new risks arising from the Company's perspective for the business development of all SINGULUS TECHNOLOGIES production companies and sales subsidiaries are discussed. Risks are reported directly at parent company level due to the weak independence of the sales subsidiaries. The respective managing directors or departmental heads are responsible for subsequently formulating and implementing risk management measures. The risk manager is responsible for the Company's methods and guidelines, and coordinates risk reporting within the SINGULUS TECHNOLOGIES Group.

The Executive Board has overall responsibility for the implementation of a suitable and efficient risk management system to ensure the timely identification and management of situations capable of jeopardizing the continued existence of the Company.

The risk management process in the SINGULUS TECHNOLOGIES Group

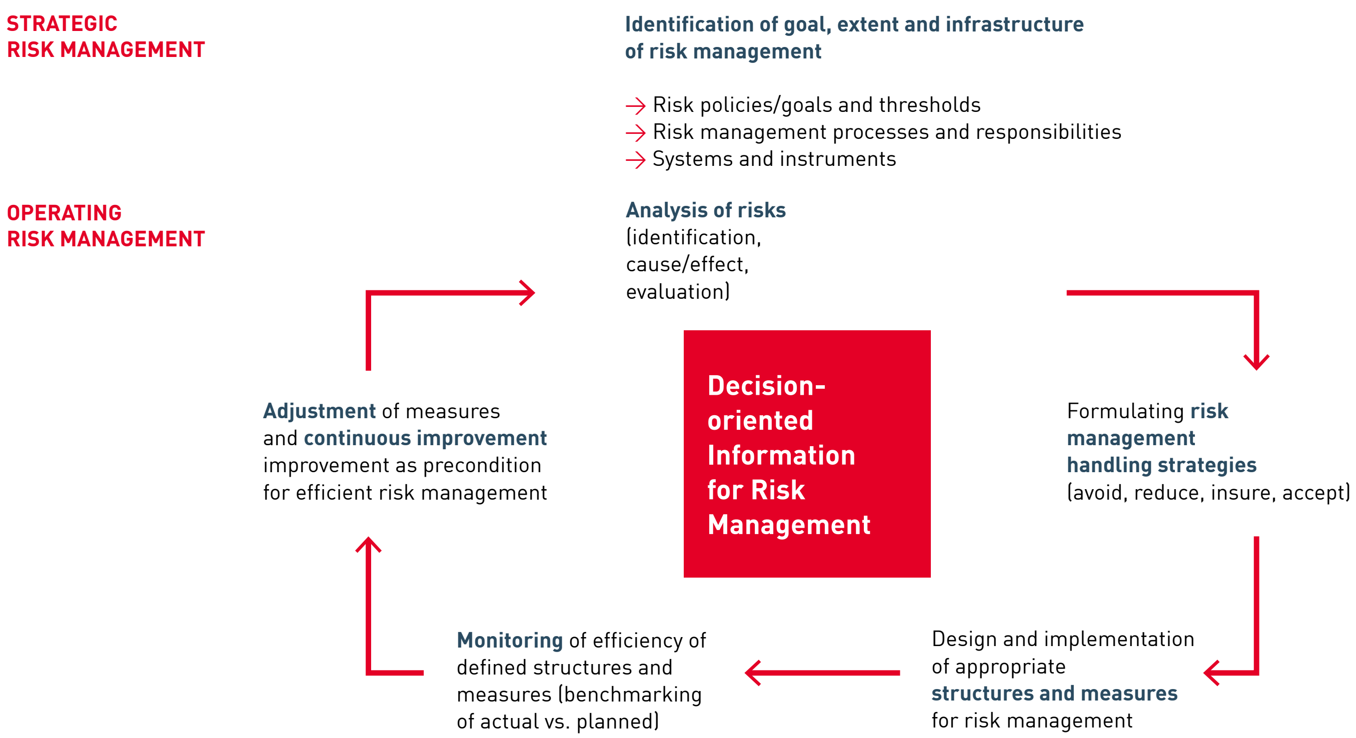
Overall, the risk management system is a continuous process in accordance with the business risk management process:

STAGE 1: ESTABLISHMENT OF GOALS, CONTENT AND INFRASTRUCTURE

The alignment of the risk policy (including goals and thresholds), the risk management processes and the definition of the relevant systems and instruments form the basis for the strategic risk management process. The original definitions must subsequently be expanded or modified as part of a long-term control cycle.

STAGE 2: RISK ANALYSIS

In a second step, risks are initially identified and documented, after which they are analyzed from a wide variety of perspectives and finally assessed, if possible. The risk model is used to ensure a complete risk inventory. Analysis and updates are performed as part of the annual planning. Risk reporting on the development of material risks is carried out on a quarterly basis.



Risks are assessed using an ordinal scale. Gross loss is assessed. This assessment is repeated on a quarterly basis.

Gross loss is defined as the negative earnings impact on EBIT. The probability of occurrence is the subjective estimate of the probability of occurrence for the current fiscal year. Specifically, the probability is classified as low, medium, or high. The assessments are "gross" in each case, i.e., the existing controls and measures are not taken into consideration. The relevance indicators used to categorize gross risk are defined in the table below. The assumptions are derived from the specific maximum loss values taken from long-term historical observations. On the basis of the forecast for the Company's future development, these figures have not been reduced in connection with the loss situation in previous years. In addition, the short- and medium-term liquidity risk is monitored on an ongoing basis. Please refer to the report on expected developments for the current assessment.

Relevance	Characteristics	Maximum loss from	to
1	Insignificant risks that do not have a material impact on EBIT or enterprise value	EUR 0	EUR 0.5 million
2	Medium risks that have a noticeable impact on EBIT	EUR 0.5 million	EUR 2.5 million
3	Significant risks that have a considerable impact on EBIT or lead to a noticeable reduction in enterprise value	EUR 2.5 million	EUR 10 million
4	Serious risks that lead to negative EBIT and a substantial reduction in enterprise value	EUR 10 million	EUR 35 million
5	Risks jeopardizing the Company's continued existence	> EUR 35 million	

The probability of occurrence is subsequently estimated for each individual risk (classification as high, medium, or low).

STAGE 3: FORMULATION OF THE RISK MANAGEMENT STRATEGY

Specific measures and indicators can be derived on the basis of risk management strategies. These strategies are defined with respect to the Company's overall strategy and risk preference. In principle, management has the following alternatives at its disposal to manage risk:

- **Avoid risks**
  Risk avoidance leads to a complete elimination of the risk, e.g., through withdrawing from a risky or unprofitable business.
- **Reduce risks**
  Risk reduction aims to limit the probability of occurrence and/or the impact on EBIT or corporate objectives to an acceptable level, e.g., through improving early risk identification or implementing countermeasures.
- **Transfer (insure) risks**
  Coverage transfers a potential loss to a third party, e.g., via the corresponding insurance protection.
- **Assume (accept) risks**
  When risks are accepted, the direct form of risk financing by SINGULUS TECHNOLOGIES is described, e.g., financial coverage through recognizing provisions. Risk development is monitored exclusively by the corresponding employees, without specific risk management measures being introduced.

STAGE 4: DESIGN AND IMPLEMENTATION OF SUITABLE STRUCTURES AND MEASURES

The necessary structures and measures are subsequently derived and implemented on the basis of the risk management strategy previously formulated.

STAGE 5: MONITORING OF EFFECTIVENESS

The measures implemented must be regularly monitored and reviewed for effectiveness. Compliance with statutory documentation requirements must also be ensured.

STAGE 6: ADAPTATION OF MEASURES AND CONTINUOUS IMPROVEMENT PROCESS

The changing environment means that risk management must be understood as a continuous process. For this reason, it is inevitable that the risk management process is continuously adapted to external and internal developments. Intensive knowledge management remains necessary to enable this. The departure point in the SINGULUS TECHNOLOGIES risk management process is the corporate strategy, which provides the basis for defining and communicating business goals.

The risk management system is reviewed by impartial individuals, i.e., by people who are not directly involved in managing risk. The following basic review requirements apply:

- **Supervisory Board**
  The Supervisory Board is responsible for reviewing the effectiveness of risk management. The Executive Board reports to the Supervisory Board on the current status of risk management at least once per year.
- **Audit**
  The audit of the annual financial statements in accordance with § 317 (4) HGB includes an assessment of whether the Executive Board has suitably implemented the measures for which it is responsible in accordance with § 91 (2) AktG, and whether the monitoring system that must subsequently be established is adequate for the early detection of developments posing a risk to the Company's continued existence.

The following sections provide an explanation of those risk areas or individual risks from among the overall risks identified for the Group that from today's perspective have a material impact on the net assets, financial position, and results of operations of SINGULUS TECHNOLOGIES AG and of the Group, and that can lead to negative deviations from targets.

SALES MARKET RISK

Risk description:

SINGULUS TECHNOLOGIES is dependent on the willingness of its global customers to invest in new production systems for solar cells, optical media, and semiconductors.

To a large extent, developments in the market for photovoltaic systems in recent years have relied on the regulatory environment and global subsidiaries for investments in photovoltaic systems. Although reliance on the cost effectiveness of photovoltaic systems is increasingly being reduced due to the decrease in system costs, the future global market for these systems will remain dependent on the continuation of state subsidies for investments in photovoltaics. This trend is particularly visible in the principal markets of China and the USA.

If the appeal of photovoltaics loses ground to other means of renewable energy generation in the future, or if these other technologies develop more favorably than photovoltaics due to technical, economic, regulatory, or other reasons, investments in photovoltaics could cease, reduce, or at least fall significantly short of the levels forecast by SINGULUS TECHNOLOGIES.

In addition, competition may continue to increase as a result of future business combinations or partnerships between individual competitors or the market entry of additional competitors. Growing competition may also lead to lower prices for the Company's production systems or even to a significant loss of market share.

In the Solar and Optical Disc segments, the Company conducts its business with a small number of major customers. This particularly the case in the Solar segment in view of the major order from the state-owned CNBM in China. There is a risk than major customers terminate the business relationship with the Company or potentially conclude contracts with other suppliers. In such a case, it is unlikely that the Customer will be able to compensate for the lost business volumes with new customers in the short or medium term.

In addition, the Chinese market harbors significant political risk if the Chinese government shifts the focus of its subsidy policy for new production methods to technologies other than CIGS or heterojunction.

Impact:

As in the previous year, market risk in the Solar segment is classified as relevance indicator 5 with a medium probability of occurrence. As a consequence, this risk is classified as potentially jeopardizing the Company's continued existence and can adversely impact the net assets, financial position and results of operations of the Group as a whole. Specifically, management expects significant growth in the Solar segment. The plan is for this segment to make the greatest contribution to revenue and earnings in the future. It is highly dependent on CNBM in particular and its demand for CIGS production equipment. If the order intake in this area in fiscal year 2017 remains below the assumed levels, this would have a significant negative impact on the net assets, financial position, and results of operations. If the expansion of renewable energies were no longer such a high priority for the Chinese government and as a result, the expansion of solar parks were to decline significantly over the coming years, this would have a material effect on the investment appetite of Chinese customers and thus on the Company's most important sales market, and a negative impact on the net assets, financial position, and results of operations of the Group.

The investments expected in the Optical Disc segment in fiscal year 2016 will be delayed to the next fiscal year due to the slow uptake of the new ultra HD standard. From today's perspective, market risk is classified as a significant risk with a relevance indicator of 3 (previous year: 3) and medium probability of occurrence; this is due to the changes in consumer behavior and the associated decrease in the importance of this segment, including the significant reduction in segment assets.

The Semiconductor segment continues to be viewed as immaterial due to the low volumes with regard to possible revenue.

Measures:

External data such as the results of market research, as well as close contact with our customers and monthly comparisons of actual and planned figures, help to improve our estimates of future trends.

PROJECT RISK

Risk description:

We define project risk as relating to orders for non-standardized systems with a purchase price generally exceeding EUR 3 million. This affects the Solar and Semiconductor segments. Specifically, the risks relate to budget and project schedule overruns, non-compliance with acceptance criteria, as well as contract cancellations, the associated non-acceptance of systems, and the resulting contractual risks.

Impact:

If risks materialize in connection with project processing, these could have a considerable adverse impact on the Company's business activities, especially with regard to larger projects. In particular, the risk of budget overruns is assessed as material. The major order placed by CNBM for the delivery of production systems for CIGS solar modules is of great importance to the continued existence of the Company. It is key to the Company's strategy and confirms its position in the area of CIGS solar technology. The materialization of project risks with respect to this order would lead to significant negative effects on the net assets, financial position, and results of operations of the Company. If the project were to fail in whole or in part, or the planned economic success not sufficiently realized, this could even jeopardize the continued existence of the Company. Accordingly, we classify the project risks as relevance indicator 5 (previous year: 3). This means that the failure of this project could potentially jeopardize the Company's continued existence. As in the previous year, the probability of occurrence was classified as medium.

Measures:

Project calculations, project schedules and project-specific risk assessments and liquidity planning are carried out at the proposal phase for the purposes of risk management. Changes in parameters are monitored on an ongoing basis in parallel to project progress with the aim of identifying potential project risks and implementing the necessary measures at an early stage. Prepayments and part-payments on completion of project milestones are routinely agreed to reduce the risk of cancellation. However, it cannot be ruled out that customers will cancel orders before making prepayments or the relevant part-payments following project milestones. If SINGULUS TECHNOLOGIES has already provided up-front services and incurred expenses in connection with order processing, in some circumstances these could fail to be reimbursed by the customer.

FINANCIAL RISK

Risk description:

The SINGULUS TECHNOLOGIES Group is exposed to financial risk, primarily with regard to liquidity risk. It is also exposed to credit risk in relation to receivables from customers. The Solar business may require additional financing arrangements depending on project-specific requirements. In particular, prepayments made by customers must frequently be secured by guarantees. For this purpose, the Company must deposit a large amount of cash with the guarantors as collateral. This collateral is not available to the Company to finance working capital and, depending on the progress of the project, could lead to liquidity squeezes.

The major order from CNBM is particularly important to the liquidity position going forward and the financial health of the Company. If planned payments in connection with this project were significantly delayed, this would have a significant negative impact on the net assets, financial position, and results of operations of the Company.

In view of this order, the Company expects to secure financing to cover guarantees over the coming weeks. Under this, the Company would receive cash and cash equivalents in the amount of EUR 10.6 million as a result of the reduction of the cash deposit. The absence of or significant delay to this inflow of cash and cash equivalents could, under certain circumstances, lead to a material risk with respect to the Company’s continued existence, even in the short term.

Impact:

As in the previous year, we currently classify liquidity risk as relevance indicator 5 and credit risk as relevance indicator 3. Following the successful implementation of the bond restructuring, a significantly improved order situation, as well as the inflow of liquidity from the cash capital increase in October 2016, we only classify the probability of occurrence for liquidity risk as low, compared with medium in the previous year. However, depending on future business developments, the liquidity situation could again deteriorate significantly. In particular, guarantees must be covered to reduce the cash deposit and further prepayments in connection with the major order from CNBM received as planned. Material delays in payment within this project could not be compensated for. As in the prior year, we assess the probability of occurrence for credit risk as low.

Measures:

A liquidity reserve in the form of cash and credit lines will be maintained to safeguard the SINGULUS TECHNOLOGIES Group's solvency and financial flexibility at all times. Liquidity plans will be regularly drafted and compared with actual developments to ensure the early detection of liquidity risks. The Company is currently negotiating new guarantees with significantly reduced collateral. In addition, on March 10, 2017 the Company subscribed for a loan with a volume of EUR 4.0 million and a term of twelve months in order to further secure liquidity.

The receivables portfolios of the individual SINGULUS TECHNOLOGIES Group companies are reviewed at short intervals to analyze credit risk. We use export credit insurance as the primary instrument to hedge against credit risk relating to foreign customers. Customers' creditworthiness and payment history are continually monitored and corresponding credit limits are set. In addition, risks in individual cases are limited where possible through credit insurance and bank guarantees.

Please also refer to the risk of erosion of half the share capital of SINGULUS TECHNOLOGIES AG in the forecast contained in the management report to the annual financial statements in accordance with HGB.

TECHNOLOGY RISK

Risk description:

The SINGULUS TECHNOLOGIES Group operates in highly competitive markets. If product refinements or new product developments produce undesirable results, this could lead to significant costs.

Impact:

As in the previous year, we currently classify the risk of undesirable or delayed development as relevance indicator 3 with a medium probability of occurrence.

Measures:

Analysis of market requirements is a key aspect in reviewing development risk. We reduce the risk of undesirable or delayed development through cooperating with partners and research institutes, as well as via a continuous evaluation process in which the efficiency, chances of success, and general framework of development projects are continuously reviewed. Monitoring the planning of the various development projects is a key part of this process. The necessary impairment write-downs are recognized for capitalized development costs that are considered to be impaired. Analyzing, unlocking, and exploiting chances for success to safeguard and expand the Company's competitiveness also constitute key aspects of strategic planning.

PROCUREMENT RISK

Risk description:

The availability, unplanned price increases, and inadequate quality of purchased components constitute a risk for SINGULUS TECHNOLOGIES. High inventory levels present a further risk.

Impact:

We currently classify inventory risk as relevance indicator 3 (previous year: 4) with a low probability of occurrence (previous year: low). We do not expect any significant price increases in the short to medium term based on current contractual negotiations and analysis of market expectations. The average inventory backlog rate (*Rückstandsquote*) and the number of quality complaints were within the target range throughout the entire fiscal year. From our current perspective, we assume sufficient coverage of the inventory risk.

Measures:

Delivery capacity and compliance with our quality requirements for purchased components are subject to constant monitoring. Inventory management constitutes a further component of risk management. This includes reviewing the marketability of, and days inventory held (DIH) for, goods and purchased components, as well as analyzing their age structure. In order to avoid unplanned price increases, some of the contracts entered into with suppliers are long-term if this is deemed necessary for production planning purposes.

LEGAL RISK

Risk description:

As a company operating internationally, the SINGULUS TECHNOLOGIES Group is exposed to a wide range of legal, tax, and regulatory risks. These also include risks associated with product liability, patent law, and company law.

Impact:

The outcome of currently pending or future litigation is subject to uncertainties. As a result, judicial or regulatory decisions or settlements may lead to expenses that are either not or are not fully covered by insurance, and which could therefore have an impact on our business and the corresponding financial key performance indicators.

The following section provides more detailed information on the legal risk associated with one issue due to its materiality.

Action brought by Alster & Elbe Inkasso GmbH, Hamburg

On July 18, 2014, Alster & Elbe Inkasso GmbH, Hamburg, brought an action against SINGULUS TECHNOLOGIES AG and five other defendants in the total amount of EUR 750 million in connection with transactions between STEAG HamaTech AG and ODS Group, Dassow (since insolvent), dating from 2002 and 2003. STEAD HamaTech AG was merged with SINGULUS TECHNOLOGIES AG in 2009, following its acquisition in 2005. The Company and the other defendants answered the action on June 1, 2015. The plaintiff submitted its reply on April 29, 2016. The hearing is scheduled for April 10, 2017.

According to our current assessment together with our legal advisors we assume that the alleged claims have become time-barred and are without merit. As a consequence, we continue to classify this risk as relevance indicator 5 with a low probability of occurrence. SINGULUS TECHNOLOGIES AG reserves the right to take appropriate preventative measures.

From today's viewpoint, the litigation described above represents the most significant legal risk based on the amount involved; however, this should not be understood as an exhaustive list.

Measures:

Legal risks are identified using a systematic approach and are managed with the assistance of external lawyers.

KEY ACCOUNTING FEATURES OF THE SINGULUS TECHNOLOGIES GROUP'S INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM

The SINGULUS TECHNOLOGIES Group's internal control and risk management systems are integrated into one overall system. The internal control system comprises the principles, procedures and measures introduced throughout the Company by the management in order to implement the management's decisions throughout the organization. Specifically, this includes:

- Ensuring the effectiveness and profitability of the business activities
- Correctness and reliability of the internal and external accounting
- Compliance with the requirements applicable to the Company

The risk management system includes the entirety of all organizational regulations and measures developed to identify and manage risks arising out of operating activities. The following structures and processes relating to the (Group) accounting processes were implemented at the SINGULUS TECHNOLOGIES Group:

The overall responsibility for the internal control system with regard to the (Group) accounting processes rests with the Executive Board. All companies included in the consolidated financial statements are integrated under a clearly defined management and reporting organization. Under the (Group) accounting processes, features of the internal control and risk management system are classified as important if they materially influence the Group's accounting and the overall presentation of the consolidated financial statements, including the Group management report. This includes the following elements in particular:

- Identifying material risk areas and controls that influence the Group-wide accounting process
- Monitoring the Group-wide accounting process and the corresponding findings at the Executive Board level
- Preventative finance and accounting control measures at the Group and the subsidiaries included in the consolidated financial statements

In addition, the findings from the ongoing reporting process are used to further develop the internal control system.

Report on Opportunities

Entrepreneurial opportunities are not managed within the risk management system, but instead are discussed during regularly-held strategy meetings, analyzed in Executive Board and Supervisory Board meetings, and, if possible, identified in the annually prepared operating budgets. Opportunities for profitable growth are identified as part of strategic planning. The Executive Board is directly responsible for identifying and realizing opportunities early on.

SINGULUS TECHNOLOGIES strategically aligned and further expanded its product portfolio in the Solar segment over the past few fiscal years. SINGULUS TECHNOLOGIES primarily addresses the global market for machinery and equipment for the production of solar cells.

Investments in new production facilities for CIGS thin-film solar technology also provide additional opportunities for new projects. Talks surrounding process facilities for CIGS thin-film technology in particular have already started to bear fruit and provide new market opportunities around the world for the Company's various products. There are promising projects for vacuum coating machines and selenization machines in particular. SINGULUS TECHNOLOGIES is a technology leader and stands to benefit disproportionately in this area.

Investments in new cell technologies for high-efficiency crystalline cells such as heterojunction cells have already led to major orders for the modular SILEX II etching and cleaning machine. We believe that this system also has good sales potential going forward. Additional process equipment for heterojunction cell applications in the area of vacuum technology is also being developed with key customers to ensure all customer demands are met and thus the market success of the systems.

In China and numerous other countries, the introduction and expansion of local production facilities for solar cells and modules is being reviewed in detail. This opens up numerous opportunities for SINGULUS TECHNOLOGIES for new major projects in the areas of crystalline heterojunction technology and thin-film solar technology.

The introduction of the new Ultra HD Blu-ray disc format gives rise to new opportunities for using SINGULUS TECHNOLOGIES' production equipment. However, the Company believes that this market will remain a niche market with low sales figures.

There is still no mass market for MRAM data storage devices in the Semiconductor segment. At present, SINGULUS TECHNOLOGIES is excellently positioned in numerous MRAM development projects, giving rise to sales opportunities for its vacuum coating machines if demand increases. New fields of application for extremely precise layer systems such as in sensor systems will also provide additional opportunities over the coming years.

The Company's positive business performance going forward depends on how successful it is in turning its research and development efforts into innovative and successful products. Therefore, SINGULUS TECHNOLOGIES believes it is important to test new applications with potential customers, particularly in the area of vacuum coating. To this extent, there are good opportunities of generating revenue and earnings contributions in new sales markets going forward, such as decorative coatings for consumer goods and wet-chemical processes in medical applications.

SUMMARY OF OPPORTUNITIES AND RISKS

At the present time, the sales market and project risk for the Solar segment are viewed as the Group's most significant risks.

The Solar segment is expected to make the greatest contribution to revenue and earnings over the coming years. If the growth rates forecast fail to materialize and the solar market does not achieve sustainable growth, this would materially affect the net assets, financial position, and results of operations of SINGULUS TECHNOLOGIES and jeopardize the continued existence of the Group. However, we currently expect the demand for machines and equipment used for manufacturing solar cells to increase.

If risks materialize in connection with project processing, especially with regard to the CNBM project, this could have a have a considerable adverse impact on the Company's business activities. The placement of the major order for delivery of production systems for CIGS solar modules at two production locations on the basis of several delivery agreements was and is of great importance to the success and the continued existence of SINGULUS TECHNOLOGIES. A complete or even only a partial failure in the execution of this major project could potentially jeopardize the continued existence of our Company.

Liquidity risk has declined compared with the previous year following the successful financial restructuring of the Company and a significantly improved order situation. However, depending on future business developments, the liquidity situation could again deteriorate significantly. In particular, the future liquidity position depends on the timely receipt of payments under the CNBM project as well as a reduction in the financial assets subject to restrictions on disposal by transferring the prepayment guarantees to a new financing consortium.

Environment and Sustainability

Overall, SINGULUS TECHNOLOGIES AG places great value on responsibly and sustainably managing the Company. The Executive Board and the Supervisory Board understand this to mean a responsible approach to managing and controlling that is geared towards the long-term success of the Company. The objective of these principles of good corporate governance is to ensure that the Executive Board and the Supervisory Board work together efficiently to achieve their objectives, the best interests of the shareholders and employees are taken into account, risks are managed appropriately, and entrepreneurial decisions are made transparently and responsibly. The Company strives to apply the principles and objectives of environmental compatibility and sustainability to its business procedures and processes.

The Company's products are continuously being improved in order to make them more energy efficient. Recycling consumables on a daily basis is a matter of course.

The Company has developed a code of ethics as an internal guideline for compliance with statutory requirements (i.e. compliance). This was implemented internally in fiscal year 2014. Training has been held for the relevant senior executives and employees and is repeated on a regular basis.

SINGULUS TECHNOLOGIES views sustainability as an opportunity to position itself accordingly with innovative products in order to maintain and enhance value in the long term.

As a rule, entrepreneurial actions include sustainable actions. In the coming year, the focus will be on:

- Social responsibility within the company and within the region
- Environmental awareness
- Conserving resources
- Avoiding unnecessary CO_2 emissions

In addition to economic prosperity and social welfare, an unspoiled and intact natural environment forms the foundation of a sustainable society.

Remuneration Report

This remuneration report is a component of the combined management report for the SINGULUS TECHNOLOGIES Group and SINGULUS TECHNOLOGIES AG. It includes disclosures that – pursuant to the provisions § 289 (2) no. 4 of the German Commercial Code (*Handelsgesetzbuch*, "HGB") – form part of the notes to the financial statements in accordance with § 314 HGB or the management report in accordance with § 315 HGB. The remuneration report explains the principles and structure of the remuneration system for the Executive Board and Supervisory Board of SINGULUS TECHNOLOGIES AG and also discloses the remuneration awarded to the individual Executive Board and Supervisory Board members for the performance of their duties at the Company in fiscal year 2016 pursuant to the statutory requirements and the recommendations of the German Corporate Governance Code in the version dated May 5, 2015. It also takes into account the requirements of German Accounting Standard (GAS) 17.

A. REMUNERATION OF THE EXECUTIVE BOARD

I. Composition of the Executive Board in fiscal year 2016

Dr.-Ing. **Stefan Rinck**
Chief Executive Officer, Executive Board member responsible for Production, Sales and Marketing, Technology, Research and Development, and Strategy and International Activities

Dipl.-Oec. **Markus Ehret**
Executive Board member responsible for Finance, Controlling, Investor Relations, Human Resources, Purchasing and IT

II. Description of the remuneration structure

1. OVERVIEW OF THE REMUNERATION STRUCTURE

1.1 Design and objectives of the remuneration structure

The remuneration of the individual Executive Board members is set and regularly reviewed by the Supervisory Board. The objective is to appropriately compensate the members of the Executive Board on the basis of their duties and responsibilities, taking into account their individual performance as well as the economic situation, success and future prospects of the Company.

The remuneration structure centers on sustainable business development and comprises fixed and variable remuneration (including share-based payments), pension commitments and benefits in kind. The Supervisory Board assumes an annual monetary target remuneration that comprises fixed remuneration (approximately 60 %) and the annual variable bonus (40 %). It also includes – upon achieving the respective targets – payments from the phantom stock (virtual shares) program of at most three times the respective exercise price. In the case of Mr. Markus Ehret, the cash settlement to be granted over the course of one year from the phantom stock program may not exceed the annual fixed salary.

In setting the target remuneration, the Supervisory Board considers the remuneration that similar companies pay to the members of their management teams as well as the "vertical" appropriateness of the remuneration in comparison to the other salary levels at the Company. The Supervisory Board aims to retain the members of the Executive Board with the Company for the long term and incentivize them to increase the enterprise value. In addition, the variable remuneration is intended to motivate the members of the Executive Board, while at the same time providing a means to take the Company's economic situation into account when setting the bonus.

The Supervisory Board reviews the remuneration on a regular basis at its first Supervisory Board meeting of the year. In this review, the Supervisory Board compares an Executive Board member's individual performance and responsibilities against the performance and responsibilities of other Executive Board members as well as the Company's economic situation.

The Company's economic situation had a significant impact on the remuneration of Executive Board members. Due to the Company's difficult economic situation, the Executive Board proposed to the Supervisory Board to maintain the salary reductions of 20 % resolved in 2015 for the time being and to waive the adjustment of remuneration to the contractually agreed level originally planned for fiscal year 2016. The Supervisory Board then resolved pursuant to § 87 (2) AktG to maintain the 20 % reduction in the respective Executive Board members' fixed remuneration components against the contractually stipulated amounts for the period from January 1, 2016 to no later than December 31, 2016. Pension contributions or other ancillary benefits shall remain unaffected thereby.

The Supervisory Board – also taking into account the Company's economic situation – set the target achievement for both members of the Executive Board for the 2016 fiscal year at 60 % each (please see page 97 for further information).

Furthermore, due to the Company's falling share price, the phantom stocks issued in previous years could not be exercised for some time. Following the resolution of the Company's extraordinary shareholders' meeting on February 16, 2016 to decrease the Company's share capital by consolidating the shares at a ratio of 160 : 1, the number of issued phantom stocks was reduced by the same ratio. Consequently, the value of the phantom stocks issued as a remuneration component in 2011, 2012, 2014 and 2015 decreased considerably due to the corporate actions implemented.

The phantom stocks issued under the 2011 program lapsed without substitute or compensation due to the expiration of the five-year term on September 23, 2016. The phantom stock options from the 2012 and 2014 programs could first be exercised after the end of the third quarter of fiscal year 2016 due to the increase in the Company's share price. However, Dr.-Ing. Stefan Rinck and Mr. Markus Ehret did not exercise any phantom stock options from the 2012 and 2014 programs.

Due to the pending corporate actions, the issue of additional phantom stocks was initially postponed in January 2016 to until the conclusion of the restructuring activities. However, after reviewing the contractual terms again in its meeting on November 9, 2016, the Supervisory Board decided to issue phantom stocks to the members of the Executive Board before the end of fiscal year 2016 as contractually agreed. 125,000 shares were granted to Dr.-Ing. Stefan Rinck and 100,000 to Mr. Markus Ehret.

1.2 Breakdown of remuneration

Remuneration generally comprises performance-based and non-performance-based components. New service agreements were concluded with both members of the Executive Board in 2012 and 2014. Under these agreements, the remuneration is granted uniformly in accordance with the remuneration system described here (see page 96 for deviations relating to the form of the caps on the individual components and on overall remuneration in the service agreement of Mr. Markus Ehret). The non-performance-based component consists of a fixed annual salary, pension benefits financed by the Company and benefits in kind. The performance-based component serves as a long-term incentive for future activities and consists of a variable bonus and phantom stocks whose value depends on the Company's long-term business performance.

The variable bonus is tied to the achievement of individual targets related to the Company's financial, operating and strategic objectives. The Supervisory Board sets new targets every year and individually agrees these with the Executive Board members following the approval of the budget for the subsequent year. At a target achievement rate of 100 %, the target remuneration comprises fixed remuneration (approximately 60 %) and the annual bonus (approximately 40 %). If the targets are not met or only partially met, the Supervisory Board decides whether and to what extent the variable remuneration is paid. At its discretion, the Supervisory Board may stipulate that up to 150 % of the agreed bonus payment may be paid out to the Chief Executive Officer if he exceeds the stipulated targets.

In accordance with the Executive Board service agreements, special one-time payments may be granted in addition to the variable remuneration in order to account for extraordinary circumstances and to grant commensurate, competitive remuneration.

Since fiscal year 2011, the Company has granted phantom stocks to the members of the Executive Board every year in accordance with the phantom stock program approved by the Supervisory Board. The terms of the program were adjusted for Mr. Markus Ehret in the service agreement concluded on June 12, 2014. The amendments are primarily technical in nature and are likewise presented in the following. With effect of the capital reduction resolved upon at the extraordinary general meeting on February 16, 2016, the number of phantom stocks was reduced at a ratio of 160:1. The exercise price remained unaffected.

By linking the remuneration to the Company's performance and its sustainable share performance, the program's objective is to function as a long-term incentive and retention mechanism. The phantom stocks are a remuneration component with a multi-year measurement basis that closely aligns the interests of the beneficiaries and those of the shareholders, thereby creating sustainable shareholder value. The phantom stocks are allocated free of charge as a further component of remuneration. Each phantom stock entitles the beneficiaries to subscribe one virtual bearer share of the Company with a par value of EUR 1.00 each at the exercise price. The exercise price is the non-weighted average closing price (or a corresponding closing price) of the Company's shares on the Xetra trading platform (or a functionally comparable successor system to the Xetra trading system) of the Frankfurt Stock Exchange on the five trading days prior to the issue date. Upon expiry of the vesting period, the bearer of the virtual shares shall receive upon exercise the equivalent of the share price less the exercise price exclusively in the form of a cash settlement, but no more than three times the exercise price per phantom stock. Furthermore, Mr. Markus Ehret's service agreement also includes an additional threshold as of January 1, 2015, under which the cash settlement granted within a given year may not exceed the annual fixed remuneration. The Company's treasury shares may not be used to satisfy the obligations.

Phantom stocks may be exercised for the first time after the expiration of the two-year vesting period, which begins on the issue date. The phantom stocks may be exercised in each case within five years of the issue date. The stock options may be exercised upon expiry of the vesting period within a period of 14 trading days beginning on the sixth trading day (inclusive) following publication of the quarterly reports for the first or third quarter; up to 25 % of the phantom stocks held may be exercised during the first exercise period and then up to a further 25 % every six months during each subsequent exercise period. The exercise period for the phantom stocks granted to Mr. Markus Ehret from 2014 onwards was extended to June 20 or December 20, directly after the publication of the respective quarterly report.

In order to exercise the phantom stock options, the Company's share price must meet certain performance targets, i.e., it must exceed the exercise price by a certain minimum percentage rate. The non-weighted average closing price on the Frankfurt Stock Exchange in the reference period is used to define the performance targets for a given exercise period. The reference period is the period of five trading days in Frankfurt am Main from the date of publication of the quarterly report applicable to the beginning of the exercise period. The terms of the phantom shares issued to Mr. Markus Ehret from 2014 onwards stipulate that the reference period is the period of one calendar month from the date of publication of the quarterly report applicable to the beginning of the exercise period (inclusive). The phantom stock options may only be exercised if the non-weighted (beginning from the 2014 phantom stock program for Mr. Markus Ehret: weighted) average closing price is at least 15.0 % higher than the exercise price during the reference period for the first 25 % of the phantom stocks (first tranche); at least 17.5 % higher than the exercise price during the reference period for the second 25 % (second tranche); at least 20.0 % higher than the exercise price during the reference period for the third 25 % (third tranche); and at least 22.5 % higher than the exercise price during the reference period for the last 25 % (fourth tranche). It is possible to exercise the stock options early, regardless of whether or not the performance targets are met, in a period in which a takeover bid as defined in § 29 (1) of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz, "WpÜG") was published or an individual gains control as defined in § 29 (2) WpÜG.

Lastly, the members of the Executive Board also receive benefits in kind, such as company vehicles and insurance, as well as a defined-contribution company pension financed by the Company.

1.3 Maximum limits

Section 4.2.3 (2) sentence 6 of the Code recommends that the remuneration of Executive Board members be capped, both overall and for variable remuneration components. The Supervisory Board considers maximum limits on the Executive Board's remuneration to be generally useful and implemented such caps as follows:

The service agreements of the two current members of the Executive Board provide for caps on the variable remuneration components. These caps are derived from the remuneration system and monitored by the Supervisory Board. The amount of the bonus for a 100 % target achievement rate and the targets to be met are in each case stipulated for the subsequent year in a target agreement between the Supervisory Board and the Executive Board. At a target achievement rate of 100 %, the target remuneration comprises fixed remuneration (60 %) and the bonus (40 %). At its discretion, the Supervisory Board may increase the bonus for the Chief Executive Officer to up to 150 % of the target amount if the targets are exceeded. In addition, the Executive Board receives phantom stocks. The number of phantom stocks that can be granted is initially not capped; instead, the Supervisory Board sets the number when granting each tranche. Upon realizing the phantom stocks, the beneficiary receives the difference between the share price on the issue date (exercise price) and the exercise date, but no more than three times the exercise price per phantom stock. A potential payment to the Executive Board therefore also represents an overall cap that the Supervisory Board may quantify at the beginning of a given fiscal year.

Mr. Markus Ehret's current service agreement, which was concluded with effect from January 1, 2015, also contains the following additional caps: the annual remuneration (excluding the pension expense) is limited to a total of EUR 800,000, the variable bonus continues to be limited to two-thirds of the annual fixed remuneration (i.e. currently EUR 186,667), and the cash settlement to be granted over the course of one year from the phantom stock program is limited to the annual fixed salary as of January 1, 2015, i.e. EUR 280,000. The service agreement concluded with Dr.-Ing. Stefan Rinck in 2012 does not stipulate any maximum limits on remuneration.

2. FIXED REMUNERATION

The fixed remuneration of the Executive Board members is paid as a monthly salary. The appropriateness of the remuneration is reviewed annually. Adjustments may also be made due to special one-time payments. The Supervisory Board's resolution, with the consent of the Executive Board, to reduce the annual fixed salary in each case by 20 % for 2015 and 2016 reduced the fixed remuneration for the members of the Executive Board in these two fiscal years to EUR 352,000 for Dr.-Ing. Stefan Rinck and to EUR 224,000 for Mr. Markus Ehret.

The total fixed remuneration (including other compensation) paid in fiscal year 2016 amounted to EUR 648,403.

3. VARIABLE REMUNERATION

The variable remuneration provisioned on the basis of the individual target arrangements and pursuant to the target achievement rate for fiscal year 2016 amounted to EUR 175,800 for Dr.-Ing. Stefan Rinck and EUR 112,000 for Mr. Markus Ehret (total of EUR 287,800). While key operating and strategic objectives were met, the 40 % deviation in each case from the contractually stipulated target remuneration is nevertheless attributable primarily to the Company's difficult economic situation.

In addition, the Supervisory Board has the right, at its own discretion, to award one-time payments for exceptional performance.

4. STOCK OPTIONS AND VIRTUAL SHARES (PHANTOM STOCKS)

In fiscal year 2016, SINGULUS TECHNOLOGIES AG granted the members of the Executive Board a total of 225,000 (previous year: 225,000) additional phantom stocks, of which 125,000 were granted to Dr.-Ing. Stefan Rinck and 100,000 to Mr. Markus Ehret. The grant price of these virtual shares amounts to EUR 1.749 per phantom stock (previous year: EUR 0.5270). Following the resolution of the Company's extraordinary shareholders' meeting on February 16, 2016 to decrease the Company's share capital by consolidating the shares at a ratio of 160 : 1 the number of all virtual shares (phantom stocks) issued in previous years was reduced by the same ratio.

Consequently, following the implementation of the resolved capital decrease, the members of the Executive Board still held around 228,938 phantom stocks at the end of fiscal year 2016 including the 225,000 virtual shares issued in fiscal year 2016.

Including the previously granted virtual shares, Dr.-Ing. Stefan Rinck holds 127,188 virtual shares, comprising the 2,188 total remaining shares following the lapse without substitute of the phantom stocks issued under the 2011 program (before the capital decrease: 100,000 phantom stocks issued in 2012 and 125,000 in both 2014 and 2015) plus the 125,000 phantom stocks granted in fiscal year 2016. Mr. Markus Ehret holds 101,750 virtual shares, comprising the 1,750 total remaining shares following the lapse without substitute of the phantom stocks issued under the 2011 program (before the capital decrease: 80,000 phantom stocks issued in 2012 and 100,000 in both 2014 and 2015) plus the 100,000 phantom stocks granted in fiscal year 2016.

Due to the higher share price, fair value of the virtual shares allocated on an accrual basis led to an expense of EUR 21k in fiscal year 2016. Earnings of EUR 20k were reported in the previous year due to the sharply declining share price at the time. EUR 12k (previous year: EUR 11k) is attributable to Dr.-Ing. Stefan Rinck's virtual shares and EUR 9k (previous year: EUR 9k) to Mr. Markus Ehret's virtual shares.

The members of the Executive Board did not exercise any of the phantom stock options held by them in fiscal year 2016.

5. OTHER COMPENSATION

The members of the Executive Board also receive ancillary benefits in the form of benefits in kind, such as company vehicles or lump-sum compensation for using a private vehicle for business purposes and casualty and third-party liability insurance. Since these ancillary benefits represent a remuneration component, the individual Executive Board members must pay taxes on these ancillary benefits. The members of the Executive Board generally receive the same amount of ancillary benefits.

In fiscal year 2016, the members of the Executive Board did not receive any additional remuneration in connection with their duties as managing directors of a subsidiary.

6. PENSION COMMITMENTS

Members of the Executive Board receive a defined-contribution company pension benefit financed by the Company. The Company grants Executive Board members an annual pension contribution amounting to a certain percentage of the respective gross annual fixed remuneration stipulated in their service agreements. This type of pension scheme allows the

Company to reliably calculate the annual – and thus also long-term – expenditures. The amount of the pension commitments was calculated as a percentage of the fixed remuneration on the basis of an approximate target amount of benefits at retirement, a hypothetical term of office and the expected interest rate development in accordance with actuarial principles. However, the actual amount of benefits at retirement is not specified for defined contribution plans, because this depends on the length of service on the Executive Board and interest rate developments.

The annual pension plan contribution for Dr.-Ing. Stefan Rinck since January 1, 2012 amounts to 59.97 % of the annual fixed remuneration; the annual pension plan contribution for Mr. Markus Ehret since January 1, 2015 amounts to 31.58 % (previous year: 23.07 %) of the annual fixed remuneration. The annual expense for the Company in fiscal year 2016 was EUR 344k (previous year: EUR 337k), of which EUR 257k (previous year: EUR 251k) was for Dr.-Ing. Stefan Rinck and EUR 87k (previous year: EUR 86k) for Mr. Markus Ehret. The temporary reduction of the annual fixed remuneration by 20 % in the fiscal years 2015 and 2016 did not reduce the absolute value of the pension contribution.

In 2011, the Company outsourced the pension plan to Towers Watson Second e-Trust e. V. ("Towers Watson"). Retirement and survivor benefits are granted as pension benefits. The pension scheme stipulates that pension benefits will be granted as a monthly pension or a one-time capital payment if the Executive Board member terminates his service agreement after turning 63 years of age. If the Executive Board member terminates his service agreement prior to attaining the age of 63, but no sooner than turning 60 years of age, the early retirement benefits are granted as an early monthly pension or an early one-time capital payment, provided the Executive Board member requests the payment of the early retirement benefits at the date he departs the Company. The amount of the (early) retirement benefits is based on actuarial principles in accordance with the reinsurer's rate structure. Towers Watson takes out the corresponding reinsurance to insure the pension benefits. The rights from these agreements fall exclusively to Towers Watson. In the event that a member of the Executive Board dies before (early) retirement benefits are claimed, the surviving spouse shall receive a one-time lump sum. The amount of the one-time survivor's lump sum is calculated at the time of the insured event and corresponds to the respective amount of the pension contributions that must be refunded in the event of death prior to the start of retirement under the reinsurance policy taken out by Towers Watson for the Executive Board. In the event of a death after (early) retirement benefits have been claimed in the form of a monthly rent, but prior to the expiry of 20 years since the start of retirement, the surviving spouse shall receive a temporary survivor's pension until the expiry of said 20-year period. If there is no eligible surviving spouse, the surviving children will, under certain circumstances, each receive the survivor's benefits in equal parts. If a member of the Executive Board leaves SINGULUS TECHNOLOGIES AG prior to the occurrence of an insured event, that member shall keep prorated vested pension benefits regardless of whether or not the statutory vesting period under the applicable provisions of the German Company Pensions Act (Betriebsrentengesetz) applies at the time the member departs the Company.

III. Individual remuneration

During the year under review, the individual members of the Executive Board received the following compensation:

	Dr.-Ing. Stefan Rinck Chief Executive Officer Start date: September 1, 2009				Dipl.-Oec. Markus Ehret Member of the Executive Board Start date: April 19, 2010			
	2015	**2016**	**2016 (Min)**	**2016 (Max)**	2015	**2016**	**2016 (Min)**	**2016 (Max)**
Compensation granted	[in EUR]	[in EUR]	[in EUR]	[in EUR]	[in EUR]	[in EUR]	[in EUR]	[in EUR]
Fixed remuneration	352,000	352,000	352,000	352,000	224,000	224,000	224,000	224,000
Ancillary benefits	42,704	45,580	45,580	45,580	22,845	26,823	26,823	26,823
Total	**394,704**	**397,580**	**397,580**	**397,580**	**246,845**	**250,823**	**250,823**	**250,823**
One-year variable remuneration	146,500	175,800	0	439,500	93,334	112,000	0	186,667
Multi-year variable remuneration	0	0	0	0	0	0	0	0
Special one-time payments	0	0	0	****	0	0	0	*****
2015 phantom stock options (Exercised between April 10, 2017 and April 9, 2019)	65,875*	0	0	0	52,700*	0	0	0
2016 phantom stock options (Exercised between November 10, 2018 and November 9, 2021)	0	218,625	0	1,724,025	0	174,900	0	224,000**
Total	**607,079**	**792,005**	**397,580**	**2,561,105**	**392,879**	**537,723**	**250,823**	**661,490**
Pension expense	263,868	256,629	256,629	256,629	88,424	86,885	86,885	86,885
Total remuneration	**870,947**	**1,048,634**	**654,209**	**2,817,734*** **	**481,303**	**624,608**	**337,708**	**748,375**

** Before consolidation of the shares at a ratio of 160:1, ** Cap according to service agreement, *** Excluding potential special one-time payments set out in service agreement, **** Excluding maximum limit, ***** Within the cap*

	Dr.-Ing. Stefan Rinck Chief Executive Officer Start date: September 1, 2009		Dipl.-Oec. Markus Ehret Member of the Executive Board Start date: April 19, 2010	
Additions	2015 [in EUR]	**2016** [in EUR]	2015 [in EUR]	**2016** [in EUR]
Fixed remuneration	352,000	352,000	224,000	224,000
Ancillary benefits	42,704	45,580	22,845	26,823
Total	**394,704**	**397,580**	**246,845**	**250,823**
One-year variable remuneration	190,450	146,500	117,000	93,334
Multi-year variable remuneration	0	0	0	0
2011 phantom stock options (Exercised between September 24, 2013 and September 23, 2016)	0	0	0	0
2012 phantom stock options (Exercised between November 27, 2014 and November 26, 2017)	0	0	0	0
2014 phantom stock options (Exercised between April 8, 2016 and April 7, 2019)	0	0	0	0
Others	0	0	0	0
Total	**585,154**	**544,080**	**363,845**	**344,157**
Pension expense	263,868	256,629	88,424	86,885
Total remuneration	**849,022**	**800,709**	**452,269**	**431,042**

In fiscal year 2016, the cash remuneration of the members of the Executive Board totaled EUR 936,203. Of this amount, approximately 62 % was attributable to the annual total fixed remuneration component and approximately 31 % to the annual variable remuneration component. Other remuneration related primarily to pension benefits and company vehicles. In fiscal year 2016, a total of 225,000 new phantom stocks with a fair value of EUR 1.71 per share were issued. Half of these phantom stocks can be paid out in 2018 at the earliest, the other half in 2019 at the earliest. Following the resolution of the Company's extraordinary shareholders' meeting on February 16, 2016 to decrease the Company's share capital by consolidating the shares at a ratio of 160 : 1, the number of previously issued phantom stocks was reduced by the same ratio. As a result, the value of remuneration component issued as phantom stocks in previous years decreased considerably.

IV. Pension obligations in the event of termination and from third parties, change of control clauses

1. *SEVERANCE POLICY*

In the event that the service agreement is terminated early with notice or in the event the appointment is terminated early, the members of the Executive Board shall receive a severance package limited to two years' annual remuneration (severance cap). The amount is calculated as the fixed remuneration less benefits in kind and other ancillary benefits plus a lump sum variable remuneration amounting to 25 % of the applicable fixed remuneration; for Dr.-Ing. Stefan Rinck, the addition of pension benefits has also been agreed. If the remaining term of the respective Executive Board service agreement is less than two years, the severance shall be reduced pro rata temporis over the remaining term of the service agreement. In the event of a termination for good cause, the employee shall not be entitled to a severance package.

2. *THIRD-PARTY PENSION OBLIGATIONS*

During the year under review, no third-party benefits were granted or promised to members of the Executive Board with respect to their work as Executive Board members.

3. *CHANGE OF CONTROL CLAUSES*

The Executive Board service agreements include a change of control clause. The members of the Executive Board of SINGULUS TECHNOLOGIES AG have a special termination right in the event of a change of control. This entitles them to terminate their service agreement at any time with six months' notice within a period of one year following the change of control. A change of control within this meaning arises if (i) a shareholder has acquired control as defined in § 29 WpÜG; (ii) a control agreement in accordance with § 291 AktG has been concluded with the Company as an independent company and has entered into force; (iii) the Company was merged with another, non-consolidated legal entity in accordance with § 2 of the German Reorganization Act (*Umwandlungsgesetz,* "UmwG"), unless the value of the other legal entity under the agreed exchange ratio is less than 50 % of the value of the Company; or (iv) a takeover or mandatory bid as defined in WpÜG has been implemented.

If the service agreement is terminated because a member of the Executive Board exercised the special termination right or the member's service agreement was not extended following a change of control, the member of the Executive Board is entitled to a special payment amounting to the most recent fixed remuneration for two years plus the total variable remuneration (bonuses) for two years (plus pension entitlements in the case of Dr.-Ing. Stefan Rinck). The claim to a special payment exists only if the remaining term of the service agreement is longer than nine months at the time of the change of control.

Within the term of the phantom stocks, option rights arising from the phantom stocks may also be exercised early if (i) a takeover bid as defined in § 29 (1) of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz,* "WpÜG") for the Company's shares was published or (ii) a person gains control as defined in § 29 (2) WpÜG. In these cases, all phantom stock options can be exercised, regardless of whether or not the performance targets are met, in the period in which the takeover bid is made or the change of control takes place.

B. REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board is set out in Article 11 of the Articles of Association of SINGULUS TECHNOLOGIES AG. and is based on the duties and responsibilities of the Supervisory Board members.

In addition to being reimbursed for their out-of-pocket expenses, the members of the Supervisory Board receive fixed remuneration of EUR 40,000 for each full fiscal year they serve on the Supervisory Board; the fixed remuneration is payable after the end of the fiscal year. The Chairman of the Supervisory Board receives twice and the deputy chairman one and half times the fixed remuneration. Supervisory Board members who were only on the Supervisory Board or acted as chairman or deputy chairman for part of the fiscal year receive proportionately lower fixed remuneration than the other Supervisory Board members.

The Company reimburses each Supervisory Board member the value added tax levied on that member's remuneration.

In light of the general discussion of the Annual General Meeting of SINGULUS TECHNOLOGIES AG on June 9, 2015, the Supervisory Board decided – on account of the Company's difficult economic situation, the share price performance and the reduction of the Executive Board's remuneration – to waive 20 % of the remuneration it is due in accordance with the Articles of Association for fiscal year 2015. The Supervisory Board did not again waive part of its remuneration at the Annual General Meeting on August 31, 2016.

The total remuneration of the Supervisory Board in fiscal year 2016 was EUR 180,000 (previous year: EUR 144,000) plus value added tax of EUR 34,200 (previous year: EUR 27,360). The individual members of the Supervisory Board are entitled to the following remuneration for fiscal year 2016:

	Total 2016	Total 2015
	(in EUR k)	(in EUR k)
Dr.-Ing. Wolfhard Leichnitz	80	64
Christine Kreidl	60	48
Dr. rer. nat. Rolf Blessing	40	32
Total	**180**	**144**

The members of the Supervisory Board did not receive any remuneration or benefits in the reporting year for personal services, particularly consulting or intermediary services.

C. ADVANCES AND LOANS GRANTED TO EXECUTIVE BOARD AND SUPERVISORY BOARD MEMBERS

The Company did not grant any advances or loans to Executive Board and Supervisory Board members in the year under review.

Management report pursuant to §§ 289 (4), 315 (4) HGB

1. Composition of subscribed capital

As of December 31, 2016, the share capital of SINGULUS TECHNOLOGIES AG amounted to EUR 8,087,752.00, divided into EUR 8,087,752 bearer shares with a par value of EUR 1.00 each. The share capital has been fully paid up. Different share classes do not exist; all shares are ordinary shares. All shares carry the same rights and obligations. Each share confers one vote and an equal share of profit. The rights and obligations attached to the shares are based on the statutory provisions. Any claim to securitization of their shares by shareholders is excluded pursuant to Article 6.2 of the Company's Articles of Association. In the event of a capital increase, the profit participation of new shares pursuant to Article 6.5 of the Company's Articles of Association can be determined in derogation of § 60 AktG.

2. Restrictions concerning voting rights or the transfer of shares

There are no restrictions concerning voting rights or the transferability of shares in the Company. All shares in the Company can be freely traded in accordance with the statutory provisions that apply to bearer shares.

3. Direct or indirect equity investments exceeding 10 % of the voting rights

In accordance with the German Securities Trading Act (*Wertpapierhandelsgesetz,* "WpHG"), investors that indirectly or directly reach, exceed or fall below the voting rights thresholds of a listed company pursuant to § 21 WpHG by purchase, sale or by any other means must notify the company of this. Until December 31, 2016, the following companies and individuals informed SINGULUS TECHNOLOGIES AG that they had exceeded the voting rights threshold of 10 %:

VVG Familie Roland Lacher KG, Gelnhausen:
16.24 % of voting rights (based on the number of shares following the capital increase)

Universal-Investment-Gesellschaft mit beschränkter Haftung, Frankfurt am Main (attributed pursuant to § 22 WpHG):
10.43 % of voting rights (based on the number of shares following the capital increase)

4. Shares with special rights conveying powers of control

There are no shares with special rights conveying powers of control.

5. Control of voting rights if employees are shareholders of the Company and do not exercise their control rights directly

There are no employees who are shareholders of the Company and do not exercise their control rights directly.

6. Appointment and dismissal of Executive Board members; amendments to the Articles of Association

Executive Board members are appointed and dismissed in accordance with the provisions of §§ 84, 85 AktG, which stipulates that Executive Board members are appointed by the Supervisory Board for a maximum of five years. Executive Board members may be reappointed or their term of office extended for a maximum of five years in each case. Pursuant to Article 7.1 of the Company's Articles of Association, the Company's Executive Board comprises at least two members. The number of members of the Executive Board is determined by the Supervisory Board. It may appoint a chairman and a deputy chairman of the Executive Board pursuant to § 84 AktG and Article 7.1 of the Company's Articles of Association.

Pursuant to § 179 (1) sentence 1 AktG, any amendment of the Company's Articles of Association must be resolved by the Annual General Meeting. In accordance with § 179 (2) AktG, resolutions brought by the Annual General Meeting to amend the Articles of Association require a capital majority of at least three-fourths of the share capital represented at the time of the resolution. In accordance with Article 17.1 of the Articles of Association, the Supervisory Board is authorized to resolve on amendments to the Articles of Association which relate only to the wording thereof. This also applies to amendments to the Articles of Association due to a change in the share capital.

7. Authorization of the Executive Board to issue and redeem shares

7.1 AUTHORIZED CAPITAL

The Management Board is authorized to increase the Company's share capital, with the approval of the Supervisory Board, until June 18, 2017, once or severally by up to a total of EUR 24,465,157.00 in exchange for cash and/or contributions in kind by issuing up to 24,465,157 new bearer shares with a par value of EUR 1.00 per share (Authorized Capital 2012/I). The shareholders are to be granted a subscription right. The new shares may also be subscribed by one or more banks if the bank agrees or the banks agree to offer the shares to the shareholders for subscription (indirect subscription right). The Executive Board is, however, authorized, with the consent of the Supervisory Board, to disapply the statutory pre-emptive subscription rights of shareholders for new bearer shares issued with a total nominal value of up to EUR 24,465,157.00 (1) if this is necessary to eliminate fractional amounts; (2) if this is necessary to grant holders of option rights or creditors of convertible bonds issued by SINGULUS TECHNOLOGIES AG or its subordinated Group companies pre-emptive subscription rights to new shares to the extent to which they would have been entitled after exercising the option or conversion rights or satisfying the conversion obligations; (3) for capital increases against in-kind contributions.

The Executive Board is further authorized, with the consent of the Supervisory Board, to disapply the statutory pre-emptive subscription rights for new shares issued against cash contributions with a total nominal value of up to 10 % of the share capital at the date the authorization enters into effect or – if this amount is lower – at the date of the exercise, provided the issue amount of the new shares does not pursuant to § 186 (3) sentence 4 AktG fall significantly below the market price of the previously listed shares of the same class. The above 10 % threshold shall include the total nominal amount attributable to shares that – since the date this authorization was granted and until the issue of shares without subscription rights in accordance with this authorization under § 186 (3) sentence 4 AktG – were, under the exclusion of pre-emptive subscription rights, either issued in direct or analogous application of § 186 (3) sentence 4 AktG on account of an authorization granted to the Executive Board to exclude pre-emptive subscription rights or sold as treasury shares pursuant to § 186 (3) sentence 4 AktG.

7.2 CONTINGENT CAPITAL

The Company's share capital was conditionally increased by up to EUR 24,465,157.00 by the issuance of up to 24,465,157 bearer shares with a par value of EUR 1.00 each (Contingent Capital 2015/I). The contingent capital increase is implemented only insofar as holders of option or conversion rights or holders subject to the obligation to convert their bonds or to exercise the options under convertible or warrant-linked bonds – which are issued or guaranteed by SINGULUS TECHNOLOGIES AG or one of SINGULUS TECHNOLOGIES AG's Group companies as defined in § 18 AktG, in which SINGULUS TECHNOLOGIES AG directly or indirectly holds at least a 90 % interest, on the basis of the authorization approved by the Annual General Meeting on June 9, 2015 under agenda item 8 – exercise their option or conversion rights or, to the extent they are subject to the obligation to convert their bonds or to exercise the options, satisfy such obligations, or to the extent SINGULUS TECHNOLOGIES AG exercises an option to grant ordinary shares in SINGULUS TECHNOLOGIES AG in lieu of paying the cash amount due (either in full or parts thereof). The contingent capital increase will not be implemented if a cash settlement is granted or treasury shares or shares from authorized capital or from another listed company are used to service the bonds.

7.3 REDEMPTION AUTHORIZATIONS

The Executive Board is not authorized to repurchase shares in the Company.

8. Material agreements of the Company that are subject to a change of control upon a takeover bid and the resulting effects

In accordance with the conditions of the bonds issued by SINGULUS TECHNOLOGIES AG in July 2016, which have a total nominal value of EUR 12,000,000.00, bondholders have the right to call their bonds and demand their immediate repayment or, at the Company's discretion, demand that they are purchased by the Company or a third party at a price of EUR 100.00 plus accumulated interest in the event of a change of control. Bondholders must exercise the put option within a period of 30 days following the publication of the notification of the change of control (put period). However, an exercise of the put option only becomes effective if the put notices submitted to the Company by bondholders during the put period account for at least 25 % of the aggregate nominal amount of the bonds still outstanding at that time. A change of control arises if one of the following events occurs: (i) the Company becomes aware that a person or group of persons acting in concert within the meaning of § 2 (5) of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz,* "WpÜG") has become the legal or beneficial owner (direct or indirect) of more than 30 % of the Company's voting rights; or (ii) the merger of the Company with or into a third person or the merger of a third person with or into the Company, except in connection with legal transactions, as a result of which the holders of 100 % of the Company's voting rights hold at least the majority of the voting rights in the surviving legal entity directly following such a merger.

9. Compensation arrangements agreed by the Company with the members of the Executive Board or employees in the event of a takeover bid

The service agreements of the members of the Executive Board of SINGULUS TECHNOLOGIES AG provide for compensation in the case of a change of control. If the service agreement of an Executive Board member is terminated following a change of control, the Executive Board member may be entitled to a special payment. The amount of this special payment is capped. The change of control clauses and the compensation benefits are described in further detail in the remuneration report (see also section IV. no. 3).

Corporate governance declaration in accordance with § 289a and § 315 (5) HGB

The corporate governance declaration in accordance with § 289a and § 315 (5) HGB is contained in the corporate governance report and is available on the Company's website at www.singulus.de.

Kahl am Main, March 14, 2017

SINGULUS TECHNOLOGIES AG
The Executive Board

Dr.-Ing. Stefan Rinck
Dipl.-Oec. Markus Ehret


TIMARIS
TIMARIS

03

TIMARIS

HIGH PERFORMANCE VACUUM DEPOSITION SYSTEM FOR SEMICONDUCTOR

The ultra high vacuum system TIMARIS is used for applications in the semiconductor market e.g. for MRAM, sensor technology as well as for next generation chips for mobile applications.

SINGULUS TECHNOLOGIES Group CONSOLIDATED BALANCE SHEET

as of December 31, 2016 and December 31, 2015

ASSETS	Note	12/31/2016 [EUR m]	12/31/2015 [EUR m]
Cash and cash equivalents	(6)	**18.5**	19.0
Financial assets subject to restrictions on disposal	(7)	**21.0**	3.3
Trade receivables	(8)	**7.8**	6.1
Receivables from construction contracts	(8)	**2.2**	8.6
Other receivables and other assets	(9)	**8.6**	5.2
Total receivables and other assets		**18.6**	19.9
Raw materials, consumables and supplies		**7.8**	8.6
Work in process		**14.2**	20.3
Total inventories	(10)	**22.0**	28.9
Total current assets		**80.1**	71.1
Trade receivables	(8)	**0.0**	1.0
Property, plant and equipment	(12)	**4.8**	5.3
Capitalized development costs	(11)	**3.3**	5.4
Goodwill	(11)	**6.7**	6.7
Other intangible assets	(11)	**0.2**	0.4
Deferred tax assets	(21)	**1.1**	2.2
Total non-current assets		**16.1**	21.0
Total assets		**96.2**	92.1

EQUITY AND LIABILITIES

	Note	12/31/2016 [EUR m]	12/31/2015 [EUR m]
Trade payables		**10.1**	7.7
Prepayments received	(14)	**1.4**	5.6
Liabilities from construction contracts	(8)	**30.4**	3.6
Financial liabilities from the issuance of bonds	(16)	**0.4**	3.6
Other liabilities	(13)	**8.5**	11.1
Provisions for restructuring measures	(19)	**1.6**	3.7
Provisions for taxes		**0.0**	0.1
Other provisions	(18)	**1.7**	0.9
Total current liabilities		**54.1**	36.3
Financial liabilities from the issuance of bonds	(16)	**12.0**	59.6
Provisions for restructuring measures	(19)	**4.2**	5.4
Pension provisions	(17)	**13.8**	12.3
Total non-current liabilities		**30.0**	77.3
Total liabilities		**84.1**	113.6
Subscribed capital	(20)	**8.1**	48.9
Capital reserves	(20)	**10.4**	2.1
Reserves	(20)	**4.1**	4.0
Loss carryforward		**-11.3**	-77.4
Equity attributable to owners of the parent		**11.3**	-22.4
Non-controlling interests	(20)	**0.8**	0.9
Total equity		**12.1**	-21.5
Total equity and liabilities		**96.2**	92.1

SINGULUS TECHNOLOGIES Group CONSOLIDATED INCOME STATEMENT

for the period from January 1 to December 31, 2016 and 2015

		2016		2015	
	Note	[EUR m]	[in %]	[EUR m]	[in %]
Revenue (gross)	(5)	**68.8**	**101.8**	83.7	101.7
Sales deductions and direct selling costs	(24)	**-1.2**	**-1.8**	-1.4	-1.7
Revenue (net)		**67.6**	**100.0**	82.3	100.0
Cost of sales		**-54.7**	**-80.9**	-69.3	-84.2
Gross profit on sales		**12.9**	**19.1**	13.0	15.8
Research and development	(29)	**-8.8**	**-13.0**	-9.5	-11.5
Sales and customer service		**-12.1**	**-17.9**	-12.2	-14.8
General administration	(28)	**-9.2**	**-13.6**	-10.5	-12.8
Other operating expenses	(31)	**-1.6**	**-2.4**	-1.6	-1.9
Other operating income	(31)	**1.5**	**2.2**	2.6	3.2
Net restructuring items	(30)	**-0.4**	**-0.6**	-16.3	-19.8
Total operating expenses		**-30.6**	**-45.3**	-47.5	-57.7
Operating result (EBIT)		**-17.7**	**-26.2**	-34.5	-41.9
Finance income	(32)	**41.3**	**61.1**	0.9	1.1
Finance costs	(32)	**-3.5**	**-5.2**	-9.7	-11.8
EBT		**20.1**	**29.7**	-43.3	-52.6
Tax expense/income	(21)	**-1.2**	**-1.8**	-0.1	-0.1
Profit or loss for the period		**18.9**	**28.0**	-43.4	-52.7
Thereof attributable to:					
Owners of the parent		**19.0**		-43.4	
Non-controlling interests		**-0.1**		0.0	
Basic earnings per share based on the profit for the period (in EUR) attributable to owners of the parent	(22)	**5.13**		-141.92	
Diluted earnings per share based on the profit for the period (in EUR) attributable to owners of the parent	(22)	**5.13**		-141.92	

SINGULUS TECHNOLOGIES Group CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from January 1 to December 31, 2016 and 2015

	Note	2016 [EUR m]	2015 [EUR m]
Profit or loss for the period		**18.9**	-43.4
Items that will never be reclassified to profit and loss:			
Actuarial gains and losses from pension commitments	(17)	**-1.5**	0.2
Items that may be reclassified to profit and loss:			
Derivative financial instruments	(38)	**0.0**	0.3
Exchange differences in the fiscal year	(20)	**0.1**	1.2
Total income and expense recognized directly in other comprehensive income		**-1.4**	1.7
Total comprehensive income		**17.5**	-41.7
Thereof attributable to:			
Owners of the parent		**17.6**	-41.7
Non-controlling interests		**-0.1**	0.0

SINGULUS TECHNOLOGIES Group CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as of December 31, 2016 and 2015

	Equity attributable to owners of the parent							Non-controlling interests	Equity
			Reserves		Loss carryforward				
	Subscribed capital [EUR m]	**Capital reserves** [EUR m]	**Currency translation reserves** [EUR m]	**Hedge accounting reserves** [EUR m]	**Actuarial gains and losses from pension commit-ments** [EUR m]	**Other reserves** [EUR m]	**Total** [EUR m]	[EUR m]	[EUR m]
Note	(20)	(20)	(20)	(38)	(17)			(20)	
As of January 1, 2015	**48.9**	**77.2**	**2.8**	**-0.3**	**-4.4**	**-105.0**	**19.2**	**0.9**	**20.1**
Profit or loss for the period	0.0	0.0	0.0	0.0	0.0	-43.4	-43.4	0.0	-43.4
Other comprehensive income	**0.0**	**0.0**	**1.2**	**0.3**	**0.2**	**0.0**	**1.7**	**0.0**	**1.7**
Total comprehensive income	**0.0**	**0.0**	**1.2**	**0.3**	**0.2**	**-43.4**	**-41.7**	**0.0**	**-41.7**
Netting	0.0	-75.2	0.0	0.0	0.0	75.2	0.0	0.0	0.0
As of December 31, 2015	**48.9**	**2.1**	**4.0**	**0.0**	**-4.2**	**-73.2**	**-22.4**	**0.9**	**-21.5**
As of January 1, 2016	**48.9**	**2.1**	**4.0**	**0.0**	**-4.2**	**-73.2**	**-22.4**	**0.9**	**-21.5**
Profit or loss for the period	0.0	0.0	0.0	0.0	0.0	19.0	19.0	-0.1	18.9
Other comprehensive income	**0.0**	**0.0**	**0.1**	**0.0**	**-1.5**	**0.0**	**-1.4**	**0.0**	**-1.4**
Total comprehensive income	**0.0**	**0.0**	**0.1**	**0.0**	**-1.5**	**19.0**	**17.6**	**-0.1**	**17.5**
Capital decrease	-48.6	0.0	0.0	0.0	0.0	48.6	0.0	0.0	0.0
In-kind capital increase*	5.8	4.6	0.0	0.0	0.0	0.0	10.4	0.0	10.4
Cash capital increase*	2.0	3.7	0.0	0.0	0.0	0.0	5.7	0.0	5.7
As of December 31, 2016	**8.1**	**10.4**	**4.1**	**0.0**	**-5.7**	**-5.6**	**11.3**	**0.8**	**12.1**

* After deduction of transaction costs

SINGULUS TECHNOLOGIES Group CONSOLIDATED CASH FLOW STATEMENT

for the period from January 1 to December 31, 2016 and 2015

	Note	2016 [EUR m]		2015 [EUR m]	
Cash flows from operating activities					
Profit or loss for the period			**18.9**		-43.4
Adjustment to reconcile profit or loss for the period to net cash flow					
Depreciation and amortization of non-current assets	(11/12)	**3.3**		7.5	
Additions to pension provisions	(17)	**0.1**		0.1	
Gain/loss on the disposal of non-current assets		**0.0**		0.1	
Other non-cash expenses/income		**2.9**		7.0	
Financial income/expense	(32)	**-37.9**		8.8	
Net tax expense	(21)	**1.2**		0.1	
Change in trade receivables		**-1.9**		10.9	
Change in construction contracts		**33.1**		-4.4	
Change in other receivables and other assets		**-3.4**		-1.2	
Change in inventories		**5.0**		-2.6	
Change in trade payables		**2.5**		0.5	
Change in other liabilities		**-2.2**		-1.2	
Change in prepayments		**-4.2**		1.0	
Change in loans		**0.0**		4.7	
Change in provisions for restructuring measures		**-2.3**		2.4	
Change in other provisions		**-0.6**		-0.6	
Interest paid	(32)	**-0.4**		-0.6	
Interest received	(32)	**0.2**		0.9	
Income tax paid	(21)	**-0.2**	**-4.8**	-0.5	32.9
Net cash from/used in operating activities			**14.1**		-10.5

	Note	2016 [EUR m]		2015 [EUR m]	
Cash flows from investing activities					
Cash paid for investments in development projects	(11)	**-0.1**		-4.3	
Cash paid for investments in other intangible assets and property, plant and equipment	(11/12)	**-0.4**		-0.4	
Net cash from/used in investing activities			**-0.5**		-4.7
Cash flows from financing activities					
Transaction costs for the in-kind capital increase and issue of a bond	(20/32)	**-2.1**		0.0	
Cash used to pay bond interest		**0.0**		-4.3	
Cash received from the sale of bonds/cash used to redeem bonds		**0.0**		0.7	
Cash received from capital increases	(20)	**5.7**		0.0	
Change in financial assets subject to restrictions on disposal		**-17.7**		1.3	
Net cash from/used in financing activities			**-14.1**		-2.3
Increase/decrease in cash and cash equivalents			**-0.5**		-17.5
Effect of exchange rate changes			**0.0**		0.7
Cash and cash equivalents at the beginning of the reporting period			**19.0**		35.8
Cash and cash equivalents at the end of the reporting period			**18.5**		19.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

1 GENERAL NOTE

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

The Company is registered under HRB 6649 in the commercial register at the local court *(Amtsgericht)* of Aschaffenburg.

The consolidated financial statements were prepared in euros (EUR). Unless stated otherwise, all figures are presented in millions of euros (EUR m). Rounding differences may occur due to the presentation in millions of euros.

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 Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code].

The term "IFRSs" includes all International Financial Reporting Standards and International Accounting Standards ("IASs") with mandatory application as of the reporting date. All interpretations of the International Financial Reporting Standards Interpretations Committee ("IFRS IC") – formerly the Standing Interpretations Committee ("SIC") and the International Financial Reporting Interpretations Committee ("IFRIC") – that were mandatory for fiscal year 2016 were likewise applied.

In order to improve the clarity and meaningfulness of the consolidated financial statements, individual items are aggregated in the balance sheet and income statement and presented separately and in the notes to the financial statements.

Management prepared the consolidated financial statements on a going concern basis. However, if the order intake in fiscal year 2017 and 2018 remains significantly below expectations, this would jeopardize the Company's continued existence. Ensuring short- and medium-term liquidity is also vital to the Company's continued existence. The cash deposit for the guarantee is expected to be reduced by cash and cash equivalents in the near future and material prepayments are expected to be received during the first half of 2017. If, contrary to expectations, these events do not occur as planned and the Company's alternative financing options are not available, this would jeopardize the continued existence of the Company in the short term in 2017 due to the resulting restricted liquidity.

2 BUSINESS ACTIVITIES

SINGULUS TECHNOLOGIES develops and builds machinery for effective and resource-efficient production processes. Areas of application include vacuum thin-film deposition and plasma deposition, as well as wet-chemical processes and thermal process technologies. SINGULUS TECHNOLOGIES applies its expertise in the areas of automation and process technology to all machines, processes and applications. Additional fields of activity are being tapped into aside from the solar, semiconductor and optical disc areas of application.

For more information, please see the comments on segment reporting in Note 5.

3 NEW ACCOUNTING STANDARDS

New accounting standards and interpretations requiring application

In previous years, the International Accounting Standards Board ("IASB") and the International Financial Reporting Standards Interpretations Committee ("IFRS IC") issued the following new accounting standards or interpretations. These standards/interpretations have been endorsed by the EU as part of the endorsement project and are mandatory for fiscal year 2016.

- Amendments to IFRS 11 – "Joint Arrangements"
- Amendments to IAS 1 – "Notes"
- Amendments to IAS 16 and IAS 38 – "Clarification of Acceptable Methods of Depreciation and Amortization"
- Amendments to IAS 16 and IAS 41 – "Bearer Plants"
- Amendments to IAS 19 – "Employee Benefits: Employee Contributions"

- Amendments to IAS 27 – "Equity Method in Separate Financial Statements"
- Amendments to IFRS 2010 – 2012
- Amendments to IFRS 2012 – 2014
- Amendments to IFRS 10 and IAS 28 – "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
- Amendments to IFRS 10, IFRS 12 and IAS 28 – "Investment Entities: Applying the Consolidation Exception"

The provisions which are relevant for the SINGULUS TECHNOLOGIES Group as well as their impact on these consolidated financial statements are outlined below:

- Amendments to IAS 1 – "Notes"

  The amendments deal with a number of disclosure issues. It clarifies that information is only required to be disclosed in the notes if it is materially important. This is explicitly the case if an IFRS requires a list of minimum information. It also provides guidance on aggregating and disaggregating line items in the balance sheet and the statement of comprehensive income. Furthermore, it clarifies how the share of other comprehensive income arising from investments accounted for at equity is to be presented in the statement of comprehensive income. Finally, the notes no longer have to be structured in a particular order. The notes should instead be presented taking into greater account their relevance to a company's particular circumstances.

- Amendments to IAS 16 and IAS 38 – "Clarification of Acceptable Methods of Depreciation and Amortization"

  The IASB provides further guidance on establishing an acceptable method of depreciation in these amendments. They clarify that a revenue-based depreciation method is not permissible for property, plant and equipment, and only permissible in particular exceptional cases for intangible assets (there is a rebuttable presumption that it is not appropriate).

- Amendments to IAS 19 – "Employee Benefits: Employee Contributions"

  The amendments clarify the rules on attributing contributions from employees or third parties to periods of service where contributions are linked to the length of service. They also introduce a practical expedient for cases where contributions are independent of the number of years of service performed.

- Amendments to IFRS 2010 - 2012

  Seven standards were amended as part of the annual improvement project. The revision of the wording in individual IFRSs is intended to clarify existing provisions. There are also changes effecting notes disclosures. The following standards are affected: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.

- Amendments to IFRS 2012 - 2014

  Four standards were amended as part of the annual improvement project. The revision of the wording in individual IFRS/IAS is intended to clarify existing provisions. The following standards were affected: IFRS 5, IFRS 7, IAS 19, and IAS 34.

New and revised accounting standards and interpretations that do not yet require application

In addition to the new accounting standards and interpretations published by the IASB and IFRS IC requiring application, other standards and interpretations have also been published, some of which have already been endorsed by the EU but will only become mandatory at a later date. The following standards will be applied on the date on which they became mandatory. Use was not made of the option to adopt the standards voluntarily at an earlier date in these financial statements. Unless otherwise indicated, the effects on the SINGULUS TECHNOLOGIES consolidated financial statements are currently being examined.

The new and revised standards and interpretations listed below have already been endorsed by the EU:

- IFRS 9 – "Financial Instruments"
- IFRS 15 – "Revenue from Contracts with Customers"

The following new and revised standards have not yet been endorsed by the EU:

- IFRS 16 – "Leases"
- Amendments to IFRS 2 – "Classification and Measurement of Share-based Payment Transactions"
- Amendments to IFRS 4 – "Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'"
- Amendments to IFRS 10 and IAS 28 – "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
- Amendments to IFRS 15 – "Clarifications to IFRS 15"
- Amendments to IAS 7 – "Disclosure Initiative"
- Amendments to IAS 12 – "Recognition of Deferred Tax Assets for Unrealized Losses"
- Amendment to IAS 40 – "Transfers of Investment Property"
- IFRIC 22 – "Foreign Currency Transactions and Advance Consideration"
- Amendments to IFRS 2014 – 2016 – "Amendments to IFRS 12"
- Amendments to IFRS 2014 – 2016 – "Amendments to IFRS 1 and IAS 28"

Only those Standards and Interpretations having a material effect on the SINGULUS TECHNOLOGIES Group's net assets, financial position and results of operations are explicitly listed below.

- IFRS 9 – "Financial Instruments"

  IFRS 9, published in July 2014, replaces the existing guidelines in IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 contains revised guidelines on the classification and measurement of financial instruments, including a new model for calculating impairment of financial assets which recognizes expected credit losses, and new general rules on hedge accounting. IFRS 9 carries forward from IAS 39 the guidelines on recognizing and derecognizing financial instruments. IFRS 9 is applicable for the first time in fiscal years beginning on or after January 1, 2018. Early adoption is permitted.

- IFRS 15 – "Revenue from Contracts with Customers"

  IFRS 15 "Revenue from Contracts with Customers" establishes a comprehensive framework for determining whether and when to recognize revenue, and how much revenue to recognize. It replaces the existing Standards on recognizing revenue, including IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programs". The first-time application of IFRS 15 will result in a significant expansion of the Group's disclosure requirements, so that the nature, amount, timing and uncertainties of revenue and cash flows from contracts with customers can be understood by users of the financial statements in accordance with IFRS 15.

  IFRS 15 is applicable for the first time in fiscal years beginning on or after January 1, 2018. Early adoption is permitted.

  We are currently analyzing the implications of the standard for future financial statements. It is not yet possible to conclusively assess the impact on revenue recognition, particularly with respect to long-term construction contracts.

- IFRS 16 – "Leases"

  IFRS 16 introduces a single accounting model by which leases must be recognized in the balance sheet of the lessee. Lessees recognize a right-of-use asset (representing the right to use the underlying asset) and a lease liability (representing the obligation to make lease payments). There are exemptions for short-term leases and leases where the underlying asset has a low value.

  The standard is applicable for the first time in reporting periods beginning on or after January 1, 2019 – subject to an adoption into EU law. Early application is permitted for entities that have applied IFRS 15 – "Revenue from Contracts with Customers" as of or prior to first-time application of IFRS 16.

  We are currently analyzing the implications of the standard for future financial statements. It must be assumed that the amendments to the standard will have a material effect on the consolidated balance sheet. Accordingly, we expect total assets to increased following application of the standard.

- Amendments to IFRS 2 – "Classification and Measurement of Share-based Payment Transactions"

  The amendments address accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features for tax withholdings, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

  The amendments are effective for remuneration awarded or modified in fiscal years beginning on or after January 1, 2018 – subject to an adoption into EU law. Earlier application is permitted. Retrospective application is allowed if this is possible without the use of hindsight.

- Amendments to IFRS 15 – "Clarifications to IFRS 15"

  The amendments cover clarifications to the guidance contained in IFRS 15, as well as practical expedients for transition to the new standard.

  Beyond the clarifications, the amendments contain two further expedients aimed at reducing the complexity and costs of applying the new standard. These concern options for the presentation of contracts that were either completed at the beginning of the earliest period presented or modified before the beginning of the earliest period presented.

  The amendments are effective for first-time application as of January 1, 2018 – subject to an adoption into EU law.

- Amendments to IAS 7 – "Disclosure Initiative"

  The amendments are aimed at improving information on changes to an entity's indebtedness. The amendments require entities to disclose changes in liabilities for which cash flows are classified in the cash flow statement as cash flows from financing activities. The disclosure requirement also relates to financial assets that meet the same definition (e.g., assets under hedging transactions).

The amendments are applicable for the first time in reporting periods beginning on or after January 1, 2017 – subject to an adoption into EU law; earlier application is permitted.

- Amendments to IAS 12 – "Recognition of Deferred Tax Assets for Unrealized Losses"

  The amendments clarify the recognition of a deferred tax asset for unrealized losses on debt instruments measured at fair value.

  The amendments are applicable for the first time in reporting periods beginning on or after January 1, 2017 – subject to an adoption into EU law; earlier application is permitted.

- IFRIC 22 – "Foreign Currency Transactions and Advance Consideration"

  IFRIC 22 addresses an application issue relating to IAS 21 – "The Effects of Changes in Foreign Exchange Rates". It clarifies the date of the exchange rate used for translating transactions that are denominated in a foreign currency in circumstances in which consideration is received or paid in advance. The interpretation stipulates that the date of initial recognition of the asset or liability resulting from the prepayment is the deciding factor in determining the exchange rate for the underlying asset, income or expense.

  The interpretation is applicable for the first time in reporting periods beginning on or after January 1, 2018 – subject to an adoption into EU law. Earlier application is permitted.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation and consolidation principles

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

Subsidiaries are fully consolidated as of the date of their 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 as of the same balance sheet date as that of 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.

In addition to SINGULUS TECHNOLOGIES AG, the consolidated financial statements include all entities under the legal and/or de facto control of the Company.

The following subsidiaries are included in the consolidated financial statements:

- SINGULUS TECHNOLOGIES Inc., Windsor, USA
- SINGULUS TECHNOLOGIES MOCVD Inc., Windsor, USA
- SINGULUS TECHNOLOGIES UK Ltd., Swindon, UK
- SINGULUS TECHNOLOGIES ASIA PACIFIC Pte. Ltd., Singapore
- SINGULUS TECHNOLOGIES LATIN AMERICA Ltda., São Paulo, Brazil
- SINGULUS TECHNOLOGIES IBERICA S.L., Sant Cugat del Vallés, Spain
- SINGULUS TECHNOLOGIES FRANCE s.a.r.l., Sausheim, France
- SINGULUS TECHNOLOGIES ITALIA s.r.l., Senigallia (Ancona), Italy
- SINGULUS TECHNOLOGIES TAIWAN Limited, Taipei, Taiwan
- SINGULUS MANUFACTURING GUANGZHOU Ltd., Guangzhou, China
- HamaTech USA Inc., Austin, USA
- STEAG HamaTech Asia Ltd., Hong Kong, China
- SINGULUS CIS Solar Tec GmbH, Kahl am Main, Germany
- SINGULUS MOCVD GmbH, Kahl am Main, Germany

The companies SINGULUS TECHNOLOGIES ITALIA s.r.l., SINGULUS TECHNOLOGIES IBERICA S.L., SINGULUS TECHNOLOGIES UK Ltd. and SINGULUS MANUFACTURING GUANGZHOU Ltd. were in liquidation as of December 31, 2016. The deconsolidation is anticipated to be made in each case upon conclusion of the liquidation during the 2017 fiscal year.

The share of equity and profit or loss attributable to minority interests is reported separately in the balance sheet and income statement (non-controlling interests).

The profit or loss of acquired entities is recognized in the consolidated financial statements from the date of acquisition.

For more information, please refer to Note 36.

4.2 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 relevant local currency. For inclusion of the foreign financial statements in the Group's reporting currency, the balance sheet items are translated using the closing rate on the balance sheet date and income statement items are translated using the average rate for the fiscal year. The equity of equity investments is translated using the historical rate. Currency translation differences arising from the application of different exchange rates are recognized in other comprehensive income.

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

4.3 Management's use of judgment and main sources of estimating uncertainties

The preparation of consolidated financial statements in accordance with IFRSs requires the use of estimates and assumptions by management which have an effect on the amounts of the assets, liabilities, income, expenses and contingent 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 collectability 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 made. Any changes are recognized in profit or loss as and when better information is available.

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

4.3.1 IMPAIRMENT OF ASSETS

The Group determines whether goodwill is impaired at least once a year. Moreover, if there is any indication that an asset may be impaired, that asset is tested for impairment by estimating its recoverable amount.
If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset is allocated.

This requires an estimate of the recoverable amount of the assets or cash-generating units to which the goodwill or asset is allocated. Please also refer to the comments under 4.16 "Impairment losses".

4.3.2 DEFERRED TAX ASSETS

Deferred tax assets are recognized 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 tax assets can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the probable timing and level of future taxable profits together with future tax planning strategies. Please also refer to the comments in Note 21.

4.3.3 SHARE-BASED PAYMENT

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. In order to estimate fair value, an appropriate measurement approach must be determined for grants of equity instruments; this approach depends on the terms and conditions of the grant. Furthermore, the appropriate data to be used in this measurement approach, including the anticipated option term, volatility, dividend yield and the corresponding assumptions, must be determined. The assumptions and approaches used are disclosed in Note 15.

4.3.4 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 in Note 17.

4.3.5 DEVELOPMENT COSTS

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

4.3.6 CUSTOMER LISTS

In order to estimate the fair values of customer lists, assumptions must be made regarding the future free cash flows, the discount rates to be applied and the timing of future cash flows expected to be generated by these assets.

4.3.7 LEASES

The Group has entered into lease agreements. The test to determine whether an agreement constitutes a lease 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 in Note 33.

4.3.8 CONSTRUCTION CONTRACTS

In order to evaluate the stage of completion of customer-specific construction contracts, the costs to complete the order must be estimated. Please also refer to the comments made below under 4.4 "Revenue recognition" and to the comments in Note 8.

4.3.9 PROVISIONS

Estimating future expenses is fraught with uncertainty. Estimates relate in particular to restructuring measures which extend over a longer period. When determining the provision for expected losses, it was necessary to make estimates concerning the capacity utilization of the building. Please refer to our comments under Note 19.

4.4 Revenue recognition

Revenue relating to the sale of equipment in the Optical Disc operating segment is recognized when a contract has entered into effect, the delivery has been made, and, if required, the equipment has been installed for and accepted by the customer and payment is reasonably certain. Revenue relating to services is recognized when the service has been rendered, a price has been negotiated and is determinable and payment thereof is probable.

Because the Solar and Semiconductor operating segments do not work on the basis of serial production, but rather deal in specific customer orders, revenue is recognized in accordance with the percentage-of-completion ("POC") method. The relevant 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. Contracts are recognized on the balance sheet either as receivables from construction contracts (assets) or as liabilities from construction contracts if the prepayments received exceed the cumulative work performed. If it is probable that the total contract costs exceed the total contract revenue, the expected loss is immediately expensed.

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

Revenue is recognized net of VAT, returns, sales deductions, credits and direct selling costs (primarily commissions).

4.5 Goodwill

In all business combinations, the goodwill acquired was initially measured at cost, this being the excess of the cost of the business combination over the acquirer's interest in the fair value of the identifiable assets acquired and the liabilities and contingent liabilities assumed (partial goodwill method). After the effective date of the revised IFRS 3 and IAS 27, there is an option to recognize the total amount of the goodwill acquired, including goodwill attributable to non-controlling interests (full goodwill method), for all business combinations made on or after July 1, 2009. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

The recognized goodwill is not amortized. It is tested for impairment annually or whenever there are indications of impairment. Impairment testing takes place at the cash-generating unit level. If the recoverable amount of the relevant unit has fallen below the carrying amount of the unit, an impairment loss is recognized in accordance with IAS 36. Reversals of impairment losses are prohibited.

4.6 Negative goodwill from business acquisitions

If the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized exceeds the cost of the business acquisition, any excess remaining after reassessment is recognized immediately in profit or loss.

4.7 Research and development costs

Research costs are expensed in the period in which they are 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 comprises all costs directly attributable to the development process as well as appropriate shares of development-related overheads. Development costs are amortized using the straight-line method over the expected useful life of the developed products (3 to 5 years).

Amortization and impairment of capitalized development costs are recognized in the functional area to which the respective assets are allocated. Impairment losses on development costs are disclosed under "Restructuring expenses" if production of the relevant products is discontinued at the respective locations.

Government subsidies received for research and development projects are offset against the research and development costs in the income statement.

4.8 Other intangible assets

Intangible assets acquired separately are recognized at cost. Intangible assets acquired in a business combination are recognized at fair value as of the date of acquisition. Internally generated intangible assets are recognized if the criteria for recognition are met. If the criteria are not met, the costs related to such intangible assets 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, and are instead tested for impairment at least once a year. No intangible assets with indefinite useful lives were recognized in the reporting period.

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

→ Software	3 years
→ Patents	8 years
→ Technology	5 to 8 years
→ Customer lists	10 to 11 years

4.9 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.

Financial assets subject to restrictions on disposal are presented separately in the balance sheet. These financial assets relate to the Company's financing transactions and are included in the consolidated cash flow statement as cash flows from financing activities.

4.10 Receivables

Trade invoices are issued mainly in euros and are recognized as receivables at the fair value of the goods supplied or services rendered.

If there is an objective indication that receivables 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 through the use of an allowance account. The impairment loss is recognized directly in profit or loss. For trade receivables, if there are objective indications that not all due amounts will be collected pursuant to the original payment terms (such as probability of insolvency or significant financial difficulties of the debtor), an impairment loss is charged. This only applies where there is no collateral (e.g., credit insurance policies, etc.). Receivables are derecognized when they are classified as uncollectible.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, the reversal must not result in the carrying amount of the asset exceeding what the amortized cost would have been at the date the impairment is reversed if the impairment had not been recognized.

When trade receivables are sold under factoring arrangements and all risks and rewards of the asset are transferred to the buyer, the receivables are derecognized. In this connection, please refer to the comments under 4.12 "Financial assets and liabilities".

For details on the recognition of foreign currency receivables and the related hedging transactions, please see our comments under 4.2 "Foreign currency translation" and 4.13 "Hedge accounting".

4.11 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 weighted average cost formula. In the case of manufactured products, the cost includes an appropriate share of the production overheads based on normal operating capacity. Appropriate allowances are made for potential losses due to obsolete or slow-moving inventories.

The four existing allowance classes for salability are derived from past experience and range between 0 % and 80 % of depreciated cost. The four existing allowance classes for days inventory held ("DIH") also range between 0 % and 80 % of depreciated cost.

In addition, inventories are individually tested for impairment and written down by up to 100 %.

4.12 Financial assets and liabilities

Financial assets and financial liabilities are recognized in the balance sheet when an entity becomes party to the contractual provisions of the instrument. All financial assets and financial liabilities are initially recognized at fair value (plus any transaction costs).

Financial assets, other than loans or receivables, or those that must be classified as "held for trading" 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 time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured reflecting discounts and premiums upon acquisition and include transaction costs and fees which are an integral part of the effective interest rate. 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.

The Group has not classified any financial assets as at fair value through profit or loss.

Financial assets and financial liabilities 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 guarantee contracts or are designated and effective hedging instruments. Gains or losses from financial assets and financial liabilities 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 prices (bid prices) as at the reporting date. The fair value of investments that are not quoted on an active market is determined using valuation techniques. Such techniques may include using recent arm's length transactions between knowledgeable, willing independent parties, reference to the current fair value of another financial instrument which is substantially the same and discounted cash flow analysis or other valuation models.

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.

DERECOGNITION

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized when one of the following conditions is met:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without delay to a third party under an agreement that meets the conditions in IAS 39.19 ("pass-through" arrangement); and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

4.13 Hedge accounting

Changes in the fair value of derivatives designated as a hedging instrument in a fair value hedge are recognized in profit or loss. The hedged item attributable to the hedged risk is also recognized at fair value, with the hedge expected to be highly effective in offsetting the changes in the fair value of the hedged item.

The derivative designated as a hedge in a cash flow hedge is carried in the balance sheet at fair value. However, changes in the value of the derivative are recorded in other comprehensive income 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 hedged 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.

Hedge accounting pursuant to IAS 39 entails significant obligations regarding its documentation and supporting evidence. Economic hedging relationships are accounted for using hedge accounting only if the necessary preconditions are, or were, met.

The Company primarily concludes forward exchange contracts to hedge foreign currency risks from trade receivables. In the case of 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 comprehensive income, 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.

4.14 Property, plant and equipment

Property, plant and equipment are carried at cost plus directly allocable costs, less depreciation and impairments. Finance costs relating to qualifying assets are recognized as part of the cost if the criteria set out in IAS 23 are met. Depreciation is charged on a straight-line basis over the economic lives of the assets. The economic 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

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

4.15 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 the 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. In this case, the leased assets are recognized in the financial statements of the lessor. The related lease expenses are expensed in full by the lessee.

4.16 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 mandatory, 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/cash-generating unit exceeds its recoverable amount, the asset/cash-generating unit is considered impaired and is written down through profit and loss to the recoverable amount.

If a cash-generating unit is impaired, the assets in the unit are depreciated as follows:

a) First, the carrying amount of goodwill allocated to the cash-generating unit

b) then, the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

In assessing the recoverable amount, 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. These estimates are based on a five-year plan prepared by the Executive Board, which is derived from the three-year plan approved by the Supervisory Board and extrapolated a further two years in order to determine the recoverable amount. The perpetual annuity is determined on the basis of the fifth planning year.

For purposes of impairment testing, the goodwill acquired in business combinations is allocated to the cash-generating units, which correspond to the Group's three operating segments. Since goodwill from the acquisition of SINGULUS STANGL SOLAR also reflects the current and future business activities of SINGULUS TECHNOLOGIES AG in the Solar operating segment, this goodwill was tested for impairment at the level of the Solar operating segment.

4.16.1 KEY ASSUMPTIONS USED IN THE VALUE-IN-USE CALCULATION

The following parameters of the assumptions used in the value-in-use calculation of cash-generating units leave room for estimating uncertainties:

- Development of revenue and future EBIT margins
- Discount rates
- Market shares
- Growth rates used to extrapolate cash flow projections beyond the forecast period

The EBIT margins are based on the revenue expectations of the management, which are in turn validated using market research forecasts for the industry. The corporate planning for planning years 2017 to 2019 (budget period) factors in both the order backlog in the Solar segment and revenue estimated on the basis of customer requests and bids which are in the process of negotiation. Overall, management assumes an increase in revenue in the Solar segment significantly greater than general market growth. The Executive Board likewise assumes a significant improvement in EBIT margins in connection with the planned increase in revenue. Market expectations are factored in for 2020 and 2021 in particular. This revenue planning is used to determine the cost of sales and operating expenses based on current cost structures, budgetary calculations and past experience. The overall detailed budget period extends over five years.

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 ("WACC") for each cash-generating unit was used as the discount rate. The underlying base interest rate was determined using the Svensson method and yields of German government bonds (Bunds) for equivalent terms. Further components include the 7.00 % market risk premium (previous year: 6.75 %), beta factors, assumptions regarding country and credit risk premiums and the debt ratio using market data.

Management assumptions on market changes and growth are very significant in calculating value in use in the Solar segment. Specifically, technological trends, the future development of these trends, and the behavior of competitors is forecast for the budget period. The Company's own industry experience, dialog with customers and published industry-specific market research forecast continuing strong growth for the solar market despite the volatility prevalent in previous years.

Growth rate estimates – The forecast growth rates outside of the budget period are based on published industry-specific market research. The growth rate in the perpetual annuity using the discounted cash flow model ("DCF model") was extrapolated at 1 % in the Solar segment.

The recoverable amount of the cash-generating units was determined based on a value-in-use calculation, using cash flow projections based on financial budgets prepared by senior management covering a five-year period. The pre-tax discount rate applied to the cash flow projections is 14.1 % (previous year: 14.8 %) in the Solar operating segment.

Working capital attributable to the cash-generating unit is taken into account in calculating its carrying amount. This working capital was highly negative as of the reporting date due to liabilities from construction contracts, meaning that the carrying amount of the cash-generating unit was also negative.

4.16.2 SENSITIVITY OF ASSUMPTIONS MADE

For the Solar operating segment, the value in use exceeds the carrying amount by EUR 73.4 million. A change in the assumptions could lead to a situation in which the carrying amount of the cash-generating unit exceeds the recoverable amount. This could result from revenue in each case falling more than 27.5 % short of the budgeted figures in the five-year planning period as well as in the perpetual annuity. The Solar operating segment is likely to benefit from the expected global market growth. At the same time, management expects the EBIT margin to increase. This development is thus reflected in the value in use of the cash-generating units in this operating segment. EBIT margins will increase from a low level to 7.5 % by 2021. In the event the actual EBIT margin in the five-year planning period, as well as the perpetual annuity, is more than 7.3 percentage points lower than the assumed margin, the carrying amounts would be written down as a result.

4.17 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 using the tax rates and tax laws that have been enacted by the end of the reporting period.

Current taxes relating to items which are recognized in comprehensive income are also recognized in other comprehensive income and not in profit or loss.

4.18 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 losses, to the extent that it is probable that taxable profit will be available for use of the deductible temporary differences and the carryforward of unused tax losses.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilized. Previously unrecognized deferred tax assets are reviewed at the end of each reporting period and recognized to the extent to which it has become probable that future taxable profit will allow the deferred tax asset to be recovered. This decision is made based on 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.

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

Deferred tax assets and deferred tax liabilities are offset if SINGULUS TECHNOLOGIES AG or one of its subsidiaries has a legally enforceable right to set off a current tax asset against a current tax liability when they relate to income taxes levied by the same taxation authority.

4.19 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 and vested benefits known as of the balance sheet date as well as the increases in salaries and pensions to be expected in the future. The actuarial gains and losses are recognized in other comprehensive income.

4.20 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.

4.21 Liabilities

The Group initially recognizes financial liabilities in connection with the issue of bonds as of the issue date. Repurchased own bonds are offset against financial liabilities from the bond issue. All other financial liabilities are initially recognized on the trade date, i.e., the date on which the Group became a contractual party to the financial instrument.

Financial liabilities are derecognized when the contractual obligations have been settled, canceled or have expired.

Non-derivative financial instruments are classified as other financial liabilities. Such financial liabilities are initially recognized at fair value less directly attributable transaction costs. These financial liabilities are subsequently measured at amortized cost using the effective interest method.

Other financial liabilities include loans and interest-bearing financial liabilities, financial liabilities in connection with the issue of bonds, trade payables and other liabilities.

Finance lease liabilities are recognized at the fair value of the leased asset or, if lower, the present value of the minimum lease payments.

4.22 Share-based payment

The Management Board and senior executives are granted share-based payments ("phantom stocks") which are settled with a cash payment (cash-settled share-based payment transactions).

The cost of granting the share-based payments is measured at the fair value of these instruments on the date they were granted ("grant price"). The fair value is determined by an external valuer using a suitable measurement model, further details of which are given in Note 15.

The recognition of the expenses incurred in connection with the issue of equity instruments 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 certain market conditions, which are treated as vesting irrespective of whether or not the market conditions are satisfied, provided that all other performance conditions are satisfied.

The costs arising due to cash-settled share-based payments is initially 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 at each balance sheet date and at the date of settlement. Changes in the fair value are recognized in profit or loss.

4.23 Earnings per share

Basic earnings per share are calculated by dividing profit by the weighted average number of shares outstanding. Diluted earnings per share are calculated by dividing 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.

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.

5 SEGMENT REPORTING

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

Optical Disc segment

The primary focus of SINGULUS TECHNOLOGIES' Optical Disc segment is to manufacture and distribute integrated production lines used in the manufacture of Blu-ray discs. SINGULUS TECHNOLOGIES offers BLULINE II and BLULINE III modular production systems for 50 GB, 66 GB and 100 GB Blu-ray discs. Income from the replacement parts and service business related to the aforementioned product lines is also reported under the Optical Disc segment.

Solar segment

At Kahl am Main, machinery is designed for use in evaporation, cathode sputtering and selenization processes and end-to-end production lines are designed and offered. All types of plants for manufacturing solar cells are assembled and commissioned in Kahl. The focus of SINGULUS TECHNOLOGIES' activities at its Fürstenfeldbruck plant is to develop, assemble and commission equipment used in wet-chemical processes, such as cleaning, etching and deposition machinery.

Semiconductor segment

SINGULUS TECHNOLOGIES operates in the market for semiconductor elements through its Semiconductor segment. One area of focus is the development and manufacture of equipment that uses tunnel magnetic resistance (TMR) technology for semiconductor applications. This equipment is used to process wafers for MRAM, thin film heads and sensors.

Directly attributable income, expenses and assets are generally reported directly under the segments to which they are directly attributable in the segment reporting. Income, expenses and assets which cannot be directly attributed to a given segment are allocated as a proportion of planned revenue for the fiscal year.

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

The key figures for management are net revenue and EBIT (operating result). Liabilities are managed at the group level. Assets, revenue and operating results were allocated to the operating segments as follows in 2016:

	Segment "Optical Disc"		Segment "Solar"		Segment "Semiconductor"		SINGULUS TECHNOLOGIES Group	
	2016 EUR m	2015 EUR m	**2016 EUR m**	2015 EUR m	**2016 EUR m**	2015 EUR m	**2016 EUR m**	2015 EUR m
Gross revenue	**24.2**	29.3	**40.5**	49.8	**4.1**	4.6	**68.8**	83.7
Sales deductions and direct selling costs	**-1.1**	-1.1	**-0.1**	-0.1	**0.0**	-0.2	**-1.2**	-1.4
Net revenue	**23.1**	28.2	**40.4**	49.7	**4.1**	4.4	**67.6**	82.3
Net restructuring items								
Operating result (EBIT)	**-0.1**	-10.2	**-0.3**	-4.8	**0.0**	-1.3	**-0.4**	-16.3
Amortization, depreciation and impairment	**-4.3**	-19.4	**-13.1**	-10.7	**-0.3**	-4.4	**-17.7**	-34.5
Financial income/ expense	**-1.3**	-2.3	**-2.0**	-3.3	**0.0**	-1.9	**-3.3**	-7.5
EBT							**37.8**	-8.8
							20.1	-43.3

The additions to capitalized development costs are primarily attributable to the Solar segment (EUR 0.1 million; previous year: EUR 2.7 million).

In fiscal year 2016, the SINGULUS TECHNOLOGIES Group generated substantial revenue with one customer in the Optical Disc operating segment. Of that revenue, EUR 10.8 million or 15.7 % (previous year: 17.2 million or 20.6 %) of total revenue was attributable to this customer.

Furthermore, significant revenue was generated with two customers in the Solar segment in fiscal year 2016. Of that revenue, EUR 14.7 million or 21.4 % of total revenue was attributable to one customer. EUR 6.8 million or 9.9 % of total revenue was attributable to the second customer.

The table below shows information by geographical region as of December 31, 2016 based on gross revenue and assets:

	Germany	**Rest of Europe**	**North & South America**	**Asia**	**Africa & Australia**
	EUR m	EUR m	EUR m	EUR m	EUR m
Revenue by country of origin	53.0	0.6	13.1	2.1	0.0
destination	8.0	8.7	24.4	26.1	1.6

	Germany	**Rest of Europe**	**North & South America**	**Asia**	**Africa & Australia**
	EUR m	EUR m	EUR m	EUR m	EUR m
Assets	86.1	0.6	6.3	3.2	0.0

The table below shows information by geographical region as of December 31, 2015 based on gross revenue and assets:

	Germany	**Rest of Europe**	**North & South America**	**Asia**	**Africa & Australia**
	EUR m	EUR m	EUR m	EUR m	EUR m
Revenue by country of origin	62.3	1.4	16.4	3.6	0.0
destination	6.0	7.6	25.7	43.1	1.3

	Germany	**Rest of Europe**	**North & South America**	**Asia**	**Africa & Australia**
	EUR m	EUR m	EUR m	EUR m	EUR m
Assets	81.1	0.8	5.2	5.0	0.0

Outside of Germany, significant revenue was generated in China (EUR 24.1 million; previous year: EUR 12.3 million) and the USA (EUR 20.5 million; previous year: EUR 10.4 million) during the fiscal year.

6 CASH AND CASH EQUIVALENTS

Bank balances earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for periods ranging between one day and twelve months, depending on the relevant cash requirements of the Group. These earn interest at the relevant rates applicable to short-term deposits. The fair value of cash and cash equivalents is EUR 18.5 million (previous year: EUR 19.0 million).

7 FINANCIAL ASSETS SUBJECT TO RESTRICTIONS ON DISPOSAL

The Company has cash deposits of EUR 21.0 million (previous year: EUR 3.3 million) in blocked accounts over which it has no power of disposal. These deposits are included as cash flows from financing activities in the consolidated statement of cash flows if they are linked to the Group's financing transactions.

8 TRADE RECEIVABLES AND RECEIVABLES FROM CONSTRUCTION CONTRACTS

	2016 EUR m	2015 EUR m
Trade receivables – current	**9.3**	7.7
Receivables from construction contracts	**2.2**	8.6
Trade receivables – non-current	**0.0**	1.0
Less allowances	**-1.5**	-1.6
	10.0	15.7

As of December 31, 2016, bad debt allowances of a nominal EUR 1.5 million had been charged on trade receivables (previous year: EUR 1.6 million). The development of the valuation allowances is presented below:

	2016 EUR m	2015 EUR m
As of January 1	**1.6**	1.7
Allowances recognized in profit or loss	**1.2**	0.3
Utilization	**-1.3**	-0.3
Reversal	**0.0**	-0.1
As of December 31	**1.5**	1.6

If trade receivables become uncollectible, the associated receivables and allowances are derecognized.

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

As of December 31, the age structure of trade receivables and receivables from construction contracts, taking into account specific bad debt allowances, are broken down as follows:

	Total	**Not due**	**Overdue by**				
	EUR m	**EUR m**	**60 to 90 days EUR m**	**less than 30 dayse EUR m**	**30 to 60 days EUR m**	**90 to 180 days EUR m**	**more than 180 days EUR m**
2016	10.0	9.5	0.0	0.3	0.2	0.0	0.0
2015	15.7	14.3	0.1	0.7	0.2	0.2	0.2

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 as of the balance sheet date that the debtors would not meet their payment obligations.

Subsequent measurement of trade receivables resulted in a net effect of EUR -1.2 million (previous year: EUR -0.2 million). This included expenses from additions to specific bad debt allowances amounting to EUR 1.2 million (previous year: EUR 0.3 million). In the prior-year reporting period, income was also generated from the reversal of specific bad debt allowances in the amount of EUR 0.1 million.

Receivables from construction contracts arise when revenue can be recognized 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 estimated profits include directly allocable costs and all production-related overheads. Receivables from construction contracts are all recognized in current receivables. The receivables from construction contracts and the project-related prepayments offset against them break down as follows:

	2016 EUR m	2015 EUR m
Aggregate amount of costs incurred and recognized profits (less any recognized losses)	13.2	29.2
Prepayments received	-11.0	-20.6
Receivables from construction contracts	**2.2**	8.6

Gross amounts due to customers for construction contracts, which are reported as liabilities from construction contracts in a separate balance sheet item, break down as follows:

	2016 EUR m	2015 EUR m
Aggregate amount of costs incurred and recognized profits (less any recognized losses)	43.4	19.6
Prepayments received	-73.,8	-23.2
Gross amount due to customers for construction contracts	**-30.4**	-3.6

Revenue from construction contracts of EUR 37.8 million (previous year: EUR 48.5 million) was recognized in the fiscal year.

9 OTHER RECEIVABLES AND OTHER ASSETS

Other receivables and other assets break down as follows:

	2016 EUR m	2015 EUR m
Prepayments made	6.2	2.4
Tax assets	1.5	1.8
Other	0.9	1.0
	8.6	5.2

Tax assets for fiscal year 2016 essentially concern SINGULUS TECHNOLOGIES AG (EUR 1.4 million) and result primarily from claims for VAT reimbursements.

10 INVENTORIES

The Group's inventories break down as follows:

	2016 EUR m	2015 EUR m
Raw materials, consumables and supplies	20.8	23.6
Work in process	29.6	37.7
Less allowances	-28.4	-32.4
	22.0	28.9

The inventory allowances relate to reductions in value in accordance with the "lower of cost or net realizable value" principle as well as decreases in carrying values to account for a lack of marketability and excessive days inventory held.

EUR 1.9 million of write-downs to the net realizable value of inventories were recognized during the 2016 fiscal year (previous year: EUR 11.2 million).

The carrying amount of inventories recognized at net realizable value comes to EUR 13.4 million (previous year: EUR 9.6 million).

11 INTANGIBLE ASSETS

In fiscal years 2016 and 2015, intangible assets developed as follows (all amounts in EUR m):

	Goodwill	Other intangible assets	Capitalized development costs	Total
Cost				
As of Jan. 1, 2015	**52.9**	**78.2**	**103.9**	**235.0**
Additions	0.0	0.1	4.3	4.4
Disposals	-31.2	-2.0	-0.8	-34.0
As of Dec. 31, 2015	**21.7**	**76.3**	**107.4**	**205.4**
Additions	0.0	0.1	0.1	0.2
Disposals	0.0	-0.9	0.0	-0.9
As of Dec. 31, 2016	**21.7**	**75.5**	**107.5**	**204.7**
Amortization and impairment				
As of Jan. 1, 2015	**46.2**	**76.5**	**97.8**	**220.5**
Additions to amortization (scheduled)	0.0	0.5	1.8	2.3
Additions to impairment losses (unscheduled)	0.0	0.8	3.2	4.0
Disposals	-31.2	-1.9	-0.8	-33.9
As of Dec. 31, 2015	**15.0**	**75.9**	**102.0**	**192.9**
Additions to amortization (scheduled)	0.0	0.3	1.3	1.6
Additions to impairment losses (unscheduled)	0.0	0.0	0.9	0.9
Disposals	0.0	-0.9	0.0	-0.9
As of Dec. 31, 2016	**15.0**	**75.3**	**104.2**	**194.5**
Carrying amounts Dec. 31, 2015	**6.7**	**0.4**	**5.4**	**12.5**
Carrying amounts Dec. 31, 2016	**6.7**	**0.2**	**3.3**	**10.2**

As of the balance sheet date, the Solar segment reported goodwill with a carrying amount of EUR 6.7 million (previous year: EUR 6.7 million). For further information on goodwill please also refer to our comments under 4.5 and 4.16.

EUR 0.1 million of the development costs incurred in fiscal year 2016 qualifies for recognition as an asset under IFRS (previous year: EUR 4.3 million).

Amortization and impairment of capitalized development costs is recognized under development costs in the consolidated income statement.

12 PROPERTY, PLANT AND EQUIPMENT

In fiscal years 2016 and 2015, property, plant and equipment developed as follows (all amounts in EUR m):

	Land, own buildings	Technical equipment & machines	Office & operating equipment	Assets under construction	Total
Cost					
As of Jan. 1, 2015	**6.8**	**10.1**	**8.5**	**0.3**	**25.7**
Additions	0.0	0.1	0.2	0.0	0.3
Disposals	-0.1	-0.1	-0.7	0.0	-0.9
Reclassifications	0.0	0.3	0.0	-0.3	0.0
As of Dec. 31, 2015	**6.7**	**10.4**	**8.0**	**0.0**	**25.1**
Additions	0.0	0.2	0.2	0.0	0.4
Disposals	-0.1	-1.1	-1.0	0.0	-2.2
As of Dec. 31, 2016	**6.6**	**9.5**	**7.2**	**0.0**	**23.3**
Amortization and impairment					
As of Jan. 1, 2015	**3.8**	**7.8**	**7.8**	**0.0**	**19.4**
Additions to depreciation (scheduled)	0.3	0.7	0.2	0.0	1.2
Disposals	0.0	-0.1	-0.7	0.0	-0.8
As of Dec. 31, 2015	**4.1**	**8.4**	**7.3**	**0.0**	**19.8**
Additions to depreciation (scheduled)	0.3	0.1	0.4	0.0	0.8
Disposals	0.0	-1.1	-1.0	0.0	-2.1
As of Dec. 31, 2016	**4.4**	**7.4**	**6.7**	**0.0**	**18.5**
Carrying amounts Dec. 31, 2015	**2.6**	**2.0**	**0.7**	**0.0**	**5.3**
Carrying amounts Dec. 31, 2016	**2.2**	**2.1**	**0.5**	**0.0**	**4.8**

13 OTHER CURRENT LIABILITIES

Other liabilities are broken down as follows:

	2016 EUR m	2015 EUR m
Outstanding liabilities to personnel	1.8	2.2
Litigation risks	1.7	1.7
Employee bonuses	1.2	1.0
Outstanding invoices	0.9	0.6
Financial reporting, legal and consulting fees	0.7	0.7
Services to be provided	0.6	2.6
Other	1.6	2.3
	8.5	11.1

In the fiscal year, commitments for performance-related payments of EUR 1.2 million (previous year: EUR 1.0 million) to members of the Executive Board, managing directors of subsidiaries and senior executives were recognized as a liability.

14 PREPAYMENTS RECEIVED

	2016 EUR m	2015 EUR m
Prepayments from customers	1.4	5.6

Prepayments received as of December 31, 2016 mainly relate to advances for orders received by the Optical Disc and Solar segments, which are reported in inventories under work in process.

15 SHARE-BASED PAYMENT

The various share-based payment plans launched in previous years are described below:

Phantom stock program 2011 (PSP I, PSP II and PSP III)

In order to provide Executive Board members and senior executives with a long-term incentive, SINGULUS TECHNOLOGIES AG launched a phantom stock program in 2011. Each stock option under this program entitles the beneficiaries to subscribe to one virtual bearer share of the Company with a par value of EUR 1.00 each at the exercise price. The stock options were issued free of charge. The phantom stocks are not settled in shares of the Company, but in cash. The cash settlement is determined on the basis of the difference between the exercise price and the relevant closing price. The program comprises a total of 600,000 phantom stocks (stock options). Of these stock options, 200,000 are to be issued to the Executive Board and up to 400,000 are to be issued to senior executives. The stock options can be issued in several tranches. Issuance was originally limited until the end of March 2012. This time limit for issuance was extended in 2012 until December 31, 2012.

In this connection 200,000 stock options with an exercise price of EUR 2.3560 were issued to the members of the Executive Board effective as of September 23, 2011 (PSP I). Another tranche of 136,000 stock options from this program was issued to the Group's senior executives effective October 11, 2011 (PSP II). The exercise price of these stock options is EUR 2.3724. A final tranche from this program for 134,000 stock options with an exercise price of EUR 1.0800 was also issued to senior executives effective as of November 26, 2012 (PSP III).

Upon entry of the capital decrease at a ratio of 160:1, the stock options under the above phantom stock programs were adjusted at the same ratio.

Phantom stock program 2012 (PSP IV)

By resolution dated November 26, 2012, the Supervisory Board resolved to issue 180,000 stock options to the Executive Board (PSP IV). The underlying phantom stock program corresponds to the 2011 program. The exercise price of these stock options is EUR 1.0800.

Upon entry of the capital decrease at a ratio of 160:1, the stock options under the above phantom stock programs were adjusted at the same ratio.

Phantom stock program 2014 (PSP V and PSP VI)

By resolution dated March 19, 2014, the Supervisory Board resolved to issue 225,000 stock options to the Executive Board (PSP V). A further 122,000 stock options were issued to senior executives (PSP VI). The underlying phantom stock program corresponds to the 2011 program. The exercise price of these stock options is EUR 2.5404.

Upon entry of the capital decrease at a ratio of 160:1, the stock options under the above phantom stock programs were adjusted at the same ratio.

Phantom stock program 2015 (PSP VII and PSP VIII)

By resolution dated March 24, 2015, the Supervisory Board resolved to issue 225,000 stock options to the Executive Board (PSP VII). A further 112,000 stock options were issued to senior executives (PSP VIII). The underlying phantom stock program corresponds to the 2011 program. With the exercise price of these stock options at EUR 1.3052, the fair value of the stock options (grant price) for both PSP VII and PSP VIII was EUR 0.527 at the time they were granted.

Upon entry of the capital decrease at a ratio of 160:1, the stock options under the above phantom stock programs were adjusted at the same ratio.

Phantom stock program 2016 (PSP IX and PSP X)

By resolution dated November 9, 2016, the Supervisory Board resolved to issue 225,000 stock options to the Executive Board (PSP IX). A further 130,000 stock options were issued to senior executives (PSP X). The underlying phantom stock program corresponds to the 2011 program. The exercise price of these stock options is EUR 4.5974.

The specific terms and conditions of the above phantom stock programs are as follows:

The term of the stock options is five years. The stock options can be exercised at the earliest upon expiry of the two-year vesting period within a period 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 phantom stocks held by the respective beneficiary can be exercised during the first exercise period and then a further 25 % every six months during each subsequent exercise period.

The stock options may only be exercised if the non-weighted average closing price for SINGULUS TECHNOLOGIES AG shares is (i) at least 15 % higher than the exercise price during the reference period for the first 25 % of the stock options (first tranche), (ii) at least 17.5 % higher than the exercise price during the reference period for the second 25 % (second tranche), (iii) at least 20 % higher than the exercise price during the reference period for the third 25 % (third tranche) and (iv) at least 22.5 % higher than the exercise price during the reference period for the final 25 % (fourth tranche).

If the stock options of a tranche cannot be exercised within the respective exercise period because the earnings target has not been reached, the phantom stocks of this tranche can be exercised in subsequent exercise period(s) on the condition that the unmet earnings target for the respective previous exercise period(s) is achieved in those reference 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.

The development of the issued tranches is presented below:

	PSP I		PSP II	
Change in stock options	2016 Number of stock options	Average exercise price (EUR)	2016 Number of stock options	Average exercise price (EUR)
Outstanding as of beginning of the fiscal year	1,250.00	2.3560	737.50	2.3724
Issued in the fiscal year	–	–	–	–
Revoked in the fiscal year	–	–	–	–
Exercised during the fiscal year	–	–	562.50	4.1875
Expired in the fiscal year	1,250.,00	–	175.00	–
Outstanding at the end of the fiscal year	–	–	–	–
Exercisable at the end of the fiscal year	–	–	–	–

	PSP III		PSP IV	
Change in stock options	2016 Number of stock options	Average exercise price (EUR)	2016 Number of stock options	Average exercise price (EUR)
Outstanding as of beginning of the fiscal year	725.00	1.0800	1,125.00	1.0800
Issued in the fiscal year	–	–	–	–
Revoked in the fiscal year	–	–	–	–
Exercised during the fiscal year	550.00	3.0900	–	–
Expired in the fiscal year	–	–	–	–
Outstanding at the end of the fiscal year	175.00	1.0800	1,125.00	1.0800
Exercisable at the end of the fiscal year	175.00	–	1,125.00	–

	PSP V		PSP VI	
Change in stock options	2016 Number of stock options	Average exercise price (EUR)	2016 Number of stock options	Average exercise price (EUR)
Outstanding as of beginning of the fiscal year	1,406.25	2.5404	762.50	2.5404
Issued in the fiscal year	–	–	–	–
Revoked in the fiscal year	–	–	–	–
Exercised during the fiscal year	–	–	143.75	4.2282
Expired in the fiscal year	–	–	–	–
Outstanding at the end of the fiscal year	1,406.25	2.5404	618.75	2.5404
Exercisable at the end of the fiscal year	703.13	–	309.38	–

Change in stock options	PSP VII 2016 Number of stock options	PSP VII Average exercise price (EUR)	PSP VIII 2016 Number of stock options	PSP VIII Average exercise price (EUR)
Outstanding as of beginning of the fiscal year	1,406.25	1.3052	700.00	1.3052
Issued in the fiscal year	–	–	–	–
Revoked in the fiscal year	–	–	–	–
Exercised during the fiscal year	–	–	–	–
Expired in the fiscal year	–	–	–	–
Outstanding at the end of the fiscal year	1,406.25	1.3052	700.00	1.3052
Exercisable at the end of the fiscal year	–	–	–	–

Change in stock options	PSP IX 2016 Number of stock options	PSP IX Average exercise price (EUR)	PSP X 2016 Number of stock options	PSP X Average exercise price (EUR)
Outstanding as of beginning of the fiscal year	–	–	–	–
Issued in the fiscal year	225,000	4.5974	130,000	4.5974
Revoked in the fiscal year	–	–	–	–
Exercised during the fiscal year	–	–	–	–
Expired in the fiscal year	–	–	–	–
Outstanding at the end of the fiscal year	225,000	4.5974	130,000	4.5974
Exercisable at the end of the fiscal year	–	–	–	–

The stock options were measured using a binomial model, which reflects the fact that the amount to be paid out is limited to 300 % of the exercise price. The following parameters were used when measuring the options:

Tranche	PSP I	PSP II	PSP III	PSP IV	PSP V
Grant date	Sep. 23, 2011	Oct. 11, 2011	Nov. 26, 2012	Nov. 26, 2012	Apr. 7, 2014
Exercise price	2.3560	2.3724	1.0800	1.0800	2.5404
Dividend yield	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Interest rate	–	–	-0.85 %	-0.85 %	-0.81 %
Volatility of SINGULUS TECHNOLOGIES	–	–	160.58 %	160.58 %	131.87 %
Fair value of each stock option as of December 31, 2016	EUR 0.000	EUR 0.000	EUR 1.170	EUR 1.173	EUR 2.202

Tranche	PSP VI	PSP VII	PSP VIII	PSP IX	PSP X
Grant date	Apr. 7, 2014	Sep. 4, 2015	Sep. 4, 2015	Sep. 11, 2016	Sep. 11, 2016
Exercise price	2.5404	1.3052	1.3052	4.5974	4.5974
Dividend yield	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Interest rate	-0.81 %	-0.76 %	-0.76 %	-0.59 %	-0.59 %
Volatility of SINGULUS TECHNOLOGIES	131.87 %	112.56 %	112.56 %	96.30 %	96.30 %
Fair value of each stock option as of December 31, 2016	EUR 2.191	EUR 1.754	EUR 1.751	EUR 1.707	EUR 1.707

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

The measurement of the phantom stocks resulted in an expense of EUR 33k during the fiscal year (previous year: income of EUR 34k).

The program was treated as a cash-settled share-based payment within the meaning of IFRS 2.

16 CORPORATE BONDS

In the reporting period, SINGULUS TECHNOLOGIES completed the restructuring of the corporate bonds issued in 2012. The Company successfully implemented all of the resolutions adopted by the second bondholders' meeting and the extraordinary General Meeting.

In this context, the financial liabilities from the bonds issued on March 23, 2012 (total principal amount of EUR 60.0 million) and the interest liabilities arising to date (EUR 5.9 million) expired in June 2016. The obligation simultaneously arose for the Company to issue a new collateralized bond with a total principal amount of EUR 12.0 million. This was issued in July 2016.

The new bond has a five-year term and provides for annually increasing interest payments. The initial interest rate amounts to 3.0 % and increases to 10.0 % p.a.. subject to early repayment. The effective interest rate amounts to 6.70 % p.a. The new bond is collateralized, in particular by the cash, receivables, inventories, property, plant and equipment, and intangible assets of SINGULUS TECHNOLOGIES AG.

Please also see the section "Economic Development and Financial Restructuring" in the management report.

Financial liabilities measured at amortized cost resulted in a loss of EUR 2.8 million in the reporting period (previous year: EUR 4.9 million). The net loss was essentially attributable to interest.

Please refer to Note 37.

17 PENSION OBLIGATIONS

Pension plans were granted by SINGULUS TECHNOLOGIES AG and from the previous HamaTech AG. They are defined benefit plans in both cases.

HamaTech AG's benefit obligations were transferred to SINGULUS TECHNOLOGIES AG in connection with the merger in fiscal year 2009. HamaTech AG's pension plan, which was transferred in the merger, was operated solely for former members of that company's Executive Board.

At SINGULUS TECHNOLOGIES AG company pension schemes in the form of direct pension commitments are provided for only some of the employees. On the one hand, beneficiaries are those employees who were employed at Leybold prior to the founding of the company in 1995 in accordance with the pension directives there in the versions dated January 1, 1969 and January 1, 1986 and, on the other hand, some former Executive Board members as well as a few employees who were granted corporate pension benefits based on an individual contract. New pension commitments have not been issued for some time. In particular, there are no pension plans open for new employees.

The existing pension obligations are all based on defined benefit plans. In a special case based on individual contractual arrangements, a one-time capital payment is promised when the age limit is reached, otherwise all benefits are in the form of lifetime pensions upon disability, age or death (to survivors). The amount of the pensions is contractually stipulated for the individual commitments. The commitments under the Leybold pension directives are based on the length of service in the company and the pensionable income; the total pension from the company pension and statutory pensions has an upper limit that may not exceed the last net pay received. The age limit is the last day on which the beneficiary is 65.

All benefits are financed internally by the regular accumulation of provisions. There are no plan assets within the meaning of IAS 19, nor are there other employers' pension insurance plans.

The company is charged with taxes or social security contributions on the retirement benefits.

Other than the general risks arising from interest rates, inflation, longevity and case law, there are no special risks specific to the company for these pension commitments. The longevity risk is taken into account through the use of cohort tables when calculating the obligation. The cohort tables make appropriate assumptions, in particular with respect to the further increase in life expectancy in the future.

The risk of inflation is factored in sufficiently by a long-term estimate of 1.60 % p.a. when calculating the obligation based on current knowledge. Moreover, this risk primarily impacts the adjustment when reviewing current pensions. Currently, there are no known risks arising from labor law by virtue of supreme court rulings which would impact the commitments.

HamaTech AG's pension plan, which was transferred in the merger, was operated solely for former members of that company's Executive Board.

The pension plan is not covered by plan assets. 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 pensionable compensation and their years of service.

The pension obligations and underlying assumptions are described below.

The change in SINGULUS TECHNOLOGIES AG's pension obligations as of December 31, 2016 and 2015 is presented in the following tables:

Change in pension obligations:	**2016 EUR m**	2015 EUR m
Present value at the beginning of the fiscal year	12.3	12.4
Recognized in profit or loss:		
Service cost	0.1	0.1
Interest expense	0.3	0.3
Recognized in other comprehensive income:		
Actuarial gains/losses from:		
financial assumptions	1.5	-0.2
demographic assumptions	0.0	0.0
experience-based adjustments	0.0	0.0
Miscellaneous:		
Payments made	-0.4	-0.3
Present value at the end of the fiscal year	13.8	12.3

Net pension expenses break down as follows:

	2016 EUR m	2015 EUR m
Service cost	0.1	0.1
Interest expense	0.3	0.3
	0.4	0.4

While service cost was mainly recognized under selling costs and general and administrative expenses as well as cost of sales, interest expense was disclosed in the financial result.

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

Present value of the defined benefit obligation

2016 EUR m	2015 EUR m	2014 EUR m	2013 EUR m	2012 EUR m
13.8	12.3	12.4	9.9	10.5

The assumptions underlying the calculation of the pension provision are as follows:

	2016	2015
Biometrics	Heubeck 2005 G actuarial tables	Heubeck 2005 G actuarial tables
Discount rate (future pensioners)	1.75 %	2.50 %
Discount rate (current pensioners)	1.40 %	1.96 %
Estimated future wage and salary increases	2.00 %	2.00 %
Estimated future pension increases	1.60 %	1.60 %

As of December 31, 2016, the weighted average term of the defined benefit obligation was 16.7 years.

Pension expenses of EUR 0.3 million are estimated for the 2017 fiscal year (of which EUR 0.2 million for interest expense).

Contributions by the Company to the statutory pension insurance system amounted to EUR 1.5 million in the year under review. This is a defined contribution plan. In addition, members of the Executive Board received a defined-contribution company pension benefit financed by the company. EUR 0.4 million was paid out for this in the year under review.

Keeping all other assumptions constant, from a reasonable perspective, possible changes to one of the significant actuarial assumptions as of the reporting date would have affected the defined benefit obligation in the following amounts.

	Defined benefit obligation	
Effect in EUR m	Increase	Decrease
Discount rate (0.5 % change)	1.1	-1.2
Estimated future wage and salary increases (0.25 % change)	0.1	-0.1
Estimated future pension increases (0.25 % change)	0.4	-0.4
Life expectancy (+1 year change)	0.7	–

18 OTHER PROVISIONS

Other provisions developed as follows in the fiscal year:

	1/1/2016 EUR m	Utilization EUR m	Reversal EUR m	Allocation EUR m	**12/31/2016 EUR m**
Warranties	0.5	-0.2	-0.3	1.3	1.3
Other	0.4	0.0	0.0	0.0	0.4
	0.9	-0.2	-0.3	1.3	1.7

Provisions for warranty costs are recognized as a percentage of product costs. The percentages used are derived from experience for each product type and range between 2.7 % and 4.0 % (previous year: between 1.4 % and 4.0 %). In addition, different percentages ranging from 1.0 % to 6.0 % were used for commitments in individual cases. The guarantee period, and thus a possible utilization, ranges from 3 months to 14 months as of December 31, 2016.

19 PROVISIONS FOR RESTRUCTURING MEASURES

The provisions for restructuring measures developed as follows during the fiscal year:

	1/1/2016 EUR m	Allocation EUR m	Utilization EUR m	Reversal EUR m	**12/31/2016 EUR m**
Provisions for restructuring measures	9.1	0.2	-2.3	-1.2	5.8

The provisions for restructuring measures mainly contain provisions for underutilization of office and production facilities leased for wet-chemical processes within the Solar segment (EUR 4.9 million). Of that amount, provisions of EUR 4.2 million were recognized in non-current liabilities. Utilization of the provisions is anticipated to extend over the term of the leased administrative and production building in Fürstenfeldbruck until 2024.

20 EQUITY

As a result of the resolution of the extraordinary General Meeting on February 16, 2016, the Company's share capital was decreased by EUR 48,624,426 to EUR 305,814 with effect as of May 25, 2016, and was offset against the loss carryforward.

A total of 5,760,000 new shares with a par value of EUR 1.00 each were issued as part of the in-kind capital increase connected with the bond restructuring. The Group's capital reserves increased by EUR 5.4 million as a result of issuing the new shares. Transaction costs amounting to EUR 0.8 million led to a reduction in the capital reserves. The in-kind capital increase was entered into the commercial register on June 27, 2016.

Equity instruments issued to a creditor to extinguish all or part of a financial liability must generally be measured at fair value on initial recognition. The market price of the new shares could not reliably be used to calculate fair value as of the issue date, and thus the fair value of the deposited bonds was taken as the basis.

As a further step in its financial restructuring, SINGULUS TECHNOLOGIES fully placed 2,021,938 new shares at a subscription price of EUR 3.25 per new share as part of a subscription right capital increase. The subscription ratio was 3:1. The implementation of the capital increase was entered into the commercial register on October 7, 2016. The capital increase generated gross proceeds of EUR 6.6 million. As a result, the Company's share capital of EUR 6,065,814, divided into 6,065,814 bearer shares with a par value of EUR 1.00 each, rose by EUR 2,021,938 to EUR 8,087,752.

Please also see the section entitled "Successful implementation of the bond restructuring" in the management report.

Reserves

Changes in the fair value of cash flow hedges as well as currency translation differences from translating foreign financial statements are recognized in the reserves.

Non-controlling interests

Non-controlling interests represent third-party shareholdings in group entities. In the fiscal year, the non-controlling interests exclusively related to SINGULUS MANUFACTURING GUANGZHOU.

21 INCOME TAXES

The disclosures on income taxes for 2016 and 2015 are as follows:

	2016 EUR m	2015 EUR m
Current income taxes		
Germany	-0.1	0.2
Foreign	-0.1	-0.3
Sub-total	-0.2	-0.1
Deferred taxes		
Germany	-1.0	-0.1
Foreign	0.0	0.1
Sub-total	-1.0	0.0
Total tax expense/income	**-1.2**	-0.1

Pursuant to German tax law, the income taxes comprise corporate income tax, trade income tax and the solidarity surcharge.

Deferred tax assets relate to the following:

	2016 EUR m	2015 EUR m
Inventories	1.7	4.6
Pension provisions	0.6	1.2
Trade receivables	0.5	0.6
Provision for restructuring measures	0.4	1.4
Goodwill	0.2	0.0
Other intangible assets	0.1	0.0
Deferred taxes on loss carryforwards	0.1	0.1
Other liabilities	0.0	0.1
	3.6	8.0
Netting with deferred tax liabilities	-2.5	-5.8
Deferred tax assets	**1.1**	2.2

Deferred tax assets total EUR 3.6 million (before being offset against deferred tax liabilities), lower than the previous year's figure (EUR 8.0 million). This is primarily a result of lower temporary differences for inventories, pension provisions and provisions for restructuring measures. After being offset against deferred tax liabilities, deferred tax assets decreased to EUR 1.1 million (previous year: EUR 2.2 million).

Deferred tax assets developed as follows:

	2016 EUR m	2015 EUR m
Balance as of Jan. 1	2.2	2.2
Recognized in other comprehensive income:		
Change in actuarial gains and losses from pension commitments	0.0	0.0
Recognized through profit and loss:		
Change in temporary differences	-1.1	0.6
Utilization of loss carryforwards/ interest carryforwards	0.0	-0.6
Balance as of Dec. 31	**1.1**	2.2

On March 24, 2016, the taxable restructuring gain of EUR 42.7 million was fully offset against current losses and the existing loss carryforwards, pursuant to the binding assessment issued by the Tax Office (Finanzamt) in Aschaffenburg.

As of December 31, 2016, SINGULUS TECHNOLOGIES AG (excl. foreign operating facilities) had preliminary corporate income tax loss carryforwards in the amount of EUR 120.0 million (previous year: EUR 136.8 million) and municipal trade tax loss carryforwards of EUR 113.2 million (previous year: EUR 132.2 million).

EUR 5.3 million of the EUR 16.2 million in interest carryforwards was deducted in 2016; these amounted to EUR 10.8 million as of December 31, 2016.

Deferred tax assets are recognized 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 tax assets can be utilized. They are calculated by reconciling the approved budget to SINGULUS TECHNOLOGIES AG's three-year tax planning. This took into particular account the planned final acceptance of orders in the second planning year or in fiscal year 2018; these orders are included in the order backlog or are under negotiation.

Pursuant to the merger agreement dated July 21, 2015, Singulus Stangl Solar GmbH was merged with Singulus Technologies AG, effective as of May 1, 2015. From a tax perspective, the merger was implemented at intermediate values, with Singulus Stangl Solar GmbH recognizing a EUR 3.0 million increase in hidden reserves and liabilities to reflect the share of hidden reserves and liabilities attributable to it. This option was requested at the beginning of 2017. Accordingly, deferred taxes were initially recognized on the remaining hidden reserves in fiscal year 2016.

In accordance with the disclosures under 4.16., the Company expects positive business development; it expects SINGULUS TECHNOLOGIES AG to utilize existing loss carryforwards to only an extremely limited extent in the next three fiscal years.

Deferred tax liabilities break down as follows:

	2016 EUR m	2015 EUR m
Receivables and liabilities from construction contracts	1.5	3.6
Capitalized development costs	0.8	1.8
Property, plant and equipment	0.1	0.3
Other receivables	0.1	0.0
Financial liabilities from bond issue	0.0	0.1
	2.5	5.8
Netting with deferred tax assets	-2.5	-5.8
	0.0	0.0

Deferred tax liabilities total EUR 2.5 million (before being offset against deferred tax assets), lower than the previous year's figure (EUR 5.8 million). This is primarily a result of lower temporary differences for receivables and liabilities from construction contracts, as well as capitalized development costs. As in the previous year, deferred tax liabilities were fully offset against deferred tax assets.

The amount of the temporary differences related to investments in subsidiaries for which no deferred tax liabilities have been recognized totaled EUR 0.2 million.

The effective tax rate in Germany (for corporate income tax, trade tax and the solidarity surcharge) was 29.13 % (previous year: 29.13 %). The effective tax rate is reconciled to the actual tax rate as follows:

	2016 EUR m	2015 EUR m
Consolidated earnings before taxes	20.1	-43.3
Anticipated tax[1]	5.9	-12.6
Adjustment of temporary differences and loss carryforwards of the current period for which no deferred taxes were recognized	1.5	14.9
Non-tax deductible expenses (+)/ tax-free income (-)	0.4	-2.6
Utilization of loss and interest carryforwards for which no deferred taxes were recognized in prior periods	-6.6	0.0
Other	0.0	0.4
Current taxes	**1.2**	0.1

[1] A minus sign denotes tax income

The most recent tax field audit of SINGULUS TECHNOLOGIES AG covered the period from 2010 up to and including 2013. The audit was completed in 2015. The tax assessments were received in 2016. Minor subsequent tax payments were made.

22 EARNINGS PER SHARE

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

The resolution on the capital decrease, as entered into the Company's commercial register in May 2016, was taken into consideration in calculating the weighted average number of shares outstanding. As a consequence, the initial measurement basis for the reporting period and the comparative period was a reduced figure of 305,814 shares. During the reporting period, the capital increases (by 5,760,000 shares) due to the bond restructuring, effective June 27, 2016, was also taken into consideration in calculating the number of shares outstanding. In addition, the subscription right capital increase (2,021,938 shares) as of October 7, 2016 was weighted on a *pro rata temporis* basis and factored into the calculation. The restructuring gain constituted one-off income that increased earnings per share by EUR 11.11 in fiscal year 2016. Please see Note 32 with regard to the restructuring gain.

Diluted earnings per share are calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the reporting period 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. There were no dilution effects in either the reporting period or the comparable prior-year period.

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

	2016 EUR m	2015 EUR m
Profit attributable to owner of the parent for basic earnings per share	19.0	-43.4
Weighted average number of ordinary shares used to calculate basic earnings per share	3,706,456	350,814
Dilution effect	–	–
Weighted average number of common shares adjusted for dilution	3,706,456	350,814

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of preparation of these consolidated financial statements.

23 OTHER FINANCIAL COMMITMENTS

Please see Note 33 regarding other financial commitments from rents and leases.

24 SALES DEDUCTIONS AND DIRECT SELLING COSTS

Sales deductions comprise all cash discounts granted. Direct selling costs essentially include expenses for commissions.

25 COST OF MATERIALS

The cost of sales for fiscal year 2016 includes material costs of EUR 36.9 million (previous year: EUR 51.6 million).

26 PERSONNEL EXPENSES

The income statement for fiscal year 2016 includes personnel expenses in the amount of EUR 28.1 million (previous year: EUR 30.4 million). Expenses for wages and salaries in the year under review totaled EUR 23.2 million (previous year: EUR 25.4 million); expenses for social security contributions totaled EUR 4.4 million (previous year: EUR 4.5 million); post-employment expenses were EUR 0.5 million (previous year: EUR 0.5 million).

27 DEPRECIATION AND AMORTIZATION

Depreciation and amortization expenses amounted to EUR 2.4 million (previous year: EUR 3.5 million).

28 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 general meetings and the financial statements are also recognized in this item.

29 RESEARCH AND DEVELOPMENT COSTS

Research and development costs relate not only to research and non-capitalizable development costs but also to the amortization of capitalized development costs of EUR 1.3 million (previous year: EUR 1.8 million).

Totaling EUR 12.3 million in 2016, the expenditures for research and development (including development services included in cost of sales) were above the prior-year level of EUR 11.2 million. EUR 0.1 million of these expenditures were capitalized (previous year: EUR 4.3 million).

The Company received national and EU subsidies amounting to EUR 0.6 million in the fiscal year (previous year: EUR 0.3 million).

30 NET RESTRUCTURING ITEMS

Restructuring items mainly concerned expenses in connection with the financial restructuring until October 2016. Specifically, these were expenses for consulting fees (EUR 1.6 million) as well as offsetting income from the reversal of provisions in the amount of EUR 1.2 million.

31 OTHER OPERATING INCOME/EXPENSES

In the fiscal year, other operating income mainly included income from foreign exchange gains amounting to EUR 0.6 million (previous year: EUR 0.4 million) as well as the reversal of provisions and derecognition of liabilities amounting to EUR 0.2 million (previous year: EUR 1.4 million).

Other operating expenses in the fiscal year primarily included additions to the specific bad debt allowances on receivables of EUR 1.2 million (previous year: EUR 0.3 million) and foreign exchange losses amounting to EUR 0.3 million (previous year: EUR 0.6 million).

32 FINANCE INCOME AND FINANCE COSTS

Finance income/costs break down as follows:

	2016 EUR m	2015 EUR m
Restructuring gain	41.2	0.0
Interest income from non-current receivables from customers	0.1	0.6
Other interest income	0.0	0.3
Finance costs from the bond issue (including incidental expenses)	-2.8	-4.9
Loss on the sale of bonds held by the Company	0.0	-3.3
Interest expense from interest accrued on the pension provisions	-0.3	-0.3
Other finance costs	-0.4	-1.2
	37.8	-8.8

The restructuring gain is calculated as the difference between the carrying amounts (as of June 27, 2016) of the financial liabilities under the bonds issued in 2012, including accumulated interest (EUR 65.7 million), less the value of the shares issued under the in-kind capital increase (EUR 11.2 million), the liabilities under the bonds issued in July (EUR 12.0 million) and the attributable transaction costs incurred (EUR 1.3 million).

The finance costs from the bond issue primarily result from the bonds issued in 2012 until their expiry on June 27, 2016.

33 RENTS AND LEASES

Under a real estate lease concluded on September 24, 1999 and supplemented on December 27, 2004, the Company leased the office building and production hall in Kahl am Main. The lease began on July 1, 2000 and ends on June 30, 2018. The annual lease payment is EUR 1.5 million.

In addition, the Company entered into a real estate lease as of September 26, 2008, covering a production and administrative building in Fürstenfeldbruck. The total investment costs of the property are EUR 17.5 million; the lease period is 15 years plus a lease extension option of 5 years. The annual payments to the lessor in this connection are EUR 1.4 million.

Pursuant to IAS 17, both leases must be classified as operating leases, as substantially all the opportunities and risks connected to ownership of the property remain with the lessor.

As of December 31, 2016, where not recognized in the balance sheet, the future minimum payments arising from rental agreements and operating leases in the Group were:

	EUR m
2017	2.2
2018	6.9
2019	0.8
2020	0.8
2021 and thereafter	2.7
	13.4

34 EVENTS AFTER THE BALANCE SHEET DATE

At its meeting on January 26, 2017, the Company's Supervisory Board appointed the Company's Chief Executive Officer, Dr.-Ing. Stefan Rinck, to Executive Board for a further five years and reappointed him as Chairman of the Executive Board. Dr.-Ing. Stefan Rinck accepted the appointment.

On March 3, 2016, the Company signed an agreement for the supply of VISTARIS and TENUIS II vacuum cathode sputtering systems for wet-chemical coating processes with the subsidiary of a major listed energy firm and manufacturer of solar modules from China. The systems are core elements of the customer's specific manufacturing process for its CIGS thin-film modules. The order volume is in excess of EUR 20 million.

On March 10, 2017, the Company assumed financial liabilities (pursuant to section 8 (a) (vi) in conjunction with section 3 (e) of the bond conditions) in the amount of EUR 4.0 million in the form of a loan to secure further liquidity.

There were no further events after the end of the fiscal year requiring disclosure.

35 RELATED PARTY DISCLOSURES

Related parties include the Supervisory Board and Executive Board of SINGULUS TECHNOLOGIES AG as well as shareholders having a significant influence on the Company.

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 2016 were:

Dr.-Ing. Wolfhard Leichnitz, Essen
Chairman

Christine Kreidl, Regensburg
Deputy Chairman

Dr. rer. nat. Rolf Blessing, Trendelburg
Member

The above members of the Supervisory Board were elected for the period until the end of the annual shareholders' meeting that resolves the ratification of their actions for the fourth fiscal year following the beginning of their term of office; the fiscal year in which their term of office begins is not included in this calculation.

In addition to compensation for expenses, each member of the Supervisory Board is entitled to fixed remuneration of EUR 40k for each full fiscal year of board membership. The chairman receives twice and the deputy chairman one and half times this amount. 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.

For their work in the fiscal year, the Supervisory Board members are entitled to fixed remuneration in accordance with the articles of incorporation of EUR 180k. In addition, the Supervisory Board members were reimbursed expenses of EUR 12k.

Dr.-Ing. Leichnitz held a total of 245 shares in the Company as of December 31, 2016 (previous year: 39,344 shares before consolidation of the shares at a ratio of 160:1).

The current occupations of Supervisory Board members are listed as follows:

	Occupation
Dr.-Ing. Wolfhard Leichnitz	Construction engineer
Christine Kreidl	Diplom-Kauffrau, German Public Auditor [Wirtschafts-prüferin] and Tax Consultant
Dr. rer. nat. Rolf Blessing	Dipl.-Physiker, Director of B.plus Beschichtungen Projekte Gutachten, Bad Karlshafen

The members of the Supervisory Board did not hold any positions on any other supervisory boards or comparable bodies.

Members of the Executive Board in fiscal year 2016 were:

Dr.-Ing. Stefan Rinck
Chairman of the Executive Board

Dipl.-Oec. Markus Ehret
Head of finance

The total remuneration received by the Executive Board in the reporting period was as follows:

2016	Fixed remuneration	Other compensation[1]	Variable remuneration	Components with long-term incentive[2]	**Total**
	EUR k	EUR k	EUR k	EUR k	**EUR k**
Dr.-Ing. Stefan Rinck	352	45	176	219	**792**
Dipl.-Oec. Markus Ehret	224	27	112	175	**538**
	576	72	288	394	**1,330**

[1] Other compensation includes ancillary benefits such as insurance and company vehicles.
[2] Phantom stocks are accounted for at the respective fair value upon the initial grant.

The remuneration of the Executive Board for the previous year is broken down as follows:

2015	Fixed remuneration	Other compensation[1]	Variable remuneration	Components with long-term incentive[2]	**Total**
	EUR k	EUR k	EUR k	EUR k	**EUR k**
Dr.-Ing. Stefan Rinck	352	42	147	66	**607**
Dipl.-Oec. Markus Ehret	224	23	93	53	**393**
	576	65	240	119	**1,000**

[1] Other compensation includes ancillary benefits such as insurance and company vehicles.
[2] Phantom stocks are accounted for at the respective fair value upon the initial grant.

Members of the Executive Board receive a defined-contribution company pension benefit financed by the Company. The Company grants Executive Board members an annual pension contribution amounting to a certain percentage of their respective gross annual fixed remuneration. For Dr.-Ing. Stefan Rinck, this amounted to 59.97 % beginning on January 1, 2012 and for Mr. Markus Ehret, this percentage was 31.58 %. The annual expense for the Company in fiscal year 2016 was EUR 344k (previous year: EUR 337k), of which EUR 257k (previous year: EUR 251k) was for Dr.-Ing. Stefan Rinck and EUR 87k (previous year: EUR 86k) for Mr. Markus Ehret. The reduction of the annual fixed remuneration by 20 % does not reduce the absolute value of the pension contribution.

Former members of the Executive Board of SINGULUS TECHNOLOGIES AG received total remuneration of EUR 0.3 million in the fiscal year. As of December 31, 2016, the provisions for pension claims for former board members stood at EUR 6.8 million.

In addition, the members of the Executive Board held the following number of shares in SINGULUS TECHNOLOGIES AG from their own purchases as of the fiscal year-end:

	2016 No.	2015 No.
Dr.-Ing. Stefan Rinck	122	19,619[1]
Dipl.-Oec. Markus Ehret	43	7,000[1]
	165	26,619

[1] Before consolidation of the shares at a ratio of 160:1

36 DISCLOSURES ON SHAREHOLDINGS

	Currency	Equity interest %	Equity in k	Net income/loss in k
Germany				
SINGULUS CIS Solar Tec GmbH, Kahl am Main, Germany	EUR	66	17	-1
SINGULUS MOCVD GmbH, Kahl am Main, Germany	EUR	100	-230	0
Foreign[1]				
SINGULUS TECHNOLOGIES Inc., Windsor, CT USA	EUR	100	8,942	174
SINGULUS TECHNOLOGIES MOCVD Inc., Windsor, USA	EUR	100	-692	0
SINGULUS TECHNOLOGIES UK Ltd., Swindon, United Kingdom	EUR	100	0	-276
SINGULUS TECHNOLOGIES ASIA Pacific Pte. Ltd., Singapur	EUR	100	1,210	-575
SINGULUS TECHNOLOGIES LATIN AMERICA Ltda., São Paolo, Brazil	EUR	100	-2,667	-284
SINGULUS TECHNOLOGIES IBERICA S.L., Sant Cugat del Vallés, Spain	EUR	100	-1,458	-27
SINGULUS TECHNOLOGIES FRANCE S.A.R.L., Sausheim, France	EUR	100	221	-303
SINGULUS TECHNOLOGIES ITALIA s.r.l., Ancona, Italy	EUR	100	-11	-16
SINGULUS TECHNOLOGIES TAIWAN Ltd. Taipeh, Taiwan	EUR	100	-1,218	-106
SINGULUS MANUFACTURING GUANGZHOU Ltd., Guangzhou, China	EUR	51	1,539	-276
STEAG HamaTech Asia Ltd. Hongkong, China	EUR	100	0	0
HamaTech USA Inc., Austin/Texas, USA	EUR	100	-940	15

[1] Equity and net income/loss were taken from the IFRS annual financial statements

SINGULUS TECHNOLOGIES Inc., Windsor, USA, wholly owns SINGULUS TECHNOLOGIES MOCVD Inc.

8.5 % of the interest in SINGULUS TECHNOLOGIES LATIN AMERICA Ltda. is held by SINGULUS TECHNOLOGIES IBERICA S.L.

STEAG HamaTech Asia Ltd. discontinued its operating business in April 2003.

The companies SINGULUS TECHNOLOGIES ITALIA s.r.l., SINGULUS TECHNOLOGIES IBERICA S.L., SINGULUS TECHNOLOGIES UK Ltd. and SINGULUS MANUFACTURING GUANGZHOU Ltd. were in liquidation as of December 31, 2016.

37 FINANCIAL RISK MANAGEMENT

The financial liabilities contained in the consolidated financial statements essentially concern the new bond placed in 2016. The Group has various financial assets such as trade receivables and cash and short-term deposits which arise directly from its operations.

In accordance with group policy, no derivatives trading took place in fiscal years 2016 or 2015, nor will derivatives be traded for speculative purposes in the future.

The operating and financing activities can essentially give rise to interest rate, credit, liquidity and foreign currency risks.

The individual risks are described in greater detail below. Additional remarks may be found in the risk report within the management report.

Foreign currency risk

Foreign currency risks from operations abroad are assessed as part of a risk analysis. Some sales of the SINGULUS TECHNOLOGIES Group are subject to the US dollar (USD) currency risk. For this reason, derivative financial instruments are used to hedge against USD exchange rate risks. Risks from foreign currencies are continually assessed as part the risk management system.

The following table shows the sensitivity of consolidated earnings before taxes (due to the change in the fair values of monetary assets and liabilities) and of consolidated equity (due to the changes in fair values of forward exchange contracts recognized in other comprehensive income) to a change in the USD/EUR exchange rate generally possible based on reasonable judgment. All other factors remain unchanged.

	Exchange rate trend of the USD	Effects on EBT	Effects on Equity
		EUR m	EUR m
2016	+10 %	-1.0	0.0
	-10 %	0.4	0.0
2015	+10 %	-1.5	3.0
	-10 %	1.3	-2.4

The effect of potential changes in the USD exchange rate on SINGULUS TECHNOLOGIES' earnings results from bank balances, unhedged trade receivables and payables as well as unhedged intragroup receivables and payables denominated in USD.

The effects on equity reflect the potential change in fair value of forward exchange contracts recognized in other comprehensive income (cash flow hedges).

Liquidity risk

The processing of the major Chinese order as scheduled in 2017 and 2018 will be critical for the Company's future solvency. The management also expects further order intake and thus additional cash and cash equivalents from prepayments for new projects.

The Group still has access to bank guarantee lines in the amount of EUR 20.8 million. EUR 20.4 million of these had been drawn down as of the end of the fiscal year. Cash and cash equivalents are deposited as collateral to secure these loan commitments.

On March 10, 2017, the Company assumed financial liabilities (pursuant to section 8 (a) (vi) in conjunction with section 3 (e) of the bond conditions) in the amount of EUR 4.0 million in the form of a loan to secure further liquidity.

The table below summarizes the maturity profile of the Group's financial liabilities as of December 31, 2016. The disclosures are made on the basis of the contractual, non-discounted payments.

Fiscal year ended December 31, 2016	Payable on demand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m
Bond repayment	0.0	0.0	0.0	12.0	0.0	12.0
Bond interest	0.0	0.4	0.0	0.0	0.0	0.4
Other liabilities	2.1	5.2	1.2	0.0	0.0	8.5
Trade payables	1.0	5.4	3.7	0.0	0.0	10.1
	3.1	11.0	4.9	12.0	0.0	31.0

Fiscal year ended December 31, 2015	Payable on demand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m
Bond repayment	0.0	0.0	0.0	60.0	0.0	60.0
Bond interest	0.0	4.7	0.0	4.7	0.0	9.4
Other liabilities	0.0	4.9	6.2	0.0	0.0	11.1
Trade payables	2.1	5.6	0.0	0.0	0.0	7.7
	2.1	15.2	6.2	64.7	0.0	88.2

Interest rate risk

The Group is exposed to the risk of fluctuations in market interest rates. A shift in the yield curve by +/- 50 basis points would not have any significant effect on the Group's earnings before taxes.

Credit risk

The credit risk is the risk of financial losses if a customer or contractual party to a financial instrument fails to meet its contractual obligations. The credit risk generally arises from trade receivables, loans and the Group's receivables from construction contracts. We use export credit insurance as the primary instrument to hedge against specific country risks. Customers' creditworthiness and payment history are continually monitored and corresponding credit limits are set. In addition, risks in individual cases are limited where possible through credit insurance, bank guarantees and retention of title. From our current perspective, we assume sufficient coverage of the receivables default risk.

Significance of the credit risk

The carrying amounts of the financial assets correspond to the maximum credit risk.

The Group's maximum credit risk as of the reporting date is presented below:

	2016 EUR m	2015 EUR m
Cash and cash equivalents	18.5	19.0
Financial assets subject to restrictions on disposal	21.0	3.3
Trade receivables	7.8	7.1
Receivables from construction contracts	2.2	8.6
Hedging derivatives	0.0	0.3
	49.5	38.3

Capital management

The Group analyzes its capital based on the "net liquidity" (as the total of cash and cash equivalents, short-term deposits and financial assets subject to restrictions on disposal less the bond and interest-bearing loans). As of the end of the fiscal year, the net liquidity was as follows:

	2016 EUR m	2015 EUR m
Cash and cash equivalents	18.5	19.0
Financial assets subject to restrictions on disposal	21.0	3.3
Bond liabilities	-12.4	-63.2
Net liquidity	27.1	-40.9

In order to identify liquidity risks at an early stage, cash flow forecasts are prepared every two weeks on the basis of a one-year forecast. The insolvency risk is thus reviewed on a regular basis.

38 FINANCIAL INSTRUMENTS

Fair values

The following table shows the carrying amounts and fair values of all financial instruments recognized in the consolidated financial statements by category.

		Carrying amount		Fair value	
	Measurement category	2016 EUR m	2015 EUR m	2016 EUR m	2015 EUR m
Financial assets					
Cash and cash equivalents[2]	L&R	18.5	19.0	18.5	19.0
Financial assets subject to restrictions on disposal[2]	L&R	21.0	3.3	21.0	3.3
Derivative financial instruments Hedging derivatives[2]	HD	–	0.3	–	0.3
Trade receivables[2]	L&R	7.8	7.1	7.8	7.1
Receivables from construction contracts[2]	L&R	2.2	8.6	2.2	8.6
Financial liabilities					
Bond[1]	FLAC	12.4	63.2	9.6	15.3
Derivative financial instruments Hedging derivative[2]	HD	–	0.3	–	0.3
Trade payables[2]	FLAC	10.1	7.7	10.1	7.7
Total	L&R	49.5	38.0	49.5	38.0
Total	FLAC	22.5	70.9	19.7	23.0
Total	HD	–	0,0	–	0.0

Abbreviations:

L&R:	Loans and receivables
FLAC:	Financial Liabilities measured at Amortized Cost
HD:	Hedging Derivatives

[1] Fair value measurement was categorized as fair value Level 1 based on the input factors for the measurement approach applied.

[2] Fair value measurement was categorized as fair value Level 2 based on the input factors for the measurement approach applied.

Cash and cash equivalents, financial assets subject to restrictions on disposal, and trade payables are generally due in the short term. The balance sheet figures approximate the fair values. The same applies for trade receivables and other assets.

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.

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 value of the exchange-listed bond equals the market price as of the balance sheet date plus the carrying amount of accrued interest liabilities as of the balance sheet date.

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

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

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

Hedges

The following table shows the periods in which the cash flows are anticipated to occur and the fair values of the hedging instruments.

		2016 Expected cash flows			
	Fair values EUR m	Total EUR m	2 months or less EUR m	2 to 12 months EUR m	1 to 2 years EUR m
Forward exchange contracts					
Assets	–	–	–	–	–
Liabilities	–	–	–	–	–

		2015 Expected cash flows			
	Fair values EUR m	Total EUR m	2 months or less EUR m	2 to 12 months EUR m	1 to 2 years EUR m
Forward exchange contracts					
Assets	0.3	19.5	8.8	10.7	0.0
Liabilities	0.3	7.4	7.4	0.0	0.0

The key terms of the forward exchange contracts were negotiated to match the terms of the underlying obligations.

As in the previous year, financial instruments measured at fair value did not lead to any gains or losses.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Assets measured at fair value:

	As of December 31, 2016 EUR m	Level 1 EUR m	Level 2 EUR m	Level 3 EUR m
Financial assets at fair value through profit or loss Forward exchange contracts - hedged	–	–	–	–

	As of December 31, 2015 EUR m	Level 1 EUR m	Level 2 EUR m	Level 3 EUR m
Financial assets at fair value through profit or loss Forward exchange contracts - hedged	0.3	–	0.3	–

Liabilities measured at fair value:

	As of December 31, 2016 EUR m	Level 1 EUR m	Level 2 EUR m	Level 3 EUR m
Financial assets at fair value through profit and loss Forward exchange contracts	–	–	–	–

	As of December 31, 2015 EUR m	Level 1 EUR m	Level 2 EUR m	Level 3 EUR m
Financial assets at fair value through profit and loss Forward exchange contracts	0.3	–	0.3	–

39 HEADCOUNT

In the fiscal year, the Company had an annual average of 330 (previous year: 342) permanent employees. The annual average distribution of employees by functional area in the fiscal year is presented below:

	2016	2015
Assembly, production and logistics	104	106
Development	75	77
Sales	108	116
Administration (excluding Executive Board members)	43	43
	330	342

The Group had 318 employees as of December 31, 2016 (previous year: 335).

40 AUDITOR’S FEES (DISCLOSURES PURSUANT TO SEC. 314 (1) NO. 9 HGB)

In the year under review, SINGULUS TECHNOLOGIES AG and its subsidiaries were charged the following fees by the auditor of the consolidated financial statements:

	2016 EUR k
a) for the audit of the financial statements	315
b) for other assurance services	253
c) for tax advisory services	27
d) other	4
Total	**599**

The fees for audit services also include fees for audit reviews. The other assurance services concern audit services as part of capital market transactions.

41 CORPORATE GOVERNANCE

The Executive Board and the Supervisory Board made the declaration required under Sec. 161 AktG in January 2017 and have made it available to shareholders on a permanent basis on the Company’s website at http://www.singulus.com/en/investor-relations/corporate-governance/declaration-of-conformity/2017.html.

42 PUBLICATION

The consolidated financial statements of SINGULUS TECHNOLOGIES AG were released for publication by the Executive Board on March 13, 2017.

Kahl am Main, March 13, 2017

SINGULUS TECHNOLOGIES AG

The Executive Board

Dr.-Ing. Stefan Rinck Dipl.-Oec. Markus Ehret

04

SILEX II

PRODUCTION SYSTEM FOR HIGH PERFORMANCE SOLAR CELLS

The 2015 introduced process system is used worldwide for the production of Heterojunction solar cells. The SILEX II system is modular designed for wet chemical processes.


SINGULUS
SILEX II

Auditor‘s report

We have audited the consolidated financial statements prepared by Singulus Tech-nologies AG, Kahl am Main, comprising the consolidated statement of financial posi-tion, the consolidated income statement, the consolidated statement of comprehen-sive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes to the consolidated financial statements – as well as the Group management report which is combined with the management report of Singulus Technologies AG, for the fiscal year from January 1 to 31 December 31, 2016. The preparation of the consolidated financial statements and Group management report in accordance with IFRS as adopted by the EU and the supplemental requirements of German commercial law to be applied under § 315a (1) of the German Commercial Code [Handelsgesetz-buch, "HGB"] is the responsibility of the Company's Management. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial state-ments promulgated by the German Institute of Public Auditors [IDW]. Those stand-ards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of opera-tions in the consolidated financial statements in accordance with the relevant financial reporting standards and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal accounting control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the definition of the group of consolidated companies, the accounting and consolidation principles used and significant estimates made by the Company´s Management, as well as evaluating the overall presentation of the consolidated financial statements and the Group 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 state-ments comply with IFRS as adopted by the EU and the supplemental requirements of German commercial law to be applied under § 315a (1) HGB, 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 Group management report is consistent with the consolidated financial statements, complies with the German statutory requirements, provides as a whole a suitable view of the Group's position and suita-bly presents the opportunities and risks of future development.

Without qualifying this opinion, we refer to the information contained in the manage-ment report. The section entitled „Report on expected developments, Outlook for the fiscal years 2017 and 2018" states that should the projected incoming orders also fall significantly short of expectations in the 2017 and 2018 fiscal years, the Company's ability to continue as a going concern would be jeopardised. Furthermore, ensuring short and medium-term liquidity is also necessary for the Company to continue as a going concern. Should, contrary to expectations, the cash collateral of the guarantee commitments not be reduced and the first payment from a major customer for the second of the two factory locations not be received as planned and should no alternative financing options become available to the Company, the Company's ability to continue as a going concern would be jeopardised near term already in 2017 due to the strained liquidity situation.

Frankfurt am Main, March 13, 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

Pürsün	**Klein**
German Public Auditor	German Public Auditor

SINGULUS TECHNOLOGIES AG

Balance sheet as of December 31, 2016

ASSETS	Dec. 31, 2016		Dec. 31, 2015	
	[EUR k]	[EUR k]	[EUR k]	[EUR k]
A. Fixed assets				
I. Intangible fixed assets				
1. Purchased industrial and similar rights and assets	**7,451**		9,193	
2. Goodwill	**12,313**		15,155	
3. Prepayments	**600**	**20,364**	1,126	25,474
II. Tangible fixed assets				
1. Land, land rights and buildings, including buildings on third-party land	**10,021**		11,151	
2. Plant and machinery	**649**		560	
3. Other equipment, operating and office equipment	**834**	**11,504**	996	12,707
III. Long-term financial assets				
1. Shares in affiliates	**6,347**		6,678	
2. Loans to affiliates	**0**	**6,347**	600	7,278
		38,215		45,459
B. Current assets				
I. Inventories				
1. Raw materials, consumables and supplies	**6,396**		7,211	
2. Work in process	**62,945**		60,069	
3. Prepayments	**6,226**		2,435	
4. Prepayments received	**-75,567**	**0**	-48,196	21,519
II. Receivables and other assets				
1. Trade receivables - thereof with a residual term longer than one year EUR 0k (PY: EUR 973k)	**5,270**		4,838	
2. Receivables from affiliates	**773**		1,291	
3. Other assets	**1,900**	**7,943**	1,998	8,127
III. Cash and bank balances		**33,433**		15,804
		41,376		45,450
C. Prepaid expenses		**138**		87
D. Deficit not covered by equity		**0**		20,449
Total assets		**79,729**		111,445

EQUITY AND LIABILITIES

	Dec. 31, 2016		Dec. 31, 2015	
	[EUR k]	[EUR k]	[EUR k]	[EUR k]
A. Equity				
I. Subscribed capital		**8,088**		48,930
II. Capital reserves		**9,991**		0
III. Net retained profits (PY: net accumulated losses)		**2,312**		-69,379
IV. Deficit not covered by equity		**0**		20,449
		20,391		0
B. Provisions				
1. Provisions for pensions and similar obligations		**9,688**		9,762
2. Provisions for taxes		**7**		52
3. Other provisions		**13,944**		17,363
		23,639		27,177
C. Liabilities				
1. Bonds		**12,000**		60,000
2. Payments received on account of orders		**9,206**		0
3. Trade payables		**2,551**		6,932
4. Liabilities to affiliates		**3,694**		4,671
5. Other liabilities – thereof in relation to taxes: EUR 319k (PY: EUR 332k)		**8,248**		12,645
		35,699		84,248
D. Deferred income		**0**		20
Total Equity and Liabilities		**79,729**		111,445

SINGULUS TECHNOLOGIES AG

Income statement for the period from January 1 to December 31, 2016

	2016		2015	
	[EUR k]	[EUR k]	[EUR k]	[EUR k]
1. Revenue		**50,961**		29,840
2. Increase in work in progress		**2,876**		27,137
3. Other operating income – thereof currency translation gains EUR 259k (PY: EUR 274k)		**45,763**		5,824
4. Cost of materials				
a) Cost of raw materials, consumables and supplies and of purchased merchandise	**-17,302**		-46,616	
b) Cost of purchased services	**-7,311**	**-24,613**	-11,082	-57,698
5. Personnel expenses				
a) Wages and salaries	**-19,550**		-18,846	
b) Social security, pension and other benefit costs – thereof for old-age pensions EUR 357k (PY: EUR 1,045k)	**-3,930**	**-23,480**	-4,687	-23,533
6. Amortization or depreciation of intangible and tangible fixed assets		**-6,728**		-5,551
7. Other operating expenses – thereof currency translation losses EUR 166k (PY: EUR 1,045k)		**-16,481**		-22,763
8. Income from long-term loans		**0**		12
9. Other interest and similar income – thereof from affiliates EUR 1k (PY: EUR 403k)		**135**		1,213
10. Write-downs of financial assets		**-1,531**		-1,293
11. Interest and similar expenses – thereof to affiliates EUR 85k (PY: EUR 1k) – thereof expenses from discounting EUR 657k (PY: EUR 995k)		**-3,757**		-7,169
12. Tax income		**1**		366
13. Earnings after taxes		**23,146**		-53,615
14. Other taxes		**-79**		-102
15. Net income for the year (PY: net loss for the year)		**23,067**		-53,717
16. Loss carryforward		**-69,379**		-15,662
17. Income from capital decrease		**48,624**		0
18. Net retained profits (PY: net accumulated losses)		**2,312**		-69,379

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

We assert to our best knowledge and belief that pursuant to the applied principles of correct consolidated reporting the consolidated financial accounts pursuant to IFRS reflect the true situation of the asset, financial and earnings situation of the SINGULUS TECHNOLOGIES Group, that the combined status report of the SINGULUS TECHNOLOGIES AG as well as of the SINGULUS TECHNOLOGIES Group depicts the course of business including the business events and the situation of the SINGULUS TECHNOLOGIES Group in a way reflecting the true situation and that the material opportunities and risks of the foreseeable development of the Group have been described.

Kahl am Main, March 14, 2017

SINGULUS TECHNOLOGIES AG
The Executive Board

SINGULUS TECHNOLOGIES – Operating Globally!

MARCH 2017

CPTIC 2017, China PV Technology International Conference 2017
March 30-April 2, 2017
Xi'an, China

APRIL 2017

Medtec Europe 2017
April 4.-6, 2017
Stuttgart, Germany

SNEC PV POWER EXPO
Conference: April 17-20, 2017
Fair: April 19-21, 2017
Shanghai, China

INTERMAG Europe 2017
April 24-28, 2017
Dublin, Irland

MAY 2017

MEDIA–TECH Conference Europe 2017
May 15-16, 2017
Hamburg, Germany

INTERSOLAR Europe
Conference: May 30-31, 2017
Fair: May 31-June 2, 2017
Munich, Germany

JUNE 2017

FIP Solution Plastique
June 13-16, 2017
Lyon, France

Cosmetic Business
June 21-22, 2017
Munich, Germany

IEEE PVSC
June 25-30, 2017
Washington, D.C., USA

JULY 2017

INTERSOLAR North America
Conference: July 10-12, 2017
Fair: July 11-13, 2017
San Francisco, USA

AUGUST 2017

Intersolar South America
August 22-24, 2017
São Paulo, Brazil

SEPTEMBER 2017

Renewable Energy India Expo
September 20-22, 2017
Greater Noida, India

EU PVSEC
September 25-29, 2017
Amsterdam, The Netherlands

NOVEMBER 2017

MMM 2017
November 6-10, 2017
Pittsburgh, USA

Corporate Calendar 2017

MARCH	March 30	Annual Press Conference 9:30 am
	March 30	Analyst Conference 11:30 am
MAY	May 12	Interim Report Q1 2017
JUNE	June 20	Ordinary General Meeting: DVFA – Deutsche Vereinigung für Finanz-analyse und Asset Management GmbH, Mainzer Landstraße 37, 60329 Frankfurt
AUGUST	August 11	Half-year report 2017
NOVEMBER	November 9	Interim Report Q3 2017

PV Glossary

Amorphous solar cells
Amorphous Si-solar cells are manufactured through sputtering or vacuum deposition. The efficiency is less than for crystalline solar cells.

Buffer Layer
Isolation and barrier layers as buffer layers are of vital importance in the thin-film technology. They are used for electric separation of charge or diffusion barrier, for example.

Cathode sputtering
Cathode sputtering, also sputtering, is a physical process, during which atoms are transmitted from a solid body target by high-energy ion bombardment, transition towards a gas stage and are then channeled in a controlled way towards a substrate where they condense in a layer.

CdTe (Cadmium-Tellurid)
Semiconductor used instead of silicon for the production of thin-film cells. It is used as a layer structure with cadmium-sulfide to form a pn-junction, e.g. for a solar cell.

CIGS cells
Thin-film cells for which the coating material copperindium-gallium-(di)selenide (CIGS) is applied to a substrate (e.g. glass or stainless steel foil).

Crystalline solar cells
Consist of high-purity, crystalline silicon. Depending on crystal structure one distinguishes between mono-crystalline solar cells and poly-crystalline solar cells. Generally, crystalline solar modules have a higher level of efficiency than thin-film solar modules and achieve more gain on smaller surfaces.

Degradation
Degradation or deterioration indicates the reduction in efficiency of a solar cell in the course of its lifetime.

Efficiency
Specifies the efficiency (ratio of emitted to generated energy) of individual energy-generating components or entire systems.

Material	Efficiency levels*
Silicon (amorphous)	5–10 %
Silicon (polycrystalline)	17–19 %
Silicon (monocrystalline)	19–21 %
PERC	21.3 %
PERT	22.2 %
Heterojunction	26.3 %
CIGS	22.6 %
Cadmium-telluride	22.1 %

** Own research, as of March 2016*

Heterojunction solar cells
For heterojunction solar cells, for the manufacturing of the electric structures on an n-conductive silicon wafer, on both sides thin layers of doped and intrinsic, amorphous silicon as well as transparent oxide layers (TCO) are applied for the absorption of the generated power. Due to the high level of light yield and the excellent passivation characteristics of the amorphous silicon, it is possible to achieve efficiency levels for the modules of more than 22 %.

Ingot
Describes a block made of semiconductor material, e.g. silicon. Can be built on mono-crystalline or poly-crystalline structures. For the manufacturing of solar cells, ingots are cut into wafers.

kWp
The size of a photovoltaic system is specified by its output in kWpeak (kWp) (peak output). This value describes the optimum output of solar modules under standardized test conditions (1000 W/m² irradiation, 25°C module temperature, 1.5 air mass).

Mono-crystalline solar cells
Mono-crystalline solar cells are manufactured from round mono-crystals (ingots) with 30 cm diameter and several meters length e.g. according to the Czochralski process. The results are mono-crystals, from which wafers are produced.

MW/a
Production capacity of a solar cell production facility or output of a single production plant specified by the peak output in megawatts per year.

Organic solar cells
An organic solar cell is a solar cell consisting of elements of organic chemistry, i.e. of hydrocarbon compounds (plastics).

Peak output
Peak output of a solar module. Specified through a small "p" after the energy output watt: Wp. The peak output specifies the output achieved by a solar module under full irradiation. Often also called „nominal value" or „nominal output" and based on measurement under optimum conditions.

PECVD
Plasma-enhanced, chemical vapor deposition. A coating process for the application of thin passivation and antireflection layers mostly applied under vacuum.

PERC/PERT solar cells
PERC cells are produced on so-called p-type wafers. The coating with aluminum oxide is one of several methods to produce so-called PERC high-efficiency cells. Most manufacturers use PERC on mono-crystalline wafers, however, some produce these high-efficiency cells also on poly-crystalline wafers. PERT is a similar concept for the manufacturing of high-efficiency cells such as PERC, only difference being that the PERT cells are manufactured with n-type wafers. In principle, high levels of efficiency can be achieved with n-type wafers than with p-type wafers.

Photovoltaics
PV-technology, which enables the transformation of solar energy into electric energy.

Poly-crystalline solar cells
Poly-crystalline solar cells are produced from silicon blocks (40 cm x 40 cm x 30 cm) in a so-called ingot casting process. The ingots are then processed to wafers.

Reflection
The solar irradiation reflected from a surface. The reflection of the Earth's surface amounts to about 20 %.

Selenization
SSelenization or sulfurization is the application of a function layer in an oven amid temperatures of 550 °C. The selenium or sulfur sources are hydrogen selenide H_2SE or hydrogen sulfide H_2S.

Silicon
Chemical element, a metalloid and therefore a semiconductor. In its high-purity form used in our solar cells, usually in thin disks, so-called silicon wafer.

Solar cells
Transform solar irradiation into electric energy. Positive and negative charges are generated through solar irradiation. Environmentally-friendly power is generated. More than 80 % of the solar modules are made of silicon.

Solar electricity
Colloquial for electric energy transformed from solar irradiation. Part of renewable energies and promoted in Germany by the Renewable Energies Act.

Solar modules
Consisting of solar cells transforming solar irradiation into electric energy.

System efficiency photovoltaics
The overall or system efficiency level of a photovoltaics plant is the result of several factors. If the generated direct current is transformed into alternating current, transformation losses are incurred at the converter.
If the power is stored in a storage battery for off-grid systems, energy is also lost during the storage process.
The length of the power lines also impact losses.

Thin-film solar cells
The difference to crystalline solar cells is that the semiconductor material is directly applied to so-called substrates (e.g. glass, plastic, foil or metal) in one or several very thin layers. This enables many new application areas for photovoltaics (e.g. roof elements made of metal, face elements made of glass). As semiconductor material so-called amorphous silicon (a-Si) is used or cadmium telluride (CdTe) as well as copper-indium-diselenide (CIS) or copper-indium-gallium-diselenide (CIGS).

Vacuum coating
Vacuum coating vapor deposition in physics terms. Through physical vapor deposition (PVD) or chemical vapor deposition (CVD) processes, the raw material is transformed into the vapor phase. The gaseous material is subsequently channeled towards the substrate to be coated, where it condenses and forms the target layer.

Vacuum deposition
Vacuum deposition or thermal deposition is a PVD process coating technology under vacuum. This is a process in which the entire basic raw material is heated by electric heating (resistive or inductive) to temperatures close to the boiling point, the material vapor is channeled towards a substrate and condenses to a layer.

Wafer
Wafer-thin, mostly square disks made of silicon, from which solar cells are manufactured.

Wet-chemical processes
Process steps for the solar cells manufacturing such as e.g. cleaning, texturing, etching and coating through chemical bath deposition of solar wafers and solar cells.

Consolidated Key Figures

2012-2016

		2016	2015	2014	2013	2012
Sales (gross)	in EUR million	**68.8**	83.7	66.8	134.9	108.6
Sales (net)	in EUR million	**67.6**	82.3	65.8	133.4	107.5
Sales Germany	%	**11.6**	7.2	15.9	12.7	12.8
Sales Rest of Europe	%	**12.6**	9.1	17.3	29.1	16.0
Sales Americas	%	**35.6**	30.7	46.0	40.8	43.7
Sales Asia	%	**37.9**	51.4	18.6	10.2	22.5
Sales Africa/Australia	%	**2.3**	1.6	2.2	7.2	5.0
Order intake	in EUR million	**152.1**	96.3	60.6	115.1	121.9
Order backlog (Dec. 31)	in EUR million	**109.9**	26.6	14.0	20.3	40.1
EBIT	in EUR million	**-17.7**	-34.5	-49.1	2.2	-60.5
EBIT margin	%	**-26.2**	-41.9	-74.6	1.6	-56.3
EBITDA	in EUR million	**-14.4**	-27.0	-24.1	8.1	-33.8
Earnings before taxes	in EUR million	**20.1**	-43.3	-51.7	-1.0	-63.8
Net profit/loss	in EUR million	**18.9**	-43.4	-51.6	-0.7	-62.4
Operating cash flow	in EUR million	**14.1**	-10.5	-10.1	-0.6	-0.4
Operating cash flow in % of net sales		**20.9**	-12.8	-15.3	-0.5	-0.4
Property, plant & equipment	in EUR million	**4.8**	5.3	6.3	7.5	7.5
Goodwill	in EUR million	**6.7**	6.7	6.7	21.7	21.7
Current assets	in EUR million	**80.1**	71.1	98.5	124.1	153.1
Shareholders' equity	in EUR million	**12.1**	-21.5	20.1	73.8	74.5
Equity ratio	%	**12.6**	-23.3	15.4	38.0	36.1
Balance sheet total	in EUR million	**96.2**	92.1	130.2	194.4	206.5
Research & develop-ment expenditures	in EUR million	**12.3**	11.2	11.0	7.7	8.9
(in % of net sales)		**18.2**	13.6	16.7	5.8	8.3
Employees (Dec. 31)		**318**	335	352	362	400
Number of shares outstanding		**8,087,752**	305,814	48,930,314*	48,930,314*	48,930,314*
Stock price at year-end	€	**4.21**	44.80	0.68*	2.11*	1.39*
Earnings per share	€	**5.13**	-141.92	-1.05*	-0.01*	-1.25*

* Before capital reduction in the business year 2016 (160 : 1)

SINGULUS TECHNOLOGIES AG

Hanauer Landstraße 103
D-63796 Kahl am Main
Phone +49 6188 440-0
Fax +49 6188 440-110
Internet: www.singulus.de

Investor Relations
Maren Schuster
Phone +49 6188 440-612
Fax +49 6188 440-110
investor.relations@singulus.de

Published by
SINGULUS TECHNOLOGIES AG,
Kahl am Main

Production
MetaCom GmbH

Concept and Content
Bernhard Krause

Text
Bernhard Krause
SINGULUS TECHNOLOGIES

Photography
Marc Krause
Shutterstock
Werksfotos SINGULUS
TECHNOLOGIES AG

Artwork/DTP
MetaCom
Zaneta Kern
Michaela Schäfer

Publication
March 31, 2017

THIN-FILM DEPOSITION

SURFACE ENGINEERING

THERMAL PROCESSING

WET CHEMICAL

SINGULUS TECHNOLOGIES – Innovations for New Technologies

SINGULUS TECHNOLOGIES AG
Hanauer Landstraße 103
D - 63796 Kahl, Deutschland
Phone +49 6188 440-0
Fax +49 6188 440-110
sales@singulus.de
www.singulus.de