

## **REPORT OF THE SUPERVISORY BOARD**

### **To the shareholders of the SINGULUS TECHNOLOGIES AG**

Dear Shareholders,

In this report, we mainly explain the events of fiscal year 2022 and provide an outlook for the current fiscal year 2023.

As the audit of the annual financial statements for fiscal years 2020 and 2021 by the responsible auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt, was not completed until April 6, 2023, the adoption of the annual financial statements by the Supervisory Board could not take place until April 11, 2023. Only after the audited financial statements for fiscal years 2020 and 2021 had been submitted could the new auditor for fiscal year 2022 be appointed by the court. By court order dated May 16, 2023, Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Düsseldorf ("BakerTilly") was appointed as the new auditor for the financial year 2022.

The new auditor began its audit work in May and has quickly familiarized itself with the Company's concerns. Therefore, the certificate could be issued on October 29, 2023. Following that, the Supervisory adopted the financial statements for 2022 on October 30, 2023. Subsequently, the Annual General Meeting for fiscal year 2022 was convened without delay. Nevertheless, this Annual General Meeting is late, as the issuance of the previous attestations for fiscal years 2020 and 2021 had not been granted until April 11, 2023. We have reported in detail on the reasons in the last report of the Supervisory Board for the business year 2021 and during the Annual General Meeting on July 19, 2023.

Operationally, there have been improvements in fiscal 2022. Sales in the business year 2022 increased by more than 27 % compared with the prior year 2021. The operating result before interest and taxes (EBIT) is positive and amounts to € 5.9 million. The cooperation with the Chinese China National Building Materials Group, Beijing, (CNBM), which through its subsidiary Triumph Science and Technology Group Co. Ltd., Beijing (Triumph), is the largest shareholders in our Company, is still stable. Additional agreements were concluded with CNBM for the delivery of new production machines for the manufacturing of thin-film solar modules on the basis of CIGS and CdTe

technologies. In addition to these new agreements and contracts for production machines in the Solar division, in particular the business situation in the segment Life Science improved. In the case of production equipment for medical technology, we are working on the further development of machine and process technology with one of our main customers and a leading producer of contact lenses. Our coating machines POLYCOATER and DECOLINE II for the finishing of decorative products are continuing to establish themselves in Europe and the US. In the meantime, the coating machine POLYCOATER was also delivered to Korea several times.

The Executive Board and Supervisory Board are pursuing the goal of increasing the share of the business for Semiconductors, Decorative Coatings and Medical Technology and placing the Company on a broader basis by opening up new applications for its own proprietary coating technology. The cooperation with the Robert Bosch GmbH, Stuttgart, in its Manufacturing Solutions division in the area of hydrogen technology is an excellent example for this.

The SINGULUS TECHNOLOGIES AG has the potential to successfully generate new projects in these market segments.

For further details regarding the Company's development please refer to the Status Report 2022, which is presented in the Annual Report 2022 on pages **xx** to **yy** in detail.

## **ACTIVITIES OF THE SUPERVISORY BOARD IN THE BUSINESS YEAR 2022**

In the past fiscal year 2022, the Supervisory Board performed all its duties in accordance with the statutory provisions, the Articles of Association, and the bylaws. In this function, the Supervisory Board assisted the Executive Board in an advisory capacity on the management of the Company and on all significant business matters. In this context, the Board diligently monitored the Executive Board's activities during the entire course of the business year 2022.

The Executive Board involved the Supervisory Board in all major decisions and processes at an early stage and kept it fully informed of all important proceedings. During the course of the year 2022 there were no complaints by the Supervisory Board with regards to the management of the Company by the Executive Board of the SINGULUS TECHNOLOGIES AG or the timely and exhaustive information

provided by the Executive Board to the Supervisory Board regarding the situation of the Company or new developments.

For the financial year 2022, the proof of sufficient financing of the operating business for the relevant forecast period remained a challenge as a prerequisite for a positive going concern forecast. During the course of the year a restructuring of the debt capital and a modification of the bond became necessary. The respective bondholder meetings took place in a period from August 26 – 30, 2022 as well as on September 20, 2022. During the meeting on September 20, the bondholders approved the proposals of the Company. After the issuance of the attestations on April 6, 2023, a further amendment of the bond's terms and conditions became necessary. The respective votes in the course of the bondholder meeting took place in May 2023, during which the bondholders adopted the proposals of the Company with an approval rate exceeding 98 %.

The situation in the business year 2022 was still impacted by the effects from the COVID-19 pandemic. The Company was adversely affected by the outbreak of the Ukraine conflict, which impacted its international supply chains. The entire development of the operating activities and the required restructuring of the debt capital were closely monitored by the Supervisory Board.

## **SUPERVISORY BOARD MATTERS**

During the business year 2022 the Supervisory Board of the SINGULUS TECHNOLOGIES AG continued to be comprised of three members. The set-up of committees was not required due to the size of the Supervisory Board. The bylaws of the Supervisory Board are publicly available on the website of the SINGULUS TECHNOLOGIES AG and can be viewed under <https://www.singulus.de/de/corporate-governance/>.

Due to the still challenging situation for the Company, there were 21 Supervisory Board meetings in total in the business year 2022. In order to save costs for the Company, 19 meetings were held as video conferences and only two meetings were held in presence. The members of the Supervisory Board agreed on their meeting in presence on October 7, 2022, that the format of video calls had been proven and that due to a higher degree of flexibility and lower costs will be preferred over meetings in presence in the future. All members of the Supervisory Board appointed at the respective points in time participated in all of the Supervisory Board meetings held in the business year 2022.

## Presence of the Supervisory Board in 2022

	Dr.-Ing. Wolfhard Lechnitz	Dr. rer. pol. Silke Landwehrmann	Dr. rer. nat. Rolf Blessing
February 10 Video conference	•	•	•
March 16 Video conference	•	•	•
March 24 Extraordinary video conference	•	•	•
April 1 Video conference	•	•	•
April 27 Video conference	•	•	•
June 3 Video conference	•	•	•
June 10 Video conference	•	•	•
June 20 Video conference	•	•	•
June 30 Video conference	•	•	•
July 14 Video conference	•	•	•
July 25 Video conference	•	•	•
August 4 Video conference Q2	•	•	•
August 10 Video conference	•	•	•
August 16 Extraordinary video conference (Supervisory Board only)	•	•	•
August 23 Video conference	•	•	•
September 19 Video conference	•	•	•
October 6 Presence (Supervisory Board only)	•	•	•
October 7 Presence	•	•	•
October 26 Video conference	•	•	•
November 8 Video conference Q3	•	•	•
December 15 Video conference	•	•	•
<b>Total</b>	<b>21</b>	<b>21</b>	<b>21</b>

The Supervisory Board attached great importance to regularly reviewing its working methods and effectiveness at meetings. Due to the difficult and challenging situation for the Company, it was particularly important for the Supervisory Board to be informed by the Executive Board in an extensive and timely manner. There were no complaints in this respect.

In accordance with Art. 95, 96 Para. 1, 101 Para. 1 of the German Stock Corporation Act (AktG) in conjunction with Art. 9 clause 9.1 of the Articles of Association, the Supervisory Board consists of three members. The Supervisory Board members Dr. Wolfhard Lechnitz and Dr. Rolf Blessing were appointed until the completion of the Annual General Meeting, resolving the discharge for the business year 2021. Since there was no ordinary Annual General Meeting for the business year 2021 during the business year 2022 due to the lack of attestations, the discharge of Dr. Lechnitz and Dr. Blessing could not be approved. To avoid problems with the maximum term of appointment and to ensure legal certainty, the appointment was extended until the next Annual General Meeting by court order of the Aschaffenburg Local Court on November 18, 2022. The terms of office of Dr. Blessing and Dr. Lechnitz ended at the close of the Annual General Meeting on July 19, 2023. Dr. Lechnitz stood for re-election and the Annual General Meeting confirmed the election. Dr. Blessing has stated that he wishes to leave the Supervisory Board at the end of his term of office. The Supervisory Board proposed Dr. Changfeng Tu as the successor of Dr. Blessing. Dr. Tu was appointed by the Annual General Meeting. During the course of its constituent meeting after the Annual General Meeting, the Supervisory Board elected Dr. Lechnitz as Chairman.

## **ADVISORY AND MONITORING OF EXECUTIVE BOARD BY THE SUPERVISORY BOARD**

The Supervisory Board dealt intensively with the business development of the SINGULUS TECHNOLOGIES AG in 2022. In addition, the Chairman of the Supervisory Board was in contact with the Executive Board on an almost weekly basis to keep up-to-date of current developments, discuss current challenges, and keep the Supervisory Board informed accordingly.

The Executive Board continuously reported to the Supervisory Board on all of the important financial indicators, such as order intake, sales, earnings and liquidity including the relevant background information. The current course of business within the individual segments was explained in detail including the respective market conditions. Furthermore, the business relations with the shareholder and major customer CNBM as well as the order situation in the segment thin-film solar technology projects was presented transparently and discussed with the Supervisory Board. The Executive Board informed the Supervisory Board that CNBM intends to expand the activities for the production of cadmium telluride (CdTe) thin-film solar modules. Here, the SINGULUS TECHNOLOGIES AG also offers sublimation ovens in addition to cathode sputtering machines, which offers additional potential for further orders. Initial orders for both machine types were already received.

The continuing impacts of the COVID-19 pandemic as well as the Ukraine conflict on the business developments were detailed by the Executive Board and their effects on the course of business discussed. The Executive Board explained that investment decisions for the purchase of new machinery and equipment were slow to recover in 2022, which continued to have a negative impact on order intake, sales and the financial result. While no new order intake in the Solar division to a larger extent was recorded from CNBM/Triumph, an extensive order contract was signed with a European energy company for the delivery of wet-chemical production machines for crystalline solar cells. There were also new orders from the key existing customer in Medical Technology and several smaller orders in the Decorative Coatings division. The course of business in the year 2022 was compared with the targets of the respective corporate budgets. All deviations were documented and the respective measures for potential adjustments were discussed together with the Executive Board. The ongoing reporting was supplemented by further written and oral reports from the Executive Board, other employees, the auditors and external consultants.

A further focus of the Supervisory Board's activities was the monitoring of the restructuring of debt capital, which was a prerequisite for the positive going-concern forecast and the issuance of the audit certificate.

The second bondholders' meeting of the SINGULUS bondholders on September 2022 was quorate with a quorum of 33.8 % and with 98 % approved all proposals to amend

the bond's terms. Amongst others, these included the temporary waiver of the bondholders' potential termination rights due to the still pending publication of the audited financial results for 2020 and 2021 and allowed the Company more flexibility for financing options. The larger financing scope is particularly required for larger solar projects. Furthermore, the Mutual Representative proposed by the issuer, the Tauris Service GmbH, was appointed with 98.4 % of the votes. The additional bondholders' meeting of SINGULUS bondholders on May 30, 2023, which has been held in the meantime, also approved all proposed resolutions on further amendments to the bond's terms and conditions with 99.7 %. These included a waiver of potential termination rights, which are tied to a delayed presentation or publication of certified financial statements, for a period of 15 months as well as other amendments of the bond's terms and conditions, which are aimed to facilitate the refinancing of the bond at a later point in time.

A stable financing is very important for the positive going-concern assumption for SINGULUS TECHNOLOGIES and to prevent legal and economic consequences. The proof of through-financing of the operating business was also essential for the positive going-concern forecast as a basis for the audit opinion for the annual financial statements 2022. The Company was able to conclude an agreement with the largest single shareholder, Triumph Science and Technologies Ltd. Beijing, a subsidiary of the Chinese state-owned corporation CNBM Group, Beijing, (hereinafter simply CNBM for short) for the provision of liquid funds in the amount of €20.0 million with effect from February 3, 2023. In return for the granted loan, SINGULUS TECHNOLOGIES grants CNBM/Triumph the option for exclusive rights of use for specific thin-film technology in the Solar division. The total volume was received by the Company in two tranches in the amount of € 9.6 million in March 2023 and in the amount of € 10.4 million in early April 2023. Both tranches have a term to maturity of at least 18 months. However, the drawn funds must be repaid in full or in part only after the lender has requested it.

It is crucial for the economic stability of SINGULUS TECHNOLOGIES that CNBM/Triumph continues to award contracts, complies with the agreements made in financing matters and continues to support us financially in the future until the Company can actively participate in the capital market again under its own steam.

The development of the shareholders' equity of the SINGULUS TECHNOLOGIES Group (IFRS), the development of the shareholders' equity of the SINGULUS TECHNOLOGIES Aktiengesellschaft (HGB) as well as the liquidity situation within the Group were extensively monitored, reported by the Executive Board and discussed with the Supervisory Board. In particular, the reasons why the shareholders' equity pursuant to HGB and IFRS was negative during the entire business year 2022 were discussed. Originally, the negative shareholders' equity had resulted from differing realization of sales pursuant to HGB and IFRS. As a result, there are always interim losses under the German Commercial Code, which are offset once the project in question has been completed and revenue has been recognized in full. From the year 2020, the Corona crisis and subsequently the Ukraine conflict had an additional, substantially negative impact on the Company. The loss of the shareholders' equity deepened, because sales and earnings were not sufficient to cover the general operating expenses. However, the continuing major orders from CNBM/Triumph in the Solar segment and the prepayments for these orders had a positive effect on the liquidity situation. Increasing order intake is essential for the stabilization of the Company. The order intake was discussed in detailed in the course of the Supervisory Board meetings. There are many potential projects with new customers, but the final order placement is partially delayed due to the challenging economic environment. If this trend continues, it can turn into a severe threat for the continuation of the Company.

One of the focal points of the Supervisory Board's activities throughout the financial year was monitoring the going-concern forecast and the liquidity development. The Executive Board reported to the Supervisory Board in all of its meetings in the business year 2022 about the development of the liquidity situation and presented the respective projections for the future developments. The Supervisory Board reviewed the liquidity budgeting of the Company and had the development of the key financial results explained in an analysis. The Executive Board reported on the respective status of the expected payments. A working group headed by the Executive Board was set up to further develop the strategic alignment of the Company. It has regularly informed the Supervisory Board on the results of the working group. These results were reviewed with the Supervisory Board and their implementations were discussed regularly.

Another important topic was the continuation of activities at the Fürstenfeldbruck site, in particular in the field of wet-chemical processes. Various alternatives such as sale, relocation of the activities to the site in Kahl or shut-down were discussed at the beginning of 2022. In the course of 2022, it was decided to discontinue the activities at the Fürstenfeldbruck site, to relocate the production and commissioning of wet-chemical process plants to Kahl am Main, and to retain only a competence center for engineering in Puchheim near Munich. This is targeted to reduce the operating expenses by approximately € 4 million and thus to improve competitiveness.

Business activities that had to be approved or were required to be discussed by the Supervisory Board due to Company interests were discussed with the Executive Board and reviewed by the Supervisory Board. In addition to the restructuring of the corporate financing, this in particular included the issuance of new or restructuring of existing financing, the conclusion of major projects and transactions with CNBM, insofar as these transactions, as related party transactions, required the approval of the Supervisory Board in accordance with Art. 111b of the German Stock Corporation Act (AktG). The Supervisory Board was directly involved in all decisions, which were significant for the Company's course of business. 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 Executive Board provided the Supervisory Board with the interim reports for the year 2022 as well as the half-year report for 2022 in a timely manner ahead of publication. The reports were presented by the Executive Board and important key indicators and statements explained in detail. In particular, the Supervisory Board had the profit-and-loss statements, the liquidity situation and the trend in shareholders' equity as well as other selected balance sheet positions explained in detail. The recommendations of the Supervisory Board with regards to individual interim reports as well as to the half-year report were implemented by the Executive Board.

## **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 SUPERVISORY BOARD MEMBERS**

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 **XX** of this Annual Report 2022).

## **CORPORATE GOVERNANCE**

The Supervisory Board regards good corporate governance as important. In the business year 2022, the Company complied with the recommendations of the German Corporate Governance Code with the exception of the deviations published in the "Declaration of Conformity 2021 with the German Corporate Governance Code" in June 2022. The key deviation is the delayed presentation of financial statements for the year 2020 and 2021. The declarations of conformity are publicly available on the website of the SINGULUS TECHNOLOGIES AG under <https://www.singulus.de/de/corporate-governance/>. A detailed presentation of corporate governance and the current Declaration of Conformity are included in the Corporate Governance Report within the Status Report on page **xx** of the Annual Report 2022.

## **EXECUTIVE BOARD MATTERS**

During its meeting on August 16, 2022, the Supervisory Board discussed the contract extension of Dr.-Ing. Stefan Rinck and resolved to extend the employment contract of Dr. Rinck until December 31, 2023.

In the course of the Supervisory Board meeting on October 6, 2022, the contract extension of Dr. Strahberger was discussed. The Supervisory Board unanimously agreed that a reduction of the Executive Board was appropriate due to the difficult situation of the Company. Accordingly, the Supervisory Board resolved to not extend the contract of Dr. Strahberger. Accordingly, Dr. Strahberger left the Executive Board as of October 31, 2022.

Pursuant to the respective employment contracts, the variable compensation for the members of the Executive Board of the SINGULUS TECHNOLOGIES AG is comprised of the granting of phantom stocks as long-term, variable remuneration and bonus payments, which are granted on the basis of target agreements.

Due to the difficult economic situation, no new target agreements were agreed for the year 2022. Accordingly, the determination of target achievements and the resulting bonus payment was no longer possible in the manner provided for in the contract. However, a variable component is contractually agreed. During the course of the business year 2022, the Executive Board has made great efforts to ensure the continuation of the Company. However, in view of the great commitment of the Executive Board to securing the continued existence of the Company in fiscal year 2022, the Supervisory Board has decided to grant a one-time lump-sum payment in lieu of the variable compensation contractually owed but no longer quantifiable under the terms of the employment contracts. Pursuant to the Supervisory Board's assessment, it was not appropriate to waive part of the agreed compensation altogether.

In the business year 2022, phantom stocks were also granted. The shares were not issued until February 27, 2023, but with retroactive effect to June 17, 2022, because preliminary results for the 2021 financial year were published on June 3, 2022, and the Supervisory Board therefore assumed that these results were adequately reflected in the share price on the issue date and thus automatically in the exercise price.

Due to his extraordinary efforts with respect to the continuation of the Company Mr. Ehret was awarded a one-off special payment.

Overall, the Supervisory Board assesses the performance of the Executive Board in the difficult fiscal year 2022 and its commitment to the continued existence of the Company very positively and would like to thank them for their dedication and commitment.

The compensation system was presented to the Annual General Meeting on July 19, 2023 and was approved. For additional details regarding the Executive Board's

remuneration, please refer to the Compensation Report, which is printed in the Annual Report on pages xx to yy.

## **RISK MANAGEMENT**

The SINGULUS TECHNOLOGIES AG has implemented an internal system to manage risks as required by applicable capital market and corporate regulations. This monitoring system is routinely adjusted to the current developments. The Supervisory Board reviewed the appropriateness and effectiveness of the Company's internal control system and risk management. During its meeting on October 7, 2022, the Supervisory Board was informed in detail about the risk management system and the main threats.

The main risks for the Company lie in financial risks, especially with regard to liquidity, project risks, such as miscalculations or delays in project implementation, and sales market risks, especially in the solar market. The Supervisory Board discussed the weighting of the risks with the Executive Board and discussed the monitoring system as well as potential measures to manage these risks. The Compliance Management System was also discussed and it was determined that no violations had been reported.

The Supervisory Board is of the opinion that the internal control and risk management systems of the SINGULUS TECHNOLOGIES AG are appropriate and sufficiently effective. The Board agrees with the Executive Board regarding all items of the risk assessment. For further information, please refer to the Risk Report on pages xx to xx of the Annual Report 2022.

## **ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS AS WELL AS STATUS REPORT**

The auditor issued an unqualified opinion on the 2022 financial statements on October 29, 2023.

During the meeting on October 30, 2023, the Supervisory Board reviewed the annual financial statements of the SINGULUS TECHNOLOGIES AG according to the German Commercial Code (HGB) for the business year 2022 and the combined management report in the presence of the auditor. There were no objections raised. The annual financial statements of the SINGULUS TECHNOLOGIES AG according

to HGB for the business year 2022 prepared by the Executive Board and the combined management report were approved by the Supervisory Board. Accordingly, the financial statements have been adopted pursuant to Art. 172 Sent. 1 AktG. The consolidated financial statements and the combined management report with its individual sub-reports in accordance with International Financial Reporting Standards (IFRS) for the 2022 financial year were also reviewed by the Supervisory Board at the same meeting. There were no objections raised. The consolidated financial statements and the combined Group management report with its individual sub-reports in accordance with International Financial Reporting Standards (IFRS) were approved by the Supervisory Board.

At the same meeting, the Supervisory Board approved and adopted the Supervisory Board report for the business year 2022. The Corporate Governance Report and the Compensation Report were also approved and adopted. The resolutions of the Executive Board and the Supervisory Board are included in the report of the Supervisory Board to the Annual General Meeting pursuant to Art. 172 Sent. 2.

The two financial statements were thus adopted by the Supervisory Board at its meeting on October 30, 2023 and subsequently published on the Company's website at <https://www.singulus.com/de/finanzberichte/>.

The Supervisory Board would like to thank the Executive Board and all employees of the Company for their commitment and wishes everyone good health and much success for the future.

Kahl am Main, October 2023

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