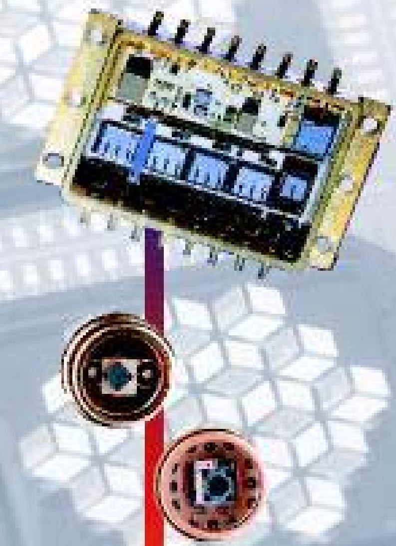
SILICON SENSOR
International AG



BUSINESS REPORT
FOR THE YEAR 2001

SILICON SENSOR INTERNATIONAL AG

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for the Silicon Sensor Group

Financial ratios October 01 – December 31, 2001 (IV. quarter 2001)

	Oct. 01- Dec. 31, 2001 TEuro	*Oct. 01- Dec. 31, 2000* TEuro	*Change* in TEuro	*Change* %
Sales revenue	2.941 TEuro	1.978 TEuro	963 TEuro	49
Back orders	11.223 TEuro	6.494 TEuro	4.729 TEuro	73
EBITDA	627 TEuro	- 177 TEuro	804 TEuro	-
EBIT	351 TEuro	-349 TEuro	700 TEuro	-
Three-month surplus	400 TEuro	- 344 TEuro	744 TEuro	-
Three-month surplus €/ individual share certificate	20 Cent	-24 Cent	44 Cent	-
Share	2.050.000 Stck.	1.700.000 Stck.	301.087 Stck.	18
R&D expenditure	312 TEuro	218 TEuro	94 TEuro	43
Staff (31.12.)	115	107	8	-

Financial ratios 01.01. – 31.12.2001 (twelf-months report 2001)

	Dec. 31, 2001 TEuro	*Dec. 31, 2000* TEuro	*Change* in TEuro	*Change* %
Sales revenue	10.680 TEuro	5.359 TEuro	5.321 TEuro	99
Back orders	11.223 TEuro	6.494 TEuro	4.729 TEuro	73
EBITDA	1.758 TEuro	- 860 TEuro	2.618 TEuro	-
EBIT	658 TEuro	- 1.346 TEuro	2.004 TEuro	-
Twelf-month surplus	418 TEuro	- 1.470 TEuro	1.888 TEuro	-
Twelf-month surplus €/ individual share certificate	22 Cent	- 86 Cent	1,08 Euro	-
Share	1.872.500 Stck.	1.700.000 Stck.	172.500 Stck.	10
R&D expenditure	867 TEuro	694 TEuro	173 TEuro	25
Staff (31.12.)	115	107	8	-

Foreword

by the Management Board

Dr. Bernd Kriegel
Management Board

Dr. Hans-Georg Giering
Management Board

Expectations significantly exceeded by Silicon Sensor - sound growth confirms the group strategy of developing into a global market leader for tailor-made customerized opto-sensors

Dear Shareholders
Dear Business Partners

The Silicon Sensor Group achieved its projected growth tempo in its fiscal 2001 even though general economic conditions deteriorated noticeably towards the end of the year. We are able to report an extremely encouraging development of the Group's business. Sales advanced by 99% from 5.35 million Euro to 10.68 million Euro in comparison with the previous year. Sales have thereby almost quadrupled since the end of the first fiscal year after going public on July 15, 1999. This is all the more remarkable in view of the fact that customer relationships in our particular area of activity are normally established after several years of intense collaboration.

With these results, the Silicon Sensor Group is confirming its growth course which is well above the average for the opto-electronic sensor market.

As planned, the break-even point was exceeded by the Silicon Sensor Group in the report year. This is an achievement which reinforces our confidence for a further stable and positive development of our business in the next few years.

EBITDA rose by 2.62 million Euro from a loss of -0.86 million Euro (31.12.2000) to 1.76 million Euro (31.12.2001). Earnings from operational activities (EBIT) rose by 2 million Euro from a loss of -1.35 million Euro (31.12.2000) to 0.66 million Euro (31.12.2001). Earnings after interest and taxes were increased by approximately 1.9 million Euro in the report year, namely from a loss of -1.47 million Euro (31.12.2000) to a profit of 0.42 million Euro.

Earnings per share amounted to 22 cents, thereby exceeding expectations by 46%. The Board is anticipating a unrestricted growth in earnings in the current fiscal year 2002.

The prerequisites for the further sound growth of the Silicon Sensor Group were established in the report year. Special growth impulses came from the optical industry, mechanical engineering and the building industry in which new orders were received from well-known reputable companies.

As anticipated, the infrared-enhanced-APD product line which enabled a gap to the main competitor to be successfully closed in the USA generated an above-average sales contribution from this rapidly growing market segment. The innovative force of the company was again clearly demonstrated at the same time. Our customers are simultaneously able to concentrate on the demand potential and to meet the higher demand for optical high end sensors through the company.

Whereas sales in the classical core business - namely the development and production of high end sensors and sensor systems - rose by 19% from 4.29 million to 5.1 million Euro, earnings in the same period rose by 524 % from 213 TEuro (31.12.2000) to 1.33 million Euro (31.12.2001).

The leading position of Silicon Sensor Group on this strategic growth market was again confirmed its core area of competence, namely the production of customerized optical sensors. A close integration of development procedures and sensor production is still of critical importance for the further development of this market position.

With the successful integration of Lewicki microelectronic GmbH, the Silicon Sensor Group also achieved a new dimension on the way to be coming a global player for customerized sensor solutions.

Lewicki microelectronic GmbH which was fully consolidated for the first time for the whole fiscal year contributed to the extremely good results of the Group with sales of 4.9 million Euro. All the possible synergies originating from the integration of Lewicki microelectronic GmbH into the added-value chain of the Silicon Sensor Group have not yet been implemented by far. The Management Board will particularly direct its attention to this in the new fiscal year. The exploitation of all possible synergies can make a significant contribution to a further increase in earnings in our opinion.

Lewicki microelectronic GmbH is a high-tech problem solver comparable with Silicon Sensor. The company mainly develops and produces customerized hybrid switches in the highly reliable electronics sector for medical technology and industrial electronics and well as security and defence systems and also utilizes optically high end sensors from the Silicon Sensor for this purpose. The roots of the company date back to 1967. Lewicki microelectronic GmbH currently has 61 employees in Oberdischingen (Baden-Württemberg).

The course of business in the report year was marked by a continued expansion of the customer basis and by concentrating on the achieving the ambitious sales objectives. With its results achieved in the report year, the Silicon Sensor Group has impressively reinforced its transition from a medium-sized company to a world market player listed on the stock exchange.

Production activities are mainly concentrated on sophisticated area of customerized products with an extremely high development component in certain cases. The main areas of activity are still Avalanche Photodiodes and customerized sensor solutions. The new internally developed process for through-plating photodiodes (thermal migration) has been crowned by the construction of a second generation thermal migration plant. The plant which has been developed further successfully completed its first tests in the report year. These positive results reinforce our confidence of being able to supply the higher quantities with this plant which are required by the market.

Silicon Sensor GmbH has successfully completed two large development projects for the automotive industry. Under the heading of optical distance measuring, the projects were concerned with the development of sensors which can be used for directing distance cruise controls in vehicles, the so-called Smart Cruise Control. Based on our projections, this particular sector will make a significant contribution to our sales growth with effect from the second half of 2004 on the strength of current developments in the automotive industry.

Pacific Silicon Sensor Inc. has successfully extended its direct servicing of the North American and Asian markets for sensor chips and sensor systems. In comparison with the previous year, sales rose by more than 160% from 166 TEuro (31.12.2000) to 439 TEuro (31.12.2001). New orders received in the USA indicate that the American subsidiary will make a positive contribution to the Group's results with effect from 2002.

General developments on the stock exchange gave little cause for enthusiasm in 2001. Only 21 firms listed on the Neuer Markt were able to achieve a positive share price performance. These included Silicon Sensor. Based on the average Xetra closing rate on 5 trading days before and after the end of the fiscal year, the performance of the Silicon Sensor share was approximately 20% in 2001. The NEMAX All-Share benchmark was impressively outperformed as a result.

Our increased investor relations activities made a contribution in this respect last year, together with participations in road shows and good collaboration with the two new designated sponsors Dresdner Kleinwort Wasserstein and Gontard MetallBank. Our thanks are also expressly *extended to our former sponsors Concord Effekten AG and Landesbank Rheinland-Pfalz for their collaboration and dedication.*

Two capital increases created a basis for securing the rapid growth of the Group and the increased investment activities in the report year. This has increased the attractiveness of the Silicon Sensor Group for additional investors and steps have been taken to ensure a sound development of the share price in the new fiscal year.

Simultaneously with the submission of the operating figures, the Management Board would like to use this opportunity to express its thanks and recognition to all employees for their ideas and reliable dedication for the prosperity of the Group. We would also like to thank the Supervisory Board members for their constructive accompaniment of all our business matters and their advice on all the strategic foundations for ensuring a continued successful development of the Group.

Not least, the involvement and dedication of our shareholders in the far-reaching decision-making processes for the future of the Sensor Silicon Group is also a good reason for our thanks to be expressed at the end of a successful year.

Berlin, March 2002

The Management Board
Silicon Sensor International AG

Dr. Bernd Kriegel *Dr. Hans-Georg Giering*

Group Management Report and Management Report of Silicon Sensor International AG for the Financial Year 2001

- ***Silicon Sensor exceeds its profit expectations by 46%***
- ***Sales increase of 99% from 5.35 to 10.68 million Euro***
- ***Earnings increased by approximately 1.9 million Euro***
- ***Operating cash flow increased by 1.2 million Euro***
- ***World-wide upturn for customer-specific electronic sensors forms the basis for additional growth***
- ***Net income for the year increased by 524% in the core business***
- ***Development of new sensor modules***
- ***Commencement of marketing activities for the hand-held Gamma Finder***
- ***Further development of the (NIR) Infrared Avalanche photo diode technology***
- ***Successful integration of Lewicki microelectronic GmbH in the Silicon Sensor Group***
- ***Increased in order book positioning the Group by 73%***
- ***Sound sales and profit growth anticipated in 2002***

Accounting procedures

The Silicon Sensor Group has prepared its financial statements in accordance with the guidelines of the German Commercial Code in previous years. In order to ensure comparability with international companies, transitional financial statements are prepared and audited in accordance with US GAAP. In line with the guidelines of Deutsche Börse AG for Neuer Markt companies, financial statements have now been prepared for the first time based on IAS. Comparative figures for the previous year have been adjusted to IAS.

General economic environment

The general development of the market is characterized by weak economic growth rates in the USA.
Whereas sales in the semiconductor industry are receding in the chip industry (processors, memories, etc.), there are no signs of downward turn in growth in the sensor business, however. Double-digit growth rates are still anticipated. Customerized niche business with high end applications is distancing itself from general market developments in a positive sense. Customerized sensors are still buoyant. This is not only shown in the 73% increase in the order portfolio.

Sales

Continuous sales growth

Group sales rose by 99% from 5.35 million Euro (in 2000) to 10.68 million (in 2001). All the subsidiaries in the Group's core business participated in this sales growth. Silicon Instruments GmbH recorded a minor downturn in sales for a short period of time attributable to the preparation of the sales offensive in 2002, extensive market studies with cooperation partners and the receipt of technical registrations for equipment. As an internal IT service provider within the Group, Silicon Projects GmbH stabilized its sales on the previous year's level, as anticipated.

Silicon Sensor GmbH (+0,79 Mio. Euro; +18 %)
Lewicki microelectronic GmbH (+0,36 Mio. Euro; +8 %)
Pacific Silicon Sensor Inc. (+0,27 Mio. Euro; +164 %)
Silicon Instruments GmbH (-0,10 Mio. Euro)
Silicon Projects GmbH (+0,01 Mio. Euro).

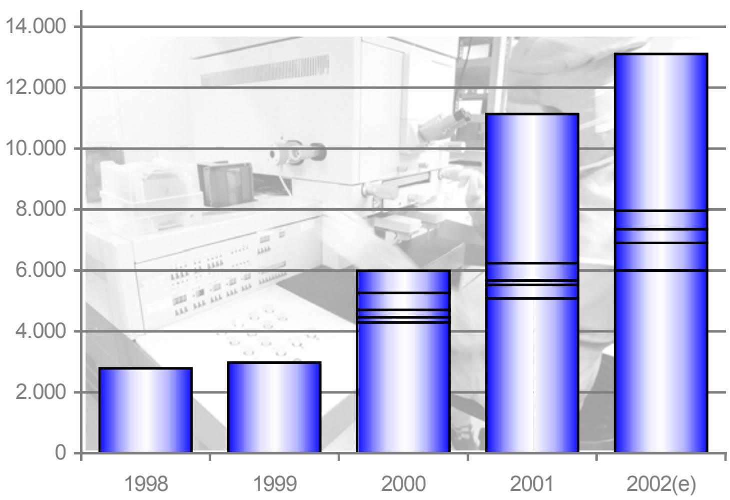
Total sales of the Silicon Sensor Group prior to consolidation in TEuro

Sales growth (prior to consolidation) in TEuro

UMSATZ in TEuro [1)]	1998	1999	2000	2001	2002(e)
Silicon Sensor	2,792	2,974	4,296	5,084	6,000
Pacific Silicon Sensor	0	0	166	439	900
Silicon Instruments	0	25	245	149	450
Silicon Projects	0	0	554	562	600
Lewicki Microelectronic	0	0	731 [2)]	4,901	5,150
Total	**2,792**	**2,999**	**5,992**	**11,135**	**13,100**

1) not consolidated

2) only included pro rata in 2001



Structure of the consolidated statement of income

TEuro	2001	% of Total Output	2000	% of Total Output
Sales	10.680	87%	5.359	94%
Total output	**12.274**	100%	**5.709**	100%
Cost of materials	-3.073	25%	-1.557	-27%
Gross margin	**9.201**	75%	**4.152**	73%
Personnel expenses	-4.763	39%	-2.737	48%
Depreciation & amortization (fixed assets, goodwill)	-1.100	9%	-486	9%
Other expenses	-2.686	22%	-2.276	40%
Operating income	**652**	5%	**-1.347**	-24%
Financial and investment income/expenses	-441	-4%	-88	-1%
Consolidated income before tax	**211**	2%	**-1.435**	-25%
Income taxes	206	2%	-33	-1%
Loss attributable to minority interests	1	0%	-2	0%
Consolidated net income	**418**	3%	**-1.470**	-26%

The income from the operational core business developed extremely positively in the fiscal year under review. After doubling in the previous year, the net income of Silicon Sensor GmbH rose by 524% from 213 TEuro (31.12.2000) to 1.33 million Euro (31.12.2001).
Lewicki microelectronic GmbH increased its net income by 81% from 534 TEuro (31.12.2000) to 968 TEuro (31.12.2001).
Pacific Silicon Sensor Inc. generated a loss of 476 TEuro, as budgeted, which reduced the consolidated net income in the full consolidation of the American subsidiary accordingly.

At 0.22 Euro (31.12.2001), the net income per share was 1.08 Euro higher than the net loss of the previous year (-0.86 Euro) and 46% better than the forecast of 0.15 Euro.

Investments

Total investments of approximately 1,3 million Euro were made in the Group in 2001. The investment ratio amount to almost 18% therefore.
Investments mainly related to the extension of the production basis, the development and erection of a second generation thermo-migration plant and quality assurance in order to achieve the growth objectives whilst taking account of the requirements of risk management systems and to be able to maintain the appropriate quality of deliveries of our products and services at all times despite the substantial growth rates.

Acquisitions

Additional acquisition negotiations were conducted in 2001. Silicon Sensor was therefore looking for synergistically compatible companies in order to be able to expand its position further on the sensor market in the long-term. The starting point for further acquisition considerations was the successful integration of Lewicki microelectronic GmbH and the related positive effects for the expansion of its market position in the fiscal year 2001.

The Silicon Sensor share

The Silicon Sensor share is in the circle of the 21 shares of firms in the Neuer Markt which achieved a positive price performance in 2001. The performance of the Silicon Sensor share was approximately 20% in 2001 based on the average Xetra closing rate in the 5 trading days before and after the end of the fiscal year.

Its highest closing rate was reached by the share on 22.01.2001 at 10.50 Euro, one day before the press conference on the announcement of the forecasts for 2001 to 2003. The unsettled situation on the market and general profit-taking resulted in the share subsequently falling to an all-time low of 2.95 Euro on 25.06.2001.

Compliance with the issued forecasts in every quarter in fiscal 2001 regained the trust of investors in the Silicon Sensor share during the course of the second half of the year and the NEMAX All-Share benchmark was impressively out-performed.

The strong investor relation activities of the previous year made a contribution in this respect, namely a participation in road shows in Paris, London and New York and good collaboration with the two new designated sponsors Dresdner Kleinwort Wasserstein and Gontard MetallBank.

The capital increase effected in fiscal 2001 increased the number of shares to 2,050,000 (31.12.2000: 1,700,000 shares). The average number of shares in 2001 was 1,868,555. Trade with the Silicon Sensor share also developed extremely positively. For example, an average of 11,700 shares were traded on each stock exchange day in the report period (2000: 11,200).

Key share figures	31.12.01	31.12.00
Share price (Euro)	7.32	6.75
Number of shares	2,050,000	1,700,000
Net income per share (Euro)	0.22	- 0.86
Free float (units)	685,500	750,630

Silicon Sensor
NEMAX ALL SHARE

Consolidated cash-flow statement

The development of cash flow was as follows in comparison with the previous year:

TEuro	2001	2000	Change
Operative cash flow	405	-806	+1.211
Cash flow from investment activities	-969	-6.467	+5.498
Cash flow from financing activities	659	4.188	-3.529
Change in liquid funds	105	-3.083	+3.188
Liquid funds at the beginning of the year	267	3.350	
Liquid funds at the end of the year	372	267	

The operating cash-flow was substantially improved in comparison with the previous year. In total, cash-flow movements were only slightly positive, however, on account of financing requirements, especially Pacific Silicon Sensor Inc., together with the high investment ratio and the repayment of bank liabilities. The Management Board is anticipating a further increase in the operating cash-flow in the current fiscal year.

Low liquid funds - liquidity assured

The volume of liquid funds increased by 105 TEuro in comparison with the end of the previous year. The Group also had credit lines available on the balance sheet date amounting to 1.43 million Euro. Based on the forecasts for the following years, it can be assumed that further growth is secured. The Group's liquidity forecasts envisage a further increase in sales and the related positive operational cash flow combined with additional equity and external capital measures. It is assumed in the forecast that it will be possible to align the repayment of the external capital with the proposed equity capital measures.
The Management Board is presently of the opinion that the Group's liquidity is sufficient to achieve the ambitious sales growth. If the forecasted sales growth, the forecasted increase in the operational cash flow, the forecasted equity capital measures and the forecasted repayment of the external capital do not materialize, there is a risk that certain liquidity bottlenecks will occur.

Balance sheet structure in 2001

169,999 new shares from the capital increase effected in April 2001 were admitted for trading on the Frankfurt Stock Exchange on May 10, 2001. The company received a total of 0.9 million Euro from this capital increase. Based on the resolution passed at the shareholders' meeting on May 30, 2001, the capital was increased by 0.8 million Euro to 5.6 million Euro from internal resources in order to convert the registered capital to an even Euro amount. An additional 180,001 new shares from the capital increase on

October 2001 were admitted for trading in October 2001. The second capital increase resulted in a further strengthening of the equity capital basis by 0.8 million Euro. The total number of shares at December 31, 2001 amounted to 2,050,000 therefore, with each being equivalent to 3 Euro. The balance sheet total rose by 1.56 million Euro (12%) on the balance sheet date to 14.7 million Euro. The equity capital rose by 2.2 million Euro on the balance sheet date to 6.2 million Euro (2000: 4.0 million Euro). This is equivalent to an equity capital ratio of 42% (2000: 31%). The Silicon Sensor Group had liquid funds of 372 TEuro on the balance asset date (2000: 267 TEuro).

Employees

115 employees were employed in the worldwide Silicon Group on December 31, 2001 compared with 107 on December 31, 2000, of which 5 were abroad and 110 in Germany.

Product development

The basic philosophy of the Group is based on customerized products. The Silicon Sensor Group is technology oriented service provider in the high-tech environment. Product and processing developments are being progressed in every subsidiary of the Silicon Sensor Group therefore. Group management places particular importance on developing existing synergies. This is not least intended to maintain and improve our high quality standard as well.

In addition to customerized development projects, Silicon Sensor GmbH also carried out further development work on the technology for NIR epitaxy avalanche photo-diodes (APD). NIR APD’s will contribute most the growth in the coming years.

It worked on thermo-migration with considerable success and also successfully developed the array technology further.

In addition to numerous customerized projects for medical, airline and aerospace applications, Lewicki microelectronic GmbH also pressed ahead with special development work on safety systems. What is particularly worthy of note is the development of prototypes of a 8 channel pulse laser module and the development of frequency converter modules which can switch electrical power of 25 kW on an area of only 40 cm^2. The order issued in the report year for the further development and production of a stereo camera head system by EADS is exemplary for the appreciation of customers for the development and products of the Silicon Sensor Group.

Application-friendly system modules for avalanche photo-diodes, for position-sensitive photo-diodes and for wavelength-sensitive photodiodes have also been developed at Pacific Silicon Sensor Inc.. The Group is also concentrating on customerized product development work in California.

Silicon Instruments GmbH succeeded in acquiring the CE certification and the FDA license for the hand-held gamma finder, a new appliance throughout the world for the direct localization of small initial carcinoma points for practical use in applied medicine, thereby establishing the prerequisites for its sale on the American market.

The whole Group is actively concerned with developing its own technical and technological possibilities in order to maintain our leading level with customerized services in the environment of a dynamic world market. At the same time, we are always succeeding in creating decisive advantages for our customers on the market through our products by utilizing possible and continually increasing synergies. The Group spent 0.867 million Euro on its own development work in 2001. This particular expense item thereby increased by 25% in comparison with the preceding year (2000: 0.694 million Euro).

Risk Management

In its national and international business activities, Silicon Sensor is confronted with a whole range of risks which are inseparably connected with its entrepreneurial activities. All our worldwide activities are being continually monitored and controlled.

The Management Board allocated the following risk principles to risk management:

- The sustainable value of the company is to be consistently increased by means of value-oriented corporate management and returns on assets are to be continually improved.

- The organization of operating procedures taking account of generally recognized rules of internal control systems are subject to the principles of decentralized management. Subsidiaries, operating divisions and specialist divisions are responsible for their own operating processes whilst complying with defined guidelines and specifications issued by the Management Board. Individual internal procedures are therefore shown in the documents on process standardization based on ISO and constitute the basis for internal operations and procedures.

- Silicon Sensor has its own internal strategy, planning and budgeting process for recording, evaluating , monitoring and controlling operating processes with the aforesaid being applied with effect from the beginning of 2001. This process is supported by on-going market and competition analyses together with monthly reporting. Data is reported on the order book position, the level of production and the earnings and financial position.

- In order to be able to evaluate and take action regarding cumulative risks and individual risks, a risk discussion was held between the Management Board and the Directors of the subsidiary companies on the basis of quarterly meetings, starting in 2001.

- The Group reporting and control systems ensure the provision of timely and appropriate information for all decision-makers. Operational performances are traceable at all times and changes in the general business environment are identifiable at any early stage in order to be able to instigate counter-measures if necessary.

RISKS REGARDING THE FUTURE DEVELOPMENT OF THE GROUP

The Silicon Sensor Group operates in an international environment. Risks are encountered in daily entrepreneurial activities. The Group is particularly dependent on the performance and well-being of its employees. There is a risk for the Silicon Sensor Group that the personnel capacities required for the projected growth cannot be acquired or can only be acquired at a higher cost than originally planned. This risk particularly applies to highly-qualified employees.

The planned growth of the Silicon Sensor Group makes it necessary to ensure liquidity at all times. There is a risk that the liquidity of the Silicon Sensor Group will fall below a level which is not sufficient to achieve the planned sales and earnings growth if various planned developments fail to materialize. The proposed liquidity in fiscal year 2002 is designed to be ensured in particular by the outstanding credit lines of the company and the current order book position which is above the corresponding level of the preceding year and which should result in the materialization of the projected positive cash follow from operational activities.

The overall business success of the Group continues to depend to a very large extent on the development of the young firms Silicon Instruments GmbH and Pacific Silicon Sensor Inc.. The Management Board regards the development expectations of both companies positively. The investment made to date in these companies will probably determine the growth of the Group to a very large extent in the long-term future. If the projected development of the aforesaid subsidiaries cannot be realized, the sales and income projections will not reach the projected level.

The unfavourable development in the worldwide stock markets in fiscal 2001 have also had an effect on the price of the Silicon Sensor share. There is a risk that that share price fluctuations resulting from general market trends will occur and will cause the Silicon Sensor share to be undervalued, with this restricting the future financing flexibility of the Silicon Sensor Group on a sustained basis by means of equity capital measures.

Outlook

The development of the market environment is still moving in an upwards direction

The upward economic trend in the sensor technology market environment will probably continue across the globe in 2002 as well. The positive trend in the development of sales in the Silicon Sensor Group will mainly be attributable to the customerized structure and orientation of the Group. Potential growth will also be achieved by a further introduction onto the US-American market in addition to the effects of the Group's product development work.

In fiscal 2002, the Management Board is anticipating the first effects of the market for quickly growing and already broadly established free space optics on the further increase in sales by the Avalanche Photodiode Division.

The Silicon Sensor Group considers itself to be well-equipped for this market segment because significant development processes have already been achieved for this particular segment in the last few years.

Sharp increase in the Group's order book position

The order book position in the Silicon Sensor Group has developed extremely positively. At 11,223 million Euro, the company's outstanding orders at the end of 2001 were 73% higher in comparison with the previous year (2000: 6,464 million Euro). The higher order book position is also partially attributable to inclusion of outstanding orders of Lewicki microelectronic GmbH.

Acquisitions on a moderate level

Silicon Sensor will continue to examine and, if appropriate, press ahead with further acquisitions if necessary after having integrated the successful acquisitions made in 2001. The acquisition will also be operated in future in compliance with the internal rulings within the Group for optimizing the shareholder value.

Statements on future developments

Expectations on economic developments are future-oriented and are based on assumptions, estimates and forecasts. In our forecasts, we have taken due account of the uncertainties in respect of future economic developments in the coming fiscal year with regard to changes in the economic environment, the development of the competitive situation, the acceptance of our products, procedures and our image by the market, our partial dependency in customers and suppliers and changes in foreign currency parities insofar as the aforesaid are foreseeable and predictable at the present point of time.

Expectations in subsidiaries

The Group is anticipating additional sales and earnings in every subsidiary. It is predicted that the highest growth rates will be achieved by Pacific Silicon Sensor Inc. and Silicon Instruments GmbH. Our other subsidiaries will also be profitable, however, and we are therefore anticipating a marked increase in the Group's earnings in 2002 compared with 2001.

Expectation for the Group

Based on the development of our company as outlined above together with the results already achieved in the first quarter of 2002, we are anticipating a further increase in sales and earnings in the whole of 2002 in comparison with 2001. We are anticipating positive effects in our earnings from ordinary trading activities in view of the all the measures to which reference has been made above.

Berlin, March 15, 2002

The Management Board
Silicon Sensor International AG

Dr. Bernd Kriegel   Dr. Hans-Georg Giering

Consolidated Balance sheets

as of December 31, 2001 and 2000 (IAS)

ASSETS	*Note*	***Dec. 31, 01*** *TEuro*	***Dec. 31, 00*** *TEuro*
CURRENT ASSETS			
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	5	372	267
Trade receivables	6	1,250	1,521
Inventories	7	4,222	3,070
Tax assets		218	6
Prepaid expenses and other	8	369	119
Total current assets		**6,431**	**4,983**
NON-CURRENT ASSETS			
Property, plant and equipment	9	5,653	5,350
Intangible assets	10	339	404
Goodwill	10	2,141	2,304
Deferred tax assets	25	56	38
Other non-current assets		106	89
Total non-current assets		**8,295**	**8,185**
Total Assets		**14,726**	**13,168**

Consolidated Balance sheets

as of December 31, 2001 and 2000 (IAS)

LIABILITIES AND EQUITY	*Note*	***Dec., 31, 01*** *TEuro*	***Dec., 31, 00*** *TEuro*
LIABILITIES			
Liabilities			
CURRENT LIABILITIES			
Short-term loans and borrowings and current portion of long-term debt	13	1,316	475
Trade payables		779	770
Advance payments received		282	146
Provisions	11	565	149
Tax liabilities	12	0	316
Other accounts payable	12	899	696
Total current liabilities		**3,841**	**2,552**
NON-CURRENT LIABILITIES			
Long-term debt	14	3,093	4,986
Employee benefits obligations	15	435	358
Provisions	11	281	535
Deferred tax liabilities	25	285	296
Deferred income		206	0
Contributions of silent partnerships		383	383
Total non-current liabilities		**4,683**	**6,558**
Minority Interests		**3**	**4**
Equity			
Share capital	16	6,150	4,346
Reserves	17	2,761	2,854
Retained earnings		-2,726	-3,144
Translation reserve		14	-2
Total Equity		**6,199**	**4,054**
Total Liabilities and Equity		**14,726**	**13,168**

Consolidated Income Statements (IAS)

for the fiscal year 2001 and 2000

	4 th quarter 2001 *	4 th quarter 2000 *		Twelf- months report 2001	Twelf-months report 2001
	Oct. 01 - Dec. 31, 2001	Oct. 01 - Dec. 31, 2000	Note	Dec. 31, 2001	Dec. 31, 2000
	TEuro	TEuro		TEuro	TEuro
Ordinary activities					
Sales	2,941	1,978	18	10,680	5,359
Other operating income	338	50	19	511	206
Increase / decrease in finished goods and work-in-process	247	-134	20	820	-119
Own work capitalised	82	66		263	263
Cost of raw materials, supplies and purchased services	-721	-515	21	-3,073	-1,557
Personnel expenses	-1,335	-1,024	22	-4,763	-2,737
Depreciation and amortisation costs on intangible assets, and plant and equipement	-235	-158	9,10	-938	-472
Amortisation of goodwill	-41	-14	10	-162	-14
Other operating expenses	-925	-598	23	-2,686	-2,276
Results of ordinary activities	**351**	-349		**652**	-1,347
Interest income / expenses	-103	-4	24	-441	-68
Exchange gains and losses	0	-20		0	-20
Results before tax and minority interest	**248**	-373		**211**	-1,435
Income tax	151	-33	25	206	-33
Results before minority interest	**399**	-406		**417**	-1,468
Minority interest	1	0		1	-2
Consolidated net profit / loss	**400**	**-406**		**418**	**-1,470**
Basic and diluted earnings per share:	**0.20**	**-0.24**	26	**0,22**	**-0.86**
Number of shares used for the calculation of basic and diluted earnings per share (in thousend)	2,050	1,700		1,873	1,700

* Quartaly numbers are given in accordance with the roules of Deutsche Börse AG and are not a part of the business report.

Consolidated Cash Flow Statements (IAS)

for the fiscal years 2001 and 2000

	01.01.- 31.12.01 *TEuro*	***01.01. - 31.12.00*** *TEuro*
Consolidated profit / loss	418	-1,470
Adjustments to reconcile the consolidated profit / loss with cash flows from operating activities		
Depreciation of intangible assets and property, plant and equipment	1,100	486
Changes in provisions	239	33
Changes in assets not allocable to investing- or financing activities	-1,373	-393
Changes in liabilities not allocable to investing or financing activities	21	538
Cash flow from operating activities	**405**	-806
Investments in intangible assets and property, plant and equipment	-1,302	-1,465
Proceeds from the disposal of intangible assets, property, plant and equipment	127	0
Acquisition of subsidiaries	0	-5,002
Proceeds from government grants	206	0
Cash flow from investing activities	**-969**	-6,467
Proceeds from issuance of share capital	1,711	0
Repayment of loans	0	4,729
Proceeds of loans	-1,052	-362
Distributed profits to former shareholder of LME	0	-179
Cash flow from financing activities	**659**	4,188
Net effect of currency translation on cash and cash equivalents	**10**	**2**
Net increase in cash and cash equivalents	**105**	**-3,083**
Cash and cash equivalents at beginning of year	267	3,350
Cash and cash equivalents at end of year	**372**	**267**

Additional Cash flow information:		
Interest paid	434	63
Income taxes paid	**212**	**172**

Consolidated Statement of changes in equity

for the years ended December 31, 2001 and 2000

	Number of Shares in '000	Share Capital TEuro	Reserves TEuro	Translation Reserve TEuro	Retained Earnings TEuro	Total TEuro
Balance at December 31, 1999	**1,700**	**4,346**	**2,854**	**-1,674**	**3**	**5,529**
Net loss for the year				-1,470		-1,470
Curreny translation differences					-5	-5
Balance at December 31, 2000	**1,700**	**4,346**	**2,854**	**-3,144**	**-2**	**4,054**
Increase in share capital through issue of new shares	170	435	466			901
Capital increase without issuance of new shares		829	-829			0
Increase in share capital through issue of new shares	180	540	270			810
Net profit for the year				418		418
Curreny translation differences					16	16
Balance at December 31, 2001	**2,050**	**6,150**	**2,761**	**-2,726**	**14**	**6,199**

Notes to consolidated financial statements

for the year ended December 31, 2001

1. General

Silicon Sensor International AG, Berlin (hereinafter - SIS, the Company) and its subsidiaries are involved in developing, producing and marketing of custom-designed optical sensors. Within the SIS several subsidiaries operate as individual business units in the market. Pacific Silicon Sensor Inc. is involved in the marketing of sensor chips and sensor systems in North America and Asia. Silicon Projects GmbH handles the IT-support and the internet presentation of the group. The average number of employees in the Group in 2001 increased by 61 to 115. The registered office address of the Group is located at Ostendstr. 1, Berlin, Germany.

The object of SIS is the development, the production and the marketing of custom-designed optical sensors as well as the participation in companies.

2. Consolidated financial statement in accordance with art. 292a paragraph 1 and 2 german commercial law

SIS has used the right in Art. 292a Paragraph 1 and 2 German Commercial Law to state a consolidated financial statements for the SIS-Group in accordance with International Accounting Standards IFRS (*International Financial Reporting Standards*, as of December 2001). The differences between IFRS and German Generally Accepted Accounting Standards ('GAAS') concerning accounting, valuation and consolidation methods mainly affect the capitalisation of start-up and business expansion expenses, of intangible assets (Goodwill), the valuation of defined benefit obligations and the accounting for deferred taxes and the valuation of pension obligations.

3. Summary of significant accounting policies

The principal accounting policies adopted in preparing the financial statements of SIS are as follows:

General

The accompanying financial statements are prepared in accordance with the standards formulated by the International Accounting Standards Board (IASB).

Basis of Preparation

The accompanying financial statements have been prepared under the historical cost convention, except that certain financial instruments are stated at their fair value.

Full application of IFRS for the first time

The accompanying financial statements are prepared in accordance with the International Accounting Standards as the primary basis of accounting for the first time.

Reporting Currency

The financial statements are prepared in Euro (‘EUR’).

Principles of Consolidation

The consolidated financial statements of the Group include SIS and the companies that it controls. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The equity and net income attributable to minority shareholders' interests are shown separately in the balance sheets and income statements, respectively.

The purchase method of accounting is used for acquired businesses. Companies acquired during the year are included in the consolidated financial statements from the date of acquisition.

Intercompany balances and transactions, including intercompany profits and unrealised profits and losses are eliminated. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. The financial statements of the consolidated companies have been prepared at the date of the consolidated financial statement. In the case of a first –year consolidation the basis for the consolidation has been a interim financial statement.

Cash and Cash Equivalents

Cash includes cash on hand and cash with banks.

Inventories

Raw materials are carried at the lower of cost or market. Cost is determined by the first-in first-out method. Work in progress and finished goods are carried at the lower of production costs or market. Production costs include direct labor costs, material costs and the allocable portion of production overhead. Obsolete or slow-moving items are adequately provided for.

Receivables

Receivables are stated at face value, after provision for doubtful accounts.

Financial Instruments

Liquidity Risks

Liquidity risk arises from the possibility that customers may not be able to settle obligations to the Company within the normal terms of trade. To manage this risk the Company periodically assesses the financial viability of customers. Liquidity risk arises from the possibility that a market for derivatives may not exist in some circumstances.

Credit Risks

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Where appropriate, the corporation obtains collateral in the form of rights to securities or arranges master netting agreements.

Fair Value of Financial Instruments

Financial instruments held to maturity in the normal course of business are recorded at cost or redemption amount as appropriate. The recorded amount is described below as the carrying amount, otherwise known as book value.

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

(1) Cash and cash equivalents, current investments and other non-current assets

The carrying amount of cash and other financial assets approximates fair value due to the relatively short term maturity of these financial instruments. The fair values of publicly traded instruments are estimated based on quoted market prices for those or similar investments where there are no quoted market prices are available. All other instruments for which there are no quoted market prices, a reasonable estimate of fair value has been calculated based on the expected cash flows or the underlying net asset base for each investment.

(2) Short-term borrowings

The carrying amount approximates fair value because of the short period to maturity of those instruments.

(3) Long-term borrowings

The fair value of the long term loans is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The fair value of non-current loans, borrowings and other payables with variable interest rates approximates their carrying amounts.

Property, Plant and Equipment

Property, plant and equipment, are stated at cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

Depreciation is computed on a straight-line basis over the following estimated useful lives:

Buildings	25 years
Technical equipment, plant and machinery	4-10 years
Other equipment, fixtures, fittings and equipment	1-10 years

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Construction-in-progress represents plant and properties under construction and is stated at cost. This includes cost of construction, plant and equipment and other direct costs. Construction-in-progress is not depreciated until such time as the relevant assets are completed and put into operational use

Intangible Assets

The SIS Group records for an intangible asset if the asset is:

(a) Controlled by the company as a result of past events; and

(b) From which future economic benefits are expected to flow to the enterprise.

In accordance with IAS 38 the SIS Group recognizes an intangible asset at cost if, and only if:

(a) It is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and

(b) The cost of the asset can be measured reliably.

This applies whether an intangible asset is acquired externally or generated internally. Intangible assets are recorded at cost less any accumulated amortization and any accumulated impairment losses. In accordance with IAS 38 intangible assets are amortised on a systematic basis over the best estimate of its useful life. The useful life of an intangible asset does not exceed twenty years from the date when the asset is available for use. Amortization commences when the asset is available for use. The amortisation period and the amortisation method are reviewed annually at each financial year-end.

(1) Software

Cost of acquisition of the new software is capitalised and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortised on a straight line basis over 3 years.

(2) Goodwill

The excess of the cost of an acquisition over the Company's interest in the fair value of the net identifiable assets acquired as at the date of the exchange transaction is recorded as goodwill and recognised as an asset in the balance sheet. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis over its useful life. The amortisation period reflects the best estimate of the period during which future economic benefits are expected to flow to the enterprise.

The amortisation period is determined at the time of the acquisition based upon the particular circumstances and amounts from 5 to 20 years. The unamortised balances are reviewed at each balance sheet date to assess the probability of continuing future benefits. If there is an indication that goodwill may be impaired, the recoverable amount is determined for the cash-generating unit to which the goodwill belongs. If the carrying amount is more than the recoverable amount, an impairment loss is recognised.

Operating Lease

Leases of assets under which substantially all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an expense on a straight-line basis over the lease term.

Provisions are recorded for liabilities of uncertain timing or amount in accordance with IAS 37. A provision is recognised when, and only when:

(a) The company has a present obligation (legal or constructive) as a result of a past event;

(b) It is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and

(c) A reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date, in other words, the amount that the company would pay to settle the obligation at the balance sheet date or to transfer it to a third party at that time.

Contingent liabilities which arise from possible obligation from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of the company; or a present obligation that arises from past events but is not recognised because

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(b) the amount of the obligation cannot be measured with sufficient reliability

are disclosed as contingent liabilities, unless the possibility of an outflow of resources embodying economic benefits is remote.

Currencies

(1) Foreign Currency Transactions

Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. Exchange rate differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the periods are recognised in the income statement in the period in which they arise.

(2) Foreign Entities

All of the foreign consolidated subsidiaries of SIS are regarded as foreign entities since they are financially, economically and organisationally autonomous. Their reporting currencies are the respective local currencies. Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the balance sheet, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are included in a translation reserve in equity.

Share Options

The employees and management of the company were granted options to purchase common shares of the company. Employee compensation expense is measured on the date of the grant and represent the excess of the quoted market price of the shares over the share option price.

Government Grants

Government grants are deferred and amortised into income over the period necessary to match them with the related costs that they are intended to compensate. Grants received are treated as deferred income in the accompanying financial statements. Income relating to government grants is recognised as a deduction from the appropriate expense.

Revenue

Revenues are recognised in accordance IAS 18 when all of the following conditions have been satisfied:

- SIS Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- SIS Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over goods sold;
- The amount of revenue can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the enterprise; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

In accordance with the matching principle in IAS 18 revenue and expenses that relate to the same transaction or other event are recognised simultaneously.

Income Taxes

The income tax charge is based on profit for the year and considers deferred taxation. Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the enterprise expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are recognised regardless of when the timing difference is likely to reverse.

Deferred tax assets are recognised when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised. SIS Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The company conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or that entire deferred tax asset to be utilised.

Deferred tax liabilities have not been provided on undistributed earnings of foreign subsidiaries to the extent that the earnings are intended to remain indefinitely invested in those entities. A deferred tax liability is recognised for all taxable temporary differences, unless the deferred tax liability arises from goodwill for which amortisation is not deductible for tax purposes.

Impairment of Assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in income for items of property, plant and equipment and intangibles carried at cost and treated as a revaluation decrease. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

Segments

Business segments: for management purposes the Group is organised on a world-wide basis into two major operating businesses. Financial information on business and geographical segments is presented in Note 29.

Subsequent Events

Post-year-end events that provide additional information about the company's position at the balance sheet date (adjusting events), are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

Date of authorization of issuance

On 15 March 2002, the management of SIS authorises financial statements for issue to its supervisory board. The supervisory board is made up solely of non-executives and may include other outside interests. The financial statements are made available to shareholders and others on 26 March 2002. The annual meeting of shareholders receives the financial statements on June 18, 2002.

4. Changes in group's organisation

On December 20th 2001, SIS sold 36% of his common stock (36,000 shares) of Pacific Silicon Sensor Inc., USA (‘PSS Inc.’) retroactive to January 1st 2001. After this transaction the company holds 49 % (49,000 shares) of the common stock of PSS Inc. By virtue of an agreement with the buyer, the Company has still the power over more than one half of the voting rights and therefore according to IAS 27 controls PSS Inc.

5. Cash and cash equivalents

	2001	2000
Check	**200**	0
Cash	**4**	2
Cash in bank	**168**	265
	372	267

6. Trade receivables - net

	2001	2000
Accounts receivable	**1,264**	1,534
Less provision for doubtful accounts	**-14**	-13
Accounts receivable - net	**1,250**	1,521

7. Inventories

	2001	2000
Finished goods At net realisable value	**1,010**	828
Work-in-progress, at cost	**2,373**	1,592
Raw materials, at cost	**839**	650
	4,222	3,070

8. Prepaid expenses and other current assets

	2001	2000
Prepaid expenses	**221**	101
Turnover tax refund claim	**121**	0
Other	**27**	18
	369	119

9. Property, plant and equipment at cost - net

	Land and buildings	Technical equipment, plant and machinery	Other equipment, fixtures, fittings and equipment	Construction in Progress	2001 Total	2000 Total
Cost						
1 January 2001	3,398	3,312	2,539	456	9,705	2,952
Additions	0	597	282	272	**1,172**	6,950
Disposals	0	22	103	42	**188**	197
31 December 2001	3,398	3,887	2,718	686	**10,689**	9,705
Accumulated Depreciation						
1 January 2001	882	1,932	1,541	0	**4,355**	1,345
Depreciation for the year	113	399	283	0	**795**	3,226
Disposals	0	22	92	0	**114**	216
31 December 2001	995	2,309	1,732	0	**5,036**	4,355
Net book value	**2,403**	**1,578**	**986**	**686**	**5,653**	5,350

Technical equipment, plant and machinery as well as other equipment, fixtures, fittings and equipment of SSO is pledged as a collateral for a loan.

10. Intangible assets

	Software	Goodwill	Pre-payment	2001 Total	2000 Total
Cost					
January 1	455	2,325	53	**2,832**	211
Additions	130	0	0	**130**	2,627
Disposals	2	0	53	**55**	8
December 31	583	2,324	0	**2,907**	2,830
Accumulated Amortisation					
January 1	104	20	0	**124**	19
Amortisation for the year	142	163	0	**305**	113
Disposals	2	0	0	**2**	8
December 31	244	183	0	**427**	123
Net Book Value	339	2,141	0	**2,480**	2,708

Acquired intangible assets are capitalised with their acquisition cost.

The Goodwill as of December 31, 2001 results from the consolidation of Lewicki microelectronic GmbH, Oberdischingen (hereinafter – 'LME'). In 2000 SSO acquired 100% of the shares of LME. As the purchase price exceeded the equity portion of LME, SIS shows the exceeding amount as Goodwill in their balance sheets. SIS amortizes this goodwill over 15 years.

11. Provisions

	Person-nel related	Corporate Identity	Warranty	Other	Total
31 Dec. 2000	**107**	**127**	**69**	**381**	**684**
Provisions made during the year	55	0	359	174	588
Provisions reversed during the year	0	61	0	54	115
Provisions used during the year	113	0	32	166	311
31 Dec. 2001	**49**	**66**	**396**	**335**	**846**
Current portion of provisions	49	0	309	207	565
Non-current portion of provisions	0	66	87	128	281

Personnel related provisions are mainly related to employee incentives.

The provision for Corporate Identity relates to expenditures for already placed orders which shall contribute to a uniform market scene of the SSI AG Group. The expenditures become payable 2003.

The recorded warranty provision, set up t repair or replace faulty products, is based on the sales volume and past experience. The long-term portion is not discounted due to immateriality. It is expected that the main part will become due within the next fiscal year and the total amount within two years after balance sheet date.

12. Other accounts payable

	2001	2000
Tax liabilities		
• VAT	**237**	68
• Wage and church tax	**99**	144
• Income tax	**0**	316
Wages and salaries	**322**	313
Liabilities relating to social security	**87**	85
Other	**154**	86
	899	1,012

13. Short-term loans and current portion of long-term debt

	2001	2000
Secured		
Bank loan at 7%	**1,106**	475
Unsecured		
Loan at 7%, maturing in 2002	**210**	0
Total short-term loans	**1,316**	475

The unsecured loan relates to a shareholders' loan of founding member Dr. Bernd Kriegel.

14. Long-term debt

	2001	2000
Secured		
Bank loan at 5.65% interest rate maturing in 2001	**0**	1,361
Bank loan at 8,25% interest rate maturing in 2002	**0**	88
Bank loan at 6,90% interest rate maturing in 2005	**718**	869
Bank loan at 5,60% interest rate maturing in 2011	**1,900**	2,000
Bank loan at 5,00% interest rate maturing in 2011	**475**	500
Total secured loans	**3,093**	4,818
Unsecured		
	0	168
Total long-term debt	**3,093**	4,986

Commerzbank AG and Landesbank Schleswig Holstein Girozentral entered into a collateral pool agreement. Loans and credit limits are secured with the following items: the pledge of shares, a mortgage, a credit guarantee and the chattel mortgage of technical equipment, plant and machinery, other equipment , fixtures, fittings and equipment of Silicon Sensor GmbH.

The overdraft from Deutsche Bank AG is secured by a reciprocal guarantee of SIS and SSO.

15. Employee benefit obligations

The SIS - Group provides defined benefit pension plans for two members of the management. Provisions for pension obligations are established for benefits payable in the form of retirement, disability and surviving dependent pensions. Benefits are dependent on years of service and the respective employee's compensation. The obligation resulting from those defined benefit pension plans is determined according to actuarial principles in accordance with German tax rules. One obligation is determined using the projected unit credit method. The two defined benefit pension plans are largely identical, therefore the determination of the other obligations could be carried out in analogy.

The expected pension obligation recognised in the balance sheet, amounted to TEUR 435 as of December 31, 2001 and TEUR 358 as of December 31, 2000.

Pension expense, which is included in personnel expense, is comprised of the following:

	2001	2000
Current service cost	**54**	62
Interest expense on obligations	**23**	27
Total pension expense	**77**	89

The movements in the liability recognised in the balance sheet were as follows:

	2001	2000
Net liability, beginning of year	**358**	269
Net pension expense recognised in the income statement	**77**	89
Net liability, year-end	**435**	358

Principal actuarial assumptions used to determine pension obligations as of December 31, 2001and December 31, 2000 were as follows:

	2001 %	2000 %
Discount rate	**5**	5
Wage and salary increases	**1.5**	1.5

In accordance with Paragraph 41 of IAS 19 the company recognises its rights under an insurance policy as an asset because the policy is held by the enterprise itself.

The fair value of the insurance claim as of December 31, 2001 amounts to KEUR 31 and is shown within other non-current assets on the balance sheet.

Share Option Plan

The 2000 Share Option Plan provides for the granting of options to employees and management of the company to purchase common shares. The option exercise price per share is the fair market value of shares on five days before the gratification on the Frankfurt Stock Exchange. The maximum term of an option does not exceed five years.

The stock options have a lock-up period of 2 years before the option is exercisable. The exercise of the option underlies the following conditions:

(a) presupposition for the exercise of the option rights is if in a period of six weeks before the exercise ("exercise window") the exercise hurdle was reached at least once. The exercise hurdle is reached if the final quotation of the share of the company exceeds the exercise price about more than 10% in the XETRA-trade (or a comparable succession system) during five successive trade days and if the worth development of the share of the company, in the period of the grant of the respective share options excels the average worth development of all shares of the NEMAX ALL SHARE Indexes (or a comparable succeeding index), about at least 5% in the same period up to beginning of the respective exercise window.

(b) option rights may not be exercised within two weeks before the announcement of quarter results and not in the time from the financial year end up to the announcement of the results of the expired financial year ("waiting periods"). This is also applied if in the waiting periods an exercise window opens.

During the 5-year-term of the share option plan, 120,000 subscription rights can be given maximally. The subscription rights can be called in annual portions by maximally 33 1/3 %. In 2000 no options, 2001, 40.000 options were granted to employees and to the management. The issue price of EUR 5,27 was below the average market rate of the SIS shares during the last 5 days before the share issue of the granting of the share options. By that the shares had no positive intrinsic value at the date of issue.

16. Share capital

The share capital as of December 31, 2001 amounts to TEUR 6.150 and consists of 2.050.000 shares in the clerical value of EUR 3. The movements in registered share capital are as follows:

	Common Shares (issued and paid up) (thousands)		Amount of share capital (TEUR)	
	2001	2000	**2001**	2000
January 1	**1,700**	1,700	**4,346**	4,346
Capital increase	**350**	0	**975**	0
Capital increase without Issuance of new shares	**-**	0	**829**	0
December 31	**2,050**	1,700	**6,150**	4,346

On account of the authorization by the shareholders' meeting the management with agreement of the supervisory board has decided in 2001 on a rise of the share capital from EUR 4,345,980.99 by EUR 434,595.04 to EUR 4,780,576.53 against cash investment by issue of 169,999 new bearer shares. The capital increase was registered on the trade register on April 24, 2001.

The share capital has been raised from own funds by decision of the shareholders' meeting from May 30, 2001 around EUR 829,420.47 on EUR 5,609,997. The share capital was raised in such way that on each share a proportionate amount of the share capital of EUR 3 amounts. Now therefore the share capital is divided into 1,869,999 piece shares. The entry of the capital increase in the trade register has taken place on August 28, 2001.

The management is authorized by decision of the shareholders' meeting on May 30, 2001 to raise the share capital of the company with agreement of the supervisory board up to May 29, 2006 unique or repeatedly in order up to altogether EUR 2,804,998 by the issue of new bearer shares. On account of this authorization the management has decided with agreement of the supervisory board from the 26th of September, 2001, to increase the share capital of the company against cash investment of EUR 540,003 by issue of 180,001 new bearer shares. The capital increase was registered on the trade register on the October 5, 2001. The authorized capital amounts therefore to EUR 2,264,995 as of December 31, 2001.

Also with decision of the shareholders' meeting from May 30, 2001 the share capital is raised conditionally up to nominal EUR 360,000. The conditional capital can only be used in connection with the company's share-option plan and how owners of share options do use from their respective subscription rights. The conditional capital increase was registered on the trade register on August 28, 2001.

17. Capital reserve

The capital reserve developed in the financial year as follows:

	2001	2000
January 1	**2,854**	2,854
Capital increase without issuance of new shares	**-829**	0
Capital increase	**736**	0
December 31	**2,761**	2,854

18. Sales

	2001		2000	
	TEUR	**%**	TEUR	%
Germany	**8,831**	**83.00**	4,436	84.00
Europe	**715**	**7.00**	507	9.00
Israel	**163**	**1.00**	51	1.00
USA and Asia	**971**	**9.00**	365	6.00
	10,680	**100.00**	5,359	100.00

In accordance with IAS 1 No. 77 the SIS Group structures the financial statement based on the nature of the revenues and expenses.

19. Other operating income

The other operating income developed in the financial year 2001 as follows:

	2001	2000
Income from grants and subsidies		
• Investment subsidies	**142**	25
• Investment grants	**75**	53
Income from the sale of shares in PSS	**112**	0
Compensation of remunerations in kind	**62**	47
Income relating to other periods	**37**	0
Income from the disposal of fixed assets	**11**	0
Income from reinsurance	**10**	5
Income from the release of financial assets	**8**	0
Exchange rate gains	**8**	8
Income from costs expensed for third parties	**5**	50
Income from write-ups to fixed assets	**0**	8
Other	**41**	10

	2001	2000
	511	206

20. Increase / decrease in finished goods and work-in-process

	2001	2000
Work-in-process	647	-95
Finished goods	173	-24
	820	-119

21. Cost of raw materials, supplies and purchased services

Cost of raw materials, supplies and purchased services developed as follows:

	2001	2000
Raw materials and supplies	2,358	808
Installations	499	565
Treatment of materials	104	59
Implantation	54	27
Other	58	98
	715	753
	3,073	1,557

22. Personnel expenses

	2001	2000
Wages and salaries	3,900	2,311
Social security and other pension costs	863	426
	4,763	2,737

23. Other operating expenses

Other operating expenses include the following:

	2001	2000
Rent expenses	308	287
Consulting and legal fees	264	86
Costs of dispatch of goods	244	113
Guaranties and product liability	221	0
Expenses related to the preparation of interim and year-end financial statements, bookkeeping	191	221
Investor / Public relations	150	70
Insurance costs	146	89
Travel expenses, catering	145	155
Advertising costs	137	364
Leases	123	124
Maintenance	117	80

Car costs	**77**	81
Annual shareholders meeting	**56**	63
Communication costs	**53**	43
Supervisory board expenses	**44**	12
Patents	**25**	3
Exchange rate losses	**4**	20
Cost incurred from acquisitions	**0**	52
Other	**381**	399
	2,686	2,276

24. Interest income and expenses

	2001	2000
Interest income	**6**	32
Interest expense on borrowings	**-447**	-100
Financial result	**-441**	-68

25. Income taxes

Current tax liabilities for the current and prior years are measured at the amount expected to be paid to the tax authorities, using the tax rate and the tax laws that have been enacted or substantively enacted by balance sheet date. Deferred tax liabilities are measured at the tax rate that are expected to apply to the period when the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

	2001	2000
Current tax revenue/ expense	**176**	-35
Deferred tax revenue/ expense	**30**	2
	206	-33

Income tax includes the income taxes paid or payable in the respective countries as well as any deferred tax items.

Income tax is comprised of corporate income tax, trade tax on income, solidarity surcharge and the corresponding foreign tax charges. The income tax rate for the Federal Republic of Germany for paid and non-distributed earnings is 25%. In addition, the solidary surcharge on corporate income tax of 5.5% is levied on top of the assessed corporate tax and the trade tax is recognised by a surcharge of between 15.25% and 17.01% depending on the federal region.

In fiscal years 2001 and 2000 the weighted average tax rates of the Group (corporate income tax on non-distributed earnings, trade tax and solidary surcharge) used to calculate deferred taxes with 38.9%. Due to the individual income tax planning there is no evidence that at short and medium-term any essential taxable profit will be available from foreign group entities against which the unused tax losses or tax credits can be utilised. Therefore a possible effect from divergent foreign tax rates is neglected. Consequently the corresponding unused tax loss carryforward of the foreign entities have been adjusted in their full amount.

The reconciliation of the effective tax rate to the statutory tax rate is as follows:

	2001	2000
Accounting profit	**212**	-1,435
Tax at the applicable tax rate	**-82**	558
Transition to expelled tax revenue/ expense		
Used tax loss carryforwards	**589**	0
Depreciation on tax loss carryforwards	**-248**	-293
Consolidation effects	**-155**	-150
Taxation of Dividends	**-189**	0
Other	**-121**	-82
Tax charge per statutory books	**-206**	33

Deferred taxes are created to account for all material temporary differences between the individual financial statements and the tax balance sheet as well as for temporary differences out of consolidation adjustments. Furthermore deferred tax assets are capitalised when unused tax loss carryforward exist. In the last financial years deferred tax assets on tax loss carryforwards have been value adjusted in their full amount for prudential reasons. In 2001 essential tax loss carryforwards were present at SIS, SII and PSS. The following overview shows the height of the tax loss carryforwards at the separate group entities:

	2001	2000
SIS	**950** *	2,465
PSS Inc.	**1,090** *	614 *
SII	**301** *	139
	2,341	3,218

* Estimated, because at these companies still no tax returns or assessment notices are present.

Components of deferred tax liabilities are as follows:

	1 January 2001	Credited/ (charged) to income statement	31 December 2001
Deferred benefit obligation	38	18	**56**
Tax loss carryforward	1,252	-458	**794**
Depreciation of deferred tax assets	-1,252	458	**-794**
Deferred tax asset	**38**	**18**	**56**
Land LME	296	-11	**285**
Deferred tax liablity	**296**	**-11**	**285**
Net deferred tax asset	**258**	**29**	**229**

26. Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders (net profit for the period less dividends on preference shares) by the weighted average number of ordinary shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit attributable to ordinary shareholders and the weighted average number of shares outstanding are adjusted for the effects of dilutive potential ordinary shares from exercise of share options (See Note 15). The number of ordinary shares is the weighted average number of ordinary shares plus the weighted average number of ordinary shares which would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The options given up to now can be exercised at the earliest in 2003. Therefore, a diluted earning per share is not relevant in 2001.

	For the Year Ended 2001		
	Income	Weighted Average Number of Shares (thousands)	Earnings Per Share Amount
Net profit attributable to shareholders	418		
Basic Earnings per Share			
Net profit available to common shareholders	418	1,873	**0.22**
Add: Assumed exercise of Share options granted	-	0	
Diluted Earnings per Share			
Net profit available to common shareholders after assumed conversion	418	1,873	**0.22**

	For the Year Ended 2000 (restated)		
	Income	Weighted Average Number of Shares (thousands)	Earnings Per Share Amount
Net loss attributable to shareholders	-1,470		
Basic Earnings per Share			
Net loss available to common shareholders	-1,470	1,700	**-0.86**
Add: Assumed exercise of Share options granted	-	0	-
Diluted Earnings per Share			
Net loss available to common shareholders after assumed conversion	-1,470	1,700	**-0.86**

27. Notes to cash flow statements

SIS reports cash flows from operating activities in accordance with IAS 7 ‘Cash Flow Statement’ using the indirect method, whereby net profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

28. Contingent liabilities

(1) Various legal actions and claims are pending or may be asserted in the future against Group companies from litigation and claims incident to the ordinary course of business. Related risks have been analysed as to likelihood of occurrence. Although the outcome of these matters cannot always be ascertained with precision, Management believes that no material liabilities are likely to result.

(2) In 2001 the Company received an investment grant. Conditions of the grant are fulfilled if a certain amount of employees are retained. The management believes it will respect all conditions associated with the grant.

(3) Contingent liabilities furthermore result out of the rent of offices and office equipment, as well as from the operating lease of cars. The contingent liabilities split up as follows:

	2002	2003 to 2006	from 2006
Rent	226	961	250
Lease	103	182	0
	329	1,143	250

29. Segment information

Segment information is prepared on the following bases:

(1) Business segments

The SIS-Group conducts the majority of its business activities in the following segments:

a. Custom-designed optical semiconductor sensors and electronics
b. Other production

(2) Geographical segments

The SIS Group's activities are conducted predominantly in Germany.

Business Segment Data

	Custom-designed production		Other production		Consolidated	
	2001	2000	**2001**	**2000**	**2001**	**2000**
Revenue from external customers	**10,530**	5,113	**149**	246	**10,680**	5,359
Intersegment revenue	**0**	0	**0**	0	**0**	0
Total revenue	**12,072**	5,570	**202**	304	**12,274**	5,874
Segment result	**820**	-1,198	**-162**	-148	**658**	-1,346
Segment assets	**14,469**	12,931	**257**	237	**14,726**	13,168
Capital expenditure	**1,278**	4,117	**24**	93	**1,302**	4,210
Depreciation and amortisation	**1,064**	467	**36**	19	**1,100**	486
Non cash effective expenses except depreciation and amortisation	**121**	33	**0**	0	**121**	33

Geographical Segment Data

Revenues	**2001**	2000
Germany	**8,831**	4,436
Europe	**715**	507
Israel	**163**	51
USA and Asia	**971**	365
	10,680	5,359

Assets	**2001**	2000
Germany	**12,605**	11,467
Europe	**1,021**	929
Israel	**229**	208
USA and Asia	**871**	564
	14,726	13,168

Investments	**2001**	2000
Germany	**1,017**	3,028
Europe	**82**	245
Israel	**19**	55
USA and Asia	**70**	251
	1,188	3,579

30. Related party transactions

(1) Related Parties

Entity / person	Place
Dr. Johannes Heidenhain GmbH	Traunreut
Solventis Beteiligungen AG	Frankfurt
Dr. Bernd Kriegel	Berlin
BWB Bayerische Wagnisbeteiligungsgeschaft mbH	München

(2) Related Party Transactions

The Group has entered into a variety of transactions with its related parties. The Company enters into transactions in the normal course of business on an arm's length basis. The most significant of these transactions are as follows:

a. Sale of goods in remarkable amount at market prices to the associated company Dr. Johannes Heidenhain GmbH
b. The Group received a shareholders' loan. The shareholders' loan bears an interest rate of 7 % and matures in December 2002. The loan amounts to TEUR 210 as of December 31, 2001 and to TEUR 168 as of December 31, 2000 respectively.
c. By agreement of July 20/24, 1995 BWB Bayerische Wagnisbeteiligungsgesellschaft mbH acquired a typical silent participation of TEUR 383 in SSO. The group incurred expenses for interest, consulting and shares in profit in the amount of TEUR 46 in 2001 and TEUR 46 in 2000.

The balance sheet includes the following amounts resulting from transactions with related parties:

	2001	2000
Trade receivables	**213**	790
Short term loans and borrowings and current portion of long-term debt	**210**	168
Contributions of silent partnership	**383**	383
	806	1,341

(3) Remuneration of the management board and supervisory board

In 2001 the members of the management and the supervisory board altogether approximately received remuneration of TEUR 295. In 2000 the expenditures amounted for this purpose on about TEUR 176. 13,000 subscription rights in SIS shares were granted further to the members of the management board within the framework of the share option program. For one management board member exists a pension plan.

31. Supplementary declarations pursuant to the german commercial code

The following information comprises supplementary declarations that are a mandatory part of the explanatory notes pursuant to the German Commercial Code:

Members of the Management board

Dr. Bernd Kriegel, Berlin
DSc physics
- Chairman –

Dr. Hans-Georg Giering, Deuben/Berlin
DSc physics

Members of the supervisory board

Edgar Most, Berlin
Bank manager
- Chairman –

Prof. Dr. Ing. Dr. E. h. Herbert Reichl, Baierbrunn
University professor

Gerhard Hagenau, Chieming
Dipl. Businessman
- Deputy Chairman -

Number of employees

The average number of employees for the year was:

	2001	2000
Germany	**110**	48
Rest of the world	**5**	6
	115	54

The average number of employees increased by 61 in comparison with 2000. The previous year number does not contain the employees of LME.

List of subsidiaries consolidated

Entity	Place of Incorporation	Principal Activities	Ownership Interest
Silicon Sensor GmbH	Berlin	Development, production and distribution of optical semiconductor sensors	100.0
Lewicki microelectronic GmbH.	Oberdischingen	Development and production of electronic circuits and active human implants	100.0
Pacific Silicon Sensor, Inc.	Westlake Village, USA	Development, production and distribution of optical sensor systems and distribution of optical semiconductor sensors	49.0
Silicon Projects GmbH	Berlin	Development, production and distribution of soft- and hardware, internet support	80.0
Silicon Instruments GmbH	Berlin	Development, production and distribution of modules and devices in the filed of nuclear medicine	70.0

Berlin, March 15, 2002

Dr. Bernd Kriegel

Dr. Hans-Georg Giering

Auditors Report

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We have audited the accompanying Consolidated Balance Sheet of Silicon Sensor International AG as of December 31, 2001 as well as the Consolidated Income Statement, the Cash Flow Statement and the Statement of Equity for the fiscal year January 1, 2001 through December 31, 2001. Accounting and preparation of the Consolidated Financial Statements according to International Accounting Standards (IAS) are the responsibility of the Management Board of the Company. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

We conducted our audit of the financial statements in accordance with German auditing principles and the German generally accepted auditing principles set forth by the German Institute of Chartered Accountants (IDW) as well as under additional consideration of the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements are free of material misstatement. The scope of the audit was planned taking into account our understanding of business operations, the Group's economic and legal environment, and any potential errors anticipated. The evidence supporting the amounts and disclosures made have been verified, mainly on the basis of spot checks. The audit also includes assessing the accounting principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Consolidated Financial Statements of the Company are in compliance with International Accounting Standards (IAS) and present fairly, in all material respects, the financial position and the results of operations of the Group, as well as of the cash flows during the fiscal year.

Our audit, which also covered the group management report for the fiscal year from January 1, 2001 to December 31, 2001, did not give rise for qualifications. In our opinion, the group management report accurately presents the situation of the Group and the risks arising from future developments in all material respects. We also confirm that the Consolidated Financial Statements and the group management report for the fiscal year from January 1, 2001 to December 31, 2001 comply with German legal requirements for releasing the Company from preparing Consolidated Financial Statements and a group management report according to German GAAP.

Arthur Andersen
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft mbH

gez. Plett Wirtschaftsprüfer	gez.Selter Wirtschaftsprüfer

Berlin, March 15, 2002

Officers held the following (individual) shares in the company on the Dec. 31, 2001:

Dr. Bernd Kriegel	655,000	(Dec. 31, 2001: 832,000)
Dr. Hans-Georg Giering	7,000	(Dec. 31, 2001: 2,500)
Gerhard Hagenau	2,000	(Dec. 31, 2001: 0)

According to the decision at the shareholders meeting on May 30, 2001 a total of 40.000 share options, had been emitted in 2001 to the members of the Management Board, the CEOs and employees in the associated companies.
They were distributed as follows:

Members of the Management Board	13,000	share options
CEOs	13,000	share options
Employees	14,000	share options

Report of the Supervisory Board

2001 was a very successful business year for the Silicon Sensor Group. Especially winning new shareholders, integration of Lewicki microelectronic GmbH, reach of break even and the developement of the american business unit were the main issues for the year under review.

In following the activities of Silicon Sensor International AG and its subsidiaries through the financial year, the Supervisory Board found the conduct of business orderly without exception. Altogether, six meetings and a strategic meeting were held with the Executive Board to deal with key issues of expansion and future strategies for growth and internationalization. In addition, the Executive Board talked to individual Supervisory Board members on many occasions.

Apart from dealing with current activities and business plans, the Supervisory Board spent considerable time discussing legal acts which were subject to approval, business startups in Germany and elsewhere, and improving cash management.

The composition of the Supervisory Board changed of the streght of the resignation of Dr. Andreas Löhr on May 30, 2001. As a new member of the supervisory board Gerhard Hagenau, Financial supervisor of Dr. Johannes Heidenhain GmbH, was elected from the general meeting on May 30, 2001. Edgar Most (chairman), Prof. Dr. Herbert Reichl (member) remained the same during the year under review.

The consolidated statement, annual report, and annual statement/report for the period ending Dec. 31, 2001 were audited by Arthur Andersen Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH in Berlin and received an unqualified certificate. The Supervisory Board received an examined Statements for the annual and consolidated reports and status reports, all of which were discussed in detail in the presence of the auditors at the meeting held to approve the balance sheet on March 15, 2002. The annual statement has been approved and completed, and the Board has had no objections to the consolidated statement.

This is to thank the Executive Board and all employees for their efforts and above-average performance, and wish them the best of success in dealing with the challengers of the 2002 business year. Special thanks go out as usual to old and new shareholders who have placed confidence in the company at a time when capital markets were tough.

Berlin, March 2002

The Supervisory Board
Silicon Sensor International AG

Edgar Most
Edgar Most
Chairman