

SILICON SENSOR INTERNATIONAL AG



BUSINESS REPORT

for the first three months
of the 2009 business year
(unaudited)

2009

BUSINESS REPORT I/2009

SILICON SENSOR GROUP

Financial ratios Jan. 01 – March 31, 2009 (first quarter 2009)

	March 31, 2009 €1,000	March 31, 2008 €1,000	Change in €1,000	Change in %
Sales revenue	6,939	10,169	-3,230	-32
Backlog of orders	12,535	20,710	-8,175	-39
EBITDA	1,162	2,401	-1,239	-52
EBIT	258	1,704	1,446	-85
Three-month surplus	59	1,053	-994	-94
Three-month surplus € per share	0.01	0.27	-0.26	-96
Number of shares	4,417,266	3,896,150	521,116	13
R&D expenditures	625	978	-353	-36
Headcount (March 31, 2009)	315	311	4	1



Preface


Silicon Sensor braves the crisis

Ladies and gentlemen, shareholders, business partners,

During the first quarter of the 2009 business year, the Silicon Sensor group had to face the insecurity and shock waves of a market in crisis. As the general business climate worsened toward the end of 2008 and effects of the financial crisis on individual industries remained obscure, we already noticed growing uncertainty among customers about their economic future. More particularly, agreed call-off dates were postponed from the 1st quarter to the second half of the year and some 1st quarter purchases stopped completely. Steps taken by the Management Board as early as the end of last year have led to a positive operating result EBIT of €258,000 (March 31, 2008: €1.7 mn), even though sales dropped dramatically by some 30 % to €6.9 mn compared with last year (March 31, 2008: €10.2 mn).

Although the impact from the slump was even worse during the 1st quarter of 2009, the result has confirmed expectations for the business year as a whole as charted in the worst case scenario. It is therefore assumed that the group's economic situation will not improve now but rather toward the end of the 3rd quarter 2009. It is still a safe assumption that the company has sufficient cash reserves for applying the business model successfully and ending 2009 with a positive operating result. For this purpose, we will put more staff on short time in the next few quarters and have enforced redundancies in some departments while retaining productive capacity. The difficult business environment should stabilize particularly with a host of new development projects that augur well for our future, and the readiness of a number of clients to resume call-offs in Q3.

The aim for the next few years will be to make Silicon Sensor International AG Europe's leading sensor manufacturer in such core divisions as photo and pressure sensors, and camera systems. After a drop in sales in the current business year, average organic growth of 15 % will be sought over the next six years with sales reaching €100 mn in 2015. To ensure lasting competitive advantages and systematic, efficient market penetration the company will be restructured from a holding to a strategically focused industrial concern across the entire value chain of intelligent sensor production. Thus shareholders will vote on merging the operative subsidiaries headquartered in Berlin with Silicon Sensor International AG at the general meeting on June 9, 2009. To reinforce the positive effect from the pooling of local resources, Silicon Sensor International AG has moved headquarters to the new sensor factory at Wilhelminenhofstrasse 76/77 in 12459 Berlin where all business divisions are now united under one roof.



Orders in hand reflect the group's present economic situation in all its uncertainty and dropped by 39 % to €12.5 mn (March 31, 2009) compared with last year (March 31, 2008: €20.7 mn). There was a staff reduction from 322 on Dec. 31, 2008 to 315 at the end of the 1st quarter.

Manufacture continues to center on customized products, some requiring huge development efforts and including custom-designed hybrid circuits and packaging/sensor solutions.

Business development

Silicon Sensor is a specialist maker of customized solutions especially for a wide range of pressure/imaging/optoelectronic sensor applications (photodetectors) for alpha, beta, gamma and X-ray detection and measurement, as well as UV radiation, visible light and near-infrared radiation. The group also makes highly reliable custom-designed hybrid circuits and products for microsystem technology. Customers include leading industrial concerns and research establishments who outsource highly specialized production processes to suit their strategic orientation. The group's products serve as basic components in a wide range of applications, making Silicon Sensor largely independent of business cycles in individual industries. Market prospects for such high-end products, and future growth potentials, are generally seen as favorable.

As a developer and manufacturer of optical and electronic high-end solutions meeting strict requirements the group is among the world's technological leaders. Top products from the last few years include avalanche photo diodes (APD) and avalanche photodiode arrays. Customers use APDs and laser modules for many types of high-precision distance measuring systems.

Planning for the years to come assumes that a current drop in sales will be followed by growth over the coming years. Liquidity planning is for an average sales increase of 15 % annually and thus positive operating cash flows. The Management Board sees present liquidity as sufficient to achieve growth targets.

Foreign development

Once Silicon Sensor's market share in Europe has expanded, the largest growth potential for the near future will be in North America where the successful establishment of Pacific Silicon Sensor Inc. has given the group good prospects of greater market penetration. However, a poor economic setting has also taken its toll in the U.S. Fortunately, sales of our subsidiary Pacific Silicon Sensor Inc. fell only by just under 15 % compared with last year, from \$444,000 (March 31, 2008) to \$377,000 (March 31, 2009) while the operating result remained in balance. Efforts to get a foothold on the Chinese market will continue.

Personnel

The total workforce of the Silicon Sensor group at the end of the quarter stood at 315 (compared with 322 at the end of 2008).

Outlook

The Silicon Sensor group has established itself as a specialist supplier of high-quality optical, pressure and imaging sensors and hybrid electronics designed to meet customer specifications.

This year's downturn in sales and returns is expected to continue before a rise in turnover will improve profitability after the end of the third quarter. Our confidence in the future prosperity of the group derives particularly from orders to be placed by major customers in the next few months.

Most future growth will come from sensors which have a wide range of industrial uses, with the company's development capacity forming the basis for high-quality products and up-market problem solutions.

Berlin, May 2009
Silicon Sensor International AG


Dr. Hans-Georg Giering
CEO



INTERIM BALANCE SHEET

AS OF MARCH 31, 2009 (IFRS)

Assets	March 31, 2009 €1,000	March 31, 2008 €1,000
SHORT-TERM ASSETS		
Cash	5,446	11,699
Accounts receivable	4,199	6,736
Due from affiliated companies	43	26
Inventories	9,092	7,392
Tax refund claims	926	20
Payments and accrued income, other current assets	3,391	1,786
Short-term assets, total	23,097	27,659
LONG-TERM ASSETS		
Tangible assets	27,277	15,161
Intangible assets	482	5,765
Shares in affiliated companies	124	124
Goodwill	1,846	11,142
Latent tax claims	26	17
Other long-term assets	21	25
Long-term assets, total	29,776	32,234
ASSETS, TOTAL	52,873	59,893

Capital stock, debts		
SHORT-TERM LIABILITIES		
Short-term loans	3,390	3,942
Accounts payable	1,485	1,968
Advances from customers	1,054	411
Provisions	501	489
Liabilities from income tax	466	3,475
Other short-term liabilities	1,992	2,840
Short-term liabilities, total	8,888	13,125
LONG-TERM LIABILITIES		
Long-term interest-bearing loans	12,898	7,809
Accrued liabilities	103	108
Latent taxes	254	1,853
Prepayments and accrued income	5,774	1,658
Long-term liabilities, total	19,029	11,428
MINORITY INTERESTS	52	95
CAPITAL STOCK		
Subscribed capital	13,252	11,689
Reserves	11,799	14,958
Exchange equalization items	-206	-350
Balance sheet profit	59	8,948
Capital stock, total	24,904	35,245
SUM OF CAPITAL STOCK AND DEBTS	52,873	59,893

CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD FROM JAN. 1 - MARCH 31, 2009 (IFRS)

	<i>Jan. 01. – March 31, 2009</i> €1,000	<i>Jan. 01. – March 31, 2008</i> €1,000
Sales revenues	6,939	10,169
Other operating income	380	368
Changes in inventory of finished/unfinished goods	479	316
Capitalized cost of self-constructed assets	0	31
Cost of materials/purchased services	-2,501	-3,442
Personnel expenses	-2,832	-3,527
Depreciation of tangible/intangible assets	-904	-697
Other operating expenses	-1,303	-1,514
OPERATING RESULT	258	1,704
Interest yields/costs	-213	-69
Exchange gains/losses	0	-12
RESULT BEFORE TAX AND MINORITY INTERESTS	45	1,623
Taxes on income	16	-551
PERIOD NET INCOME	61	1,072
Expenditure/yields directly shown as equity:		
Differences from currency conversion (after tax)	55	-15
Net profits from cash flow hedges (after tax)	-57	-53
SUM OF EXPENDITURES/YIELDS SHOWN DIRECTLY AS EQUITY	-2	-68
TOTAL RESULT OF PERIOD	59	1,004
Period net income falling upon Silicon Sensor shareholders	59	1,053
Period net income falling upon minorities	2	19
Period total income falling upon Silicon Sensor shareholders	57	985
Period total income falling upon minorities	2	19
Net earnings per share (undiluted)	0.01	0.27
Average no. of circulating shares (undiluted)	4,417	3,896
Net earnings per share (diluted)	0.01	0.27
Average no. of circulating shares (diluted)	4,417	3,896

CONSOLIDATED CASH FLOW STATEMENT

Jan. 1 – March 31, 2009 (IFRS)

	<i>Jan. 1 - March 31, 2009 €1,000</i>	<i>Jan. 1 - March 31, 2008 €1,000</i>
RESULT BEFORE TAX	45	1,623
Depreciation of (in)tangible assets	904	697
Other expenses/revenues not affecting payment	-104	76
Revenues from investment grants	-116	-115
Interest income	-16	-111
Interest costs	229	180
Increase/decrease in provisions	4	11
Increase/decrease in inventories, accounts receivable and other assets not coming under investment/financing activities	597	-605
Increase/decrease in accounts payable and other liabilities not coming under investment/financing activities	-1,784	268
Interest paid	-147	-160
Earnings tax paid	-302	-126
Other profits/losses	0	-12
CASH FLOW FROM CURRENT BUSINESS ACTIVITIES	-690	1,726
Payments for investment in tangible and intangible assets	-774	-1,481
Payments from fixed/intangible asset retirement	2	0
Receipts from investment grants	104	0
Interest received	12	111
CASH FLOW FROM INVESTMENT	-656	-1,370
Receipts from new equity injection	2,467	0
Payments for the redemption of financial credits	-842	-715
Transaction costs for share issues	-38	0
Receipts from raising financial credits	572	1,856
CASH FLOW FROM FINANCING ACTIVITY	2,159	1,141
CURRENCY DIFFERENCES FROM CONVERTING FUNDS	55	-23
CHANGES IN FUNDS AFFECTING PAYMENTS	868	1,474
Funds at the beginning of the business year	4,173	9,691
FUNDS AT THE END OF THE BUSINESS YEAR	5,041	11,165

EQUITY CHANGE STATEMENT

FOR THE PERIOD FROM JAN. 1 – MARCH 31, 2009 (IFRS)

	No. of shares <i>'000</i>	Sub- scribed capital <i>€1,000</i>	Reserves <i>€1,000</i>	Consolidated balance sheet profit <i>€1,000</i>	Exchange equalization <i>€1,000</i>	Minority interests <i>€1,000</i>	Sum equity capital <i>€1,000</i>
As of Jan. 01, 2008	3,896	11,689	14,935	7,895	-335	76	34,260
Total result for the period			-53	1,053	-15	19	1,004
Share-based payment			76				76
As of March 31, 2008	3,896	11,689	14,958	8,948	-350	95	35,340

	No. of shares <i>'000</i>	Sub- scribed capital <i>€1,000</i>	Reserves <i>€1,000</i>	Consolidated balance sheet profit <i>€1,000</i>	Exchange equalization <i>€1,000</i>	Minority interests <i>€1,000</i>	Sum equity capital <i>€1,000</i>
As of Jan. 01, 2009	3,903	11,710	15,167	-4,208	-261	50	22,458
Total result for the period			-57	59	55	2	59
Transaction costs capital cost (after tax)			-28				-28
Capital increase	514	1,542	925				925
Use of balance sheet loss			-4,208	4,208			0
As of March 31, 2009	4,417	13,252	11,799	59	-206	52	24,956



SILICON SENSOR INTERNATIONAL AG

NOTES REGARDING THE GROUP'S INTERIM STATEMENT

JAN. 1 – MARCH 31, 2009

(all amounts in €1,000 unless stated otherwise)

1. General

Silicon Sensor International AG, Berlin (hereafter 'SIS', "the company" or 'Silicon Sensor Group') and its subsidiaries are active in the manufacture of sensors and microsystem technology, the core business being the development, production and marketing of customized optical semiconductor sensor systems. The group also makes non-optical sensors and develops and supplies highly reliable custom-designed hybrid circuits along with products of microsystem engineering and advanced packaging. A number of SSI subsidiaries act as independent business units in the market. At the heart of the group is Silicon Sensor GmbH ('SSO') which has been involved in the development, production and distribution of sensor chips, components and systems since its foundation in 1991. Microelectronic Packaging Dresden GmbH ('MPD') and Lewicki microelectronic GmbH ('LME') are leading contract manufacturers of customized electronic sensor systems, advanced packaging applications and highly reliable hybrid circuits. Silicon Micro Sensors GmbH ('SMS') has developed and marketed sensor-based products, and particularly pressure sensors and industrial cameras, since starting production on Jan. 1, 2007. Pacific Silicon Sensor Inc. ('PSS') has so far marketed all types of sensor chips and systems in North America, apart from the custom development and packaging of optical sensors. The total workforce of the Silicon Sensor group at the end of the quarter was 315 (compared with 311 at the end of the 1st quarter 2008). Since April 2009, the registered office of Silicon Sensor International AG has been at Wilhelminenhofstraße 76/77, 12459 Berlin/Germany.

2. Consolidated statement pursuant to § 315a HGB

This is drawn up in keeping with § 315a HGB and IFRS (*International Financial Reporting Standards*) as required in the EU.

3. Accounting practices and valuation methods

The essential practices and methods used to prepare the interim consolidated statement of SIS are in agreement with those used for the 2008 annual statement. For the 1st quarter of 2009, the new mandatory standards and interpretations for business years beginning after Jan. 1, 2009 were used throughout. As a result, elements of the consolidated interim balance (and particularly the combined profit and loss account and equity change statement) have been adjusted, as have been comparative values for the previous year. The first-time application of IFRS 8 provisions to segment information has brought no changes in business segments shown and results reported for these segments.

In April 2009, IASB published another collective standard to amend a number of IFRS with the primary aim of removing inconsistencies and clarifying formulations. Each standard has its own interim arrangements. The Silicon Sensor group expects no major changes from first-time use.

4. Notes to the cash flow statement

SIS shows cash flows from current business operations pursuant to IAS 7 'Cash flow statement' using the indirect method.

5. Changes in group equity

With the issue of 514,116 shares against cash deposits on March 18, 2009, Silicon Sensor International AG increased subscribed capital by €1,542,000 and the share premium account by €925,000. The Management Board also resolved to offset the consolidated balance sheet loss of €4,208,000 as per Dec. 31, 2008 against the share premium account.

6. Long-term asset impairment

This is reviewed continuously by comparing budgeted with actual operating results. The 1st quarter of 2009 showed no evidence of loss of value for long-term assets beyond their listed book value. The premises of the value impairment test as per Dec. 31, 2008 have largely materialized in Q1 2009.

7. Contingent liabilities

(1) Court action and claims from litigation as part of normal operations could in future be asserted vis-à-vis companies in the group. Related risks are analyzed for probability. Even though the outcome of such disputes can not always be assessed, the Management Board believes that no particular commitments will result therefrom.

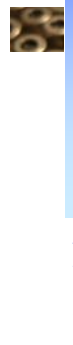
(2) Financial commitments result from leases of production and office space, car leasing and contracts made with pension/relief funds. In keeping with their economic contents, leasing contracts will be classified as operating leases.

Financial commitments as per Dec. 31, 2008:

	2009	2010 - 2014	from 2015
	€1,000	€1,000	€1,000
Rents, leases	1,103	3,658	4,680
Contribution-oriented pensions plans	174	868	1,272
	1,277	4,526	5,952

Financial commitments as per March 31, 2009:

	2009	2010 - 2014	from 2015
	€1,000	€1,000	€1,000
Rents, leases	846	3,429	4,664
Contribution-oriented pensions plans	131	868	1,272
	977	4,297	5,936



8. Segment information

This is compiled on the following basis:

(1) Contract-related chip and component production

In this segment, the group mainly develops and manufactures high-end customized silicon sensors with uses, for instance, in geodesy and in space to measure and monitor the blood parameters and circulatory functions of astronauts. In addition, chips are used in complex customized hybrid circuits and modules.

(2) Other products

The segment basically covers sensors for clinical use and the extra/intraoperative detection of tumor cell clusters and, particularly, semiconductor radiation sensors for everyday industrial and laboratory applications, as well as systems for film thickness measurement by PC, PET radiochemistry and dosimetry.

	Contract-related chip and component production		Other products		Total	
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
	€1,000	€1,000	€1,000	€1,000	€1,000	€1,000
Segment sales	6,863	10,075	76	94	6,939	10,169
Segment result	64	1,034	-5	19	59	1,053

9. Assurance of legal representatives

This is to assure, to the best of our knowledge, that the picture presented in the consolidated statement using applicable accounting principles for interim statements gives a realistic impression of the group's financial and earnings status and that the course of business including the operating result and the group's situation are presented in such a way as to give a realistic picture and describe the opportunities and risks of the group's expected development for the rest of the business year.

Berlin, May 2009

Silicon Sensor International AG


Dr. Hans-Georg Giering
CEO

