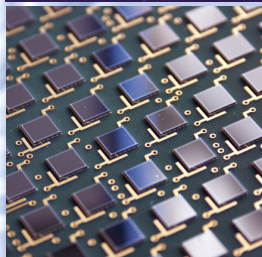
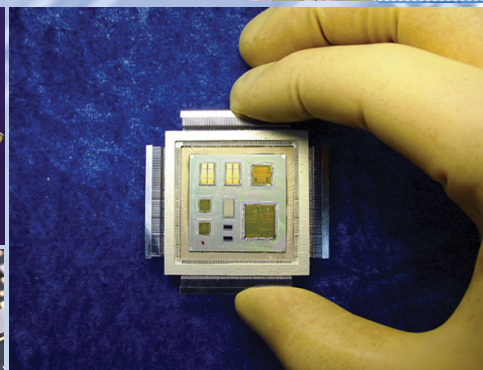
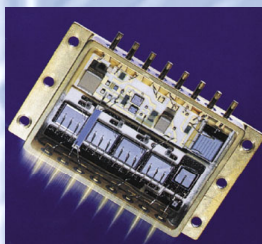
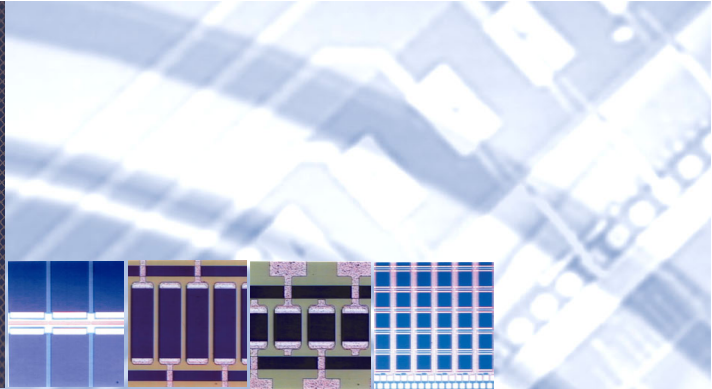
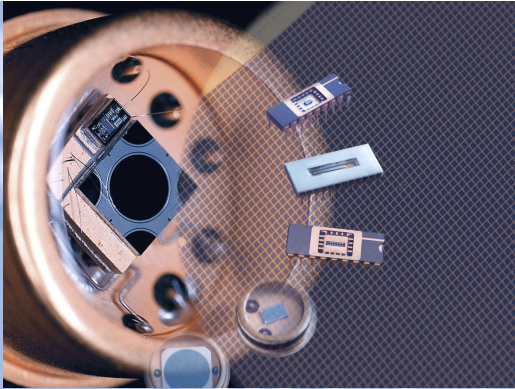


SILICON SENSOR INTERNATIONAL AG



BUSINESS REPORT

for the first six months
of the 2005 business year
(unaudited)

2005

BUSINESS REPORT II/2005

SILICON SENSOR GROUP

Financial ratios April 01 – June 30, 2005 (second quarter 2005)

	April 01, 2005 - June 30, 2005 € 1,000	April 01, 2004 - June 30, 2004 TEuro	Change in TEuro	% Change
Sales revenue	3,231	3,798	-567	-15
Back orders	8,005	7,604	401	5
EBITDA	714	921	-207	-23
EBIT	487	638	-151	-24
Second quarter surplus	320	349	-29	-8
Second quarter surplus €/individual share certificate	0.14	0.16	-0.02	-13
Share	2,317,500	2,250,000	67,500	3
R&D expenditure	128	154	-26	-17
Staff (June 30)	101	102	-1	-1

Financial ratios January 01 – June 30, 2005 (first half-year 2005)

	Jan. 01, 2005 - June 30, 2005 TEuro	Jan. 01, 2004 - June 30, 2004 TEuro	Change in TEuro	% Change
Sales revenue	6,593	7,298	-705	-10
Back orders	8,005	7,604	401	5
EBITDA	1,578	1,785	-207	-12
EBIT	1,131	1,228	-97	-8
Six-month surplus	789	757	32	4
Six-month surplus €/individual share certificate	0.34	0.34	0	0
Share	2,317,500	2,250,000	67,500	3
R&D expenditure	270	316	-46	-15
Staff (June 30)	101	102	-1	-1

Forword

Silicon Sensor on solid growth course

*Dear shareholders,
Dear business partners,*

In the first half of the 2005 financial year, the Silicon Sensor group surpassed the excellent results of the previous year, even though capacity was tied down in making preparations for more long-term growth and some orders were put off until 2006 at the request of customers. Whereas sales dropped slightly by 10 % compared with the same period last year, from € 7.29 m (June 30, 2004) to € 6.59 m (June 30, 2005), profits rose by some 4 %.

EBITDA for the first half of 2005 dropped by 12 %, from € 1,785,000 (June 30, 2004) to € 1,578,000 (June 30, 2005). The operative result EBIT remained nearly constant and was only reduced by € 97,000, or 8 %, from € 1,228,000 (June 30, 2004) to € 1,131,000 (June 30, 2005). The result after interest and taxes was improved for the fourth consecutive year, from € 757,000 (June 30, 2004) to € 789,000, an increase of € 32,000. Earnings per share were € 0.34 and thus reached the excellent level achieved for the same period last year (June 30, 2004: € 0.34).

Orders on hand throughout the group for the next 12 months showed an increase again for the first time, with no allowance made for the order from the automotive industry that became effective at a later date. The end-of-period backlog rose by 5 % to € 8.01 m (June 30, 2005) compared with last year's level (June 30, 2004: € 7.6 m). The workforce remained almost constant at 101 on June 30, 2005 compared with the same period last year (June 30, 2004: 102).

Production activity has retained its focus on customer-specific products, in some cases with a very high development share. Since development expenditure was ordered and refunded primarily by customers of the Silicon Sensor group, the group's own development outlays dropped from € 316,000 (June 30, 2004) to € 270,000 (June 30, 2005). The accent remains on customized sensor solutions and hybrid circuits. The main areas of focus continue to be avalanche photodiodes, customer-specific sensor solutions and hybrid circuits.

Business development

The Silicon Sensor group is specialised manufacturer of opto-electronic sensors (photodetectors) for the recognition and measurement of alpha-, beta-, gamma-, X-ray, UV light and NIR radiation. The Silicon Sensor group furthermore develops and produces highly reliable customer-specific hybrid circuits and microsystem technology products. The corporation's customers include well-known companies and research institutes which outsource their highly specialised production processes due to their strategic orientation and manufacturing technology.

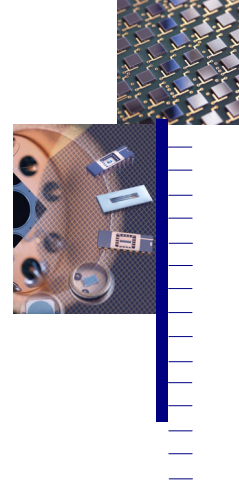
The company is active on the market for opto-electronic sensory products. These products are important basic components for applications in all conceivable fields. Silicon Sensor group has thus simultaneously made itself highly independent of the economic cycles affecting individual sectors. The market environment for these high-end products is generally assessed as being favourable and future growth potential is regarded as positive.

The Silicon Sensor group is one of the world's leading companies which develop and produce exceptional quality high-end sensors for this market. The avalanche photodiodes (APD) and avalanche photodiode arrays recently developed and produced by the Silicon Sensor group have assumed a top international position in terms of quality and speed. Our customers use APDs, for example, in high-precision distance meters for an extremely wide variety of applications.

The securing of necessary liquidity for Silicon Sensor group's growth has played a key role since the foundation of the company. Operative cash flow as per June 30, 2005 was € 604,000 (June 30, 2004: € 1,181,000). Liquid assets stood at € 3,476,000 on June 30, 2005 and thus almost doubled compared with last year (June 30, 2004: € 1,708,000).

According to planning for the coming business years, it can be assumed that additional growth is certain. Liquidity planning for the group assumes a further growth in sales as a result of deliveries to the automotive industry mostly effective from 2007 which will generate positive operative cash flows.

The Managing Board currently regards liquidity as sufficient for attaining our ambitious growth goals.



Foreign developments

Following the expansion of the Silicon Sensor group's market share in Europe, the greatest growth potential for the future lays in the American and Asian markets. The development of Pacific Silicon Sensor Inc. has been pursued according to plans in order to gain a larger foothold on these markets and to further cultivate the company's degree of internationalisation. Pacific Silicon Sensor Inc. again improved its turnover. A continuous contribution to operating income is expected from the U.S. in future. Greater shares in the Asian market can only be secured with a new and even more efficient production line for 6" wafers work on which is continuing at a feverish pace.

Personnel

The success of the SIS group is attributable to the extensive expertise of our employees and more than 30 years' experience in the development and production of optical high-end sensors and highly reliable hybrid circuits. In addition to the motivation of employees, the hiring of new, qualified employees is a key success factor in achieving the realisation of future economic development.

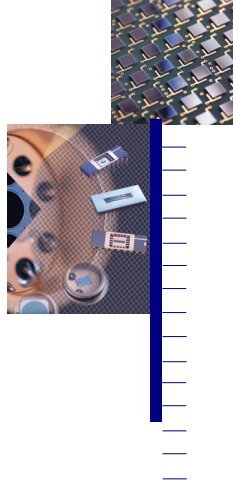
The number of personnel employed by the Silicon Sensor group at the end of the quarter sank to a total of 101 employees (102 persons were employed at the end of the second quarter of 2004) as a result of the full utilisation of synergies between the subsidiary companies.

Prospects

The SIS group is positioned as an important specialist supplier of specific customer with high-quality parameters on the market for optical sensors.

The group expects growth in turnover and profits.

In view of the future trends outlined for the company and results achieved in the first half of 2005 it is expected that the excellent performance of last year can largely be repeated in 2005. In the long term, the Silicon Sensor group will retain its growth curve because new expansion is expected particularly from deliveries to the automotive industry and the extension of operations. However, past experience has shown that the extent to which such targets can be achieved also depends on the international economic and political environment.



The market significance of the Silicon Sensor group will be further reinforced in 2005 and the existing expertise used as a strategic success factor for achieving continual growth in turnover and profits.

The Silicon Sensor group's dependence on several main customers was significantly lessened through the broadening of the customer base in the past two business years. The expansion of our market presence in the U.S.A. and Asia will furthermore help compensate fluctuations in demand and dependencies on large customers on the European market in the mid-term future. Risks posed by overall economic development are to be minimised through the newly launched business divisions.


The emphasis of growth will remain on sensor technology in future as well due to its multifunctional industrial application. The company's development competence is the basis for the recognised high product quality in up-market opto-electronic problem solutions.

Berlin, August 2005

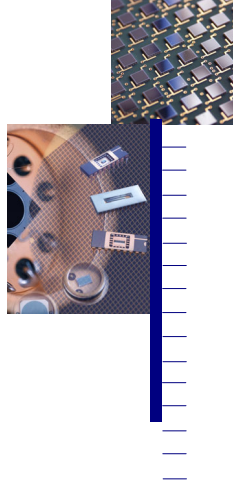
*The Managing Board
Silicon Sensor International AG*



Dr. Bernd Kriegel



Dr. Hans-Georg Giering



CONSOLIDATED BALANCE SHEETS

AS OF JUNE 30, 2005 (IFRS)

Assets	June 30, 2005 € 1,000	June 30, 2004 € 1,000
CURRENT ASSETS		
Cash and cash equivalents	3,476	1,708
Short-term investments	602	
Trade accounts receivable	1,265	1,638
Inventories	3,329	3,629
Prepaid expenses and other current assets	264	470
Total current assets	8,936	7,445
NON-CURRENT ASSETS		
Property, plant and equipment	4,267	4,994
Intangible assets	103	156
Goodwill	1,846	1,768
Deferred taxes	8	31
Other assets	23	23
Total non current assets	6,247	6,972
TOTAL ASSETS	15,183	14,417
Liabilities and shareholders' equity		
CURRENT LIABILITIES		
Short-term debt	567	544
Trade accounts payable	290	314
Advance payments received	129	170
Accrued expenses	152	165
Income tax payable	854	546
Other current liabilities	869	1,360
Total current liabilities	2,861	3,099
NON-CURRENT LIABILITIES		
Long-term debt	1,133	1,415
Pension accrual	0	251
Accrued expenses	38	41
Deferred tax liability	242	255
Deferred revenues	280	307
Contributions of silent partnerships	0	383
Total non-current liabilities	1,693	2,652
MINORITY INTEREST	1	0
SHAREHOLDERS' EQUITY		
Share capital	6,953	6,750
Additional paid-in capital	3,437	3,061
Translation reserve	-190	-231
Retained earnings	428	-914
Total shareholders' equity	10,628	8,666
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	15,183	14,417

CONSOLIDATED INCOME STATEMENTS

FOR THE FIRST SIX-MONTHS 2005 (IFRS)

	April 01 - June 30, 2005	April 01 - June 30, 2004	Jan. 01 - June 30, 2005	Jan. 01 - June 30, 2004
	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Revenues	3,231	3,798	6,593	7,298
Other operating income	103	88	171	191
Changes in inventories of finished goods and work in progress	38	-54	157	-159
Production of own fixed assets capitalized	24	37	55	59
Cost of purchased materials and services	-902	-1.001	-1.823	-1.748
Personnel expenses	-1,310	-1,199	-2,530	-2,505
Depreciation and amortization on intangible assets, and plant and equipment	-227	-283	-447	-557
Other operating expenses	-470	-748	-1,045	-1,351
OPERATING INCOME	487	638	1,131	1,228
Interest income and expense	-10	-41	-29	-94
RESULT BEFORE INCOME TAXES AND MINORITY INTEREST	477	597	1,102	1,134
Income tax	-159	-263	-315	-377
RESULT BEFORE MINORITY INTEREST	318	334	787	757
Minority interest	2	15	2	0
NET INCOME / LOSS	320	349	789	757
Basic and diluted earnings per share	0.14	0.16	0.34	0.34
Number of shares used for the calculation of basic and diluted earnings per share (in thousand)	2,318	2,250	2,318	2,250

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FIRST SIX-MONTHS 2005 (IFRS)

	<i>Jan. 01 - June 30, 2005</i> € 1,000	<i>Jan. 01 - June 30, 2004</i> € 1,000
CONSOLIDATED PROFIT	1,131	1,228
Depreciation of intangible assets and property, plant and equipment	447	557
Income from contributions	-73	-1
Other expenditure /income not affecting payments	-38	0
Loss on the disposal of assets	1	0
Changes in provisions	-288	-40
Changes in assets not allocable to investing- or financing activities	-399	-205
Changes in liabilities not allocable to investing or financing activities	-21	-218
Paid interest	-57	-98
Paid taxes	-41	-2
Appreciation of current assets	-58	-40
CASH FLOW FROM OPERATING ACTIVITIES	604	1,181
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in intangible assets and property, plant and equipment	-888	-258
Proceeds from the disposal of intangible assets, property, plant and equipment	205	25
Proceeds from government grants	73	1
Interest income	29	5
NET CASH USED IN INVESTING ACTIVITIES	-581	-227
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	0	0
Proceeds from short or long-term borrowings	0	0
Proceeds of loans	-331	-282
NET CASH PROVIDED BY FINANCING ACTIVITIES	-331	-282
NET EFFECT OF CURRENCY TRANSLATION ON CASH AND CASH EQUIVALENTS	4	-29
NET INCREASE IN CASH AND CASH EQUIVALENTS	-304	643
Cash and cash equivalents at beginning of year	3,780	1,065
CASH AND CASH EQUIVALENTS AT THE DATE OF MARCH 31	3,476	1,708

CHANGE IN EQUITY

FOR THE FIRST SIX-MONTHS 2005

	Number of shares '000	Share Capital € 1,000	Reserves € 1,000	Translation Reserve € 1,000	Retained Earnings € 1,000	Total € 1,000
Dec. 31, 2003	2,250	6,750	3,061	-1,671	-188	7,952
Six-month surplus				757		757
Net effect of currency					-43	-43
June 30, 2004	2,250	6,750	3,061	-914	-231	8,666

	Number of shares '000	Share Capital € 1,000	Reserves € 1,000	Translation Reserve € 1,000	Retained Earnings € 1,000	Total € 1,000
Stand 31. Dezember 2004	2,318	6,953	3,216	-187	-204	9,778
Option scheme prev. Y.s			174	-174		0
Option scheme 2005			47			47
Six-month surplus				789		789
Net effect of currency					14	14
June 30, 2005	2,318	6,953	3,437	428	-190	10,628

SILICON SENSOR INTERNATIONAL AG – GROUP NOTES TO BUSINESS REPORT

FOR THE FIRST SIX MONTH OF THE BUSINESS YEAR 2005

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 of the group. The average number of employees in the Group in the first half-year 2005 reduced by 102 to 101. The registered office address of the Group is located at Ostendstr. 1, Berlin, Germany.

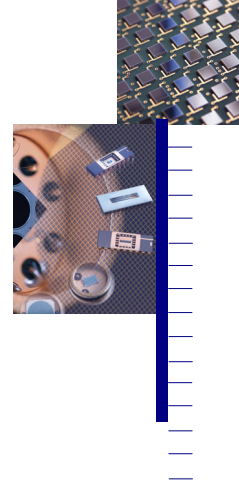
The object of SIS is the development, the production and the marketing of custom-designed optical sensors as well as the participation in companies.

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 2002).

3. Summary of significant accounting policies

The principal accounting policies adopted in preparing the financial statements of SIS are in accordance with the Annual Report for the year 2004.



4. Notes to cash flow statements

SIS shows cash flow from current business activities in accordance with IAS 7 "Cash flow statement" using the indirect method where profit or loss for the period under review is adjusted to the effects of transactions in which no payment was effected, the delimitation of the inflow/outflow of funds from ongoing business activities in the past or in future, and income or expense items related to the cash flow from investment/financing activity. Contrary to the previous year, translation was based on the operating result so that interest and tax payments were shown as separate items within the operating cash flow.

5. Contingent liabilities IAS 34.16

(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) 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:

As of December 31, 2004

	2005	2006 - 2008	as of 2009
	€ 1,000	€ 1,000	€ 1,000
Rent and lease	371	630	0
Premium-oriented pension plans	137	411	1,082
	508	1,041	1,082

As of June 30, 2005

	7-12/2005	2006 - 2008	as of 2009
	€ 1,000	€ 1,000	€ 1,000
Rent and lease	176	630	0
Premium-oriented pension plans	73	440	1,182
	249	1,070	1,182

6. Segment reporting 2005

This is provided on the following basis:

(1) Application-oriented chip and component manufacture

In this segment, the group primarily develops and manufactures high-quality user-specific silicon sensors which have uses, for instance, in the geodetic surveying of the earth, and in monitoring the blood and circulatory functions of astronauts. In addition, chips are made into customized hybrid ICs and modules.

(2) Other products

These include clinical sensor applications for the extra/intraoperative detection of tumor cells. More particularly, the segment makes semiconductor radiation sensors for industrial and laboratory use and PC measuring systems for coating thickness measurement, PET radiochemistry and dosimetry.

	Custom-designed production		Other production		Consolidated	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Segment turnover	6,466	7,183	127	115	6,593	7,298
Segment result	765	756	24	1	789	757

Internal statement

Officers of the company had no share holdings in the company on June 30, 2005.