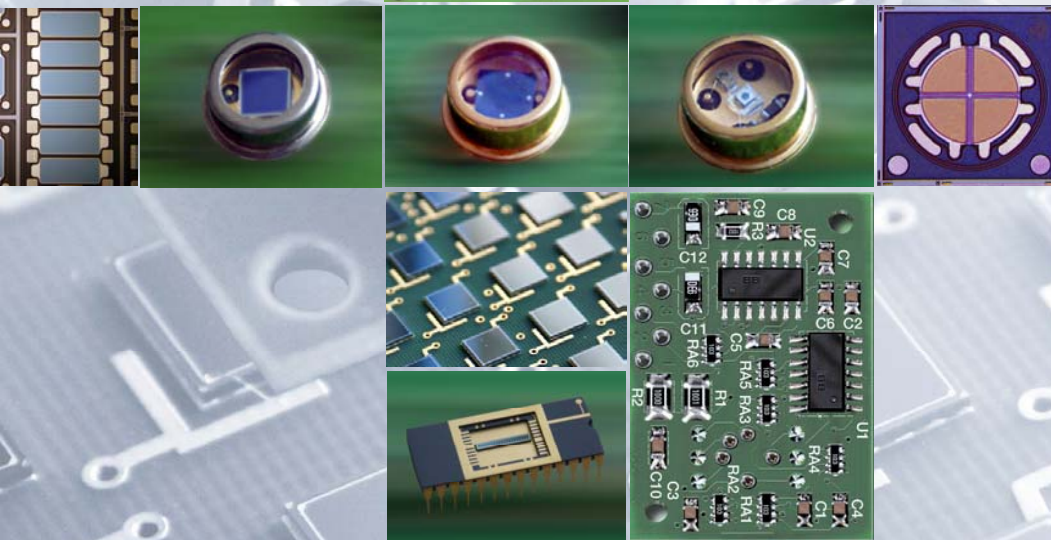


SILICON SENSOR INTERNATIONAL AG



BUSINESS REPORT

for the first nine months
of the 2004 business year
(unaudited)

BUSINESS REPORT III/2004

SILICON SENSOR GROUP

Financial ratios July 01 – Sept. 30, 2004 (third quarter 2004)

	July 01, 2004 - Sept. 30, 2004 TEuro	July 01, 2003 - Sept. 30, 2003 TEuro	Change in TEuro	% Change
Sales revenue	3,300	2,921	379	13
Order backlog	9,004	7,107	1,897	27
EBITDA	564	489	75	15
EBIT	403	173	230	133
Third quarter surplus	236	110	126	115
Third quarter surplus €/individual share certificate	0.10	0.05	0.05	100
Share (basic)	2,258,000	2,250,000	8,000	-
R&D expenditure	47	142	-95	-67
Staff (Sept. 30)	101	104	-3	-3

Financial ratios Jan. 01 – Sept. 30, 2004 (nine-month report 2004)

	Jan. 01, 2004 - Sept. 30, 2004 TEuro	Jan. 01, 2003 - Sept. 30, 2003 TEuro	Change in TEuro	% Change
Sales revenue	10,598	9,195	1,403	15
Order backlog	9,004	7,107	1,897	27
EBITDA	2,349	1,619	730	45
EBIT	1,631	745	886	119
Nine-month surplus	993	531	462	87
Nine-month surplus €/individual share certificate	0.44	0.24	0.20	83
Share (basic)	2,258,000	2,250,000	8,000	-
R&D expenditure	363	462	-99	-21
Staff (Sept. 30)	101	104	-3	-3

Forword

Silicon Sensor continues do grow, triples pre-tax income

*Dear shareholders,
Dear business partners,*

the Silicon Sensor group attained their best result as yet in the first nine month of the 2004 financial year. We are able to report positive business performance. As compared to the same time period in the previous year, turnover rose by 15 % from € 9.2 mn to € 10.6 mn.

EBITDA rose by 45 % from € 1,619,000 (Sept. 30, 2003) to € 2,349,000 (Sept. 30, 2004). The operating result EBIT increased by 119 % from € 745,000 (Sept. 30, 2003) to € 1,630,000 (Sept. 30, 2004). Earnings after interest and taxes could be improved within the first nine month of the financial year 2004 by 87 %, by a profit in the amount of € 531,000 (Sept. 30, 2003) to € 993,000 (Sept. 30, 2004). Earnings per share (€ 0.44) for the period under review rose by € 0.20 on the previous year (€ 0.24 as per Sept. 30, 2003), a performance which is all the more remarkable as it already makes allowance for higher tax expenditure (€ 517,000 as against € 6,000 on Sept. 30, 2003) and a rise (55,000) in the number of shares resulting from the redemption of employee options. At any rate, pre-tax income (€ 1.52 mn as per Sept. 30, 2004) approximately tripled compared with the same period last year (€ 537,000). On a quarterly basis, earnings per share increased by € 0.10 and thus doubled compared with the previous year (€ 0.05 for Sept. 30, 2003).

Orders on hand showed a gratifying improvement of 27 %, from € 7.1 mn (Sept. 30, 2003) to € 9.0 mn (Sept. 30, 2004), while staff levels (101 on Sept. 30, 2004) remained almost unchanged (104 on Sept. 30, 2003).

Production activity has retained its focus on customer-specific products. The main areas of focus continue to be avalanche photodiodes, customer-specific sensor solutions and hybrid circuits.

Business development

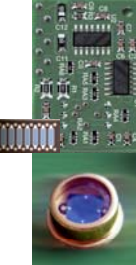
The Silicon Sensor group is specialised manufacturer of opto-electronic sensors (photodetectors) for the recognition and measurement of alpha-, beta-, gamma-, X-ray, UV light and NIR radiation. The Silicon Sensor group at the same time develops and produces highly reliable customer-specific hybrid circuits 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.

Positive operative cash-flow, which has made it possible for the company to achieve growth targets under its own steam, stood at € 2.358 mn on Sept. 30, 2004 and thus more than tripled on the previous year (€ 727,000 as per Sept. 30, 2003). Liquid assets amounted to € 3.307 mn on Sept. 30, 2004, which is almost five times the volume reported for the same date of the previous year (€ 651,000).

According to planning for the coming business years, it can be assumed that for this reason additional growth is certain. The group's liquidity planning is based on continued growth in turnover and positive operating cash flows associated with this growth. 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 near future lays in the American and Asian markets. The successful establishment of Pacific Silicon Sensor Inc. opens up prospects for seeking a larger market share in this segment in future. Organic growth indicates greater acceptance for products made by the Silicon Sensor group on the North American market, where a slow improvement in economic conditions has enabled the subsidiary, Pacific Silicon Sensor Inc., to increase sales by 32 % on the same period of last year, from US\$ 554,000 (Sept. 30, 2003) to US\$ 732,000 (Sept. 30, 2004).

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, availability of new, qualified employees is a key success factor in achieving the realisation of future economic development.

Staff levels in the Silicon Sensor group remained unchanged (101) as against the end of the previous quarter (down from 104 on Sept. 30, 2003).

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 the light of future corporate developments and results reported so far, the group expects solid sales growth overall and at least a doubling of income in 2004 compared with the previous year, as the general economic situation continues to improve gradually.



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 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, November 2004

*The Managing Board
Silicon Sensor International AG*



Dr. Bernd Kriegel



Dr. Hans-Georg Giering



Dr. Edmund Rickus



CONSOLIDATED BALANCE SHEETS

AS OF SEPTEMBER 30, 2004 (IFRS)

Assets	Sept. 30, 2004 € 1,000	Sept. 30, 2003 € 1,000
CURRENT ASSETS		
Cash and cash equivalents	3.307	651
Trade accounts receiveable	1.450	1.482
Inventories	3.563	3.942
Tax assets	0	217
Prepaid expenses and other current assets	363	244
Total current assets	8.683	6.536
NON-CURRENT ASSETS		
Property, plant and equipment	4.826	5.265
Intangible assets	141	184
Goodwill	1.846	1.884
Deferred taxes	35	3
Other assets	23	93
Total non current assets	6.871	7.429
TOTAL ASSETS	15.554	13.965
Liabilities and shareholders' equity		
CURRENT LIABILITIES		
Short-term debt and current portion of long-term debt	647	479
Trade accounts payable	357	287
Advance payments received	170	195
Accrued expenses	177	244
Income tax payable	688	0
Other current liabilities	1.497	1.332
Total current liabilities	3.536	2.537
NON-CURRENT LIABILITIES		
Long-term debt, less current portion	1.557	2.261
Deferred revenues	283	342
Deferred tax liability	261	263
Pension accrual	261	209
Accrued expenses	44	57
Contributions of silent partnerships	383	383
Total non-current liabilities	2.789	3.515
Minority interest	0	19
SHAREHOLDERS' EQUITY		
Share capital	6.915	6.750
Additional paid-in capital	3.192	3.061
Translation reserve	-200	-57
Accumulated deficit	-678	-1.860
Total shareholders' equity	9.229	7.894
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	15.554	13.965

CONSOLIDATED INCOME STATEMENTS

FOR THE FIRST NINE-MONTHS 2004 (IFRS)

	July 01 - Sept. 30, 2004 € 1,000	July 01 - Sept. 30, 2003 € 1,000	Jan. 01 - Sept. 30, 2004 € 1,000	Jan. 01 - Sept. 30, 2003 € 1,000
Revenues	3,300	2,921	10,598	9,195
Other operating income	178	126	369	398
Changes in inventories of finished goods and work in progress	27	-54	-132	-33
Production of own fixed assets capitalized	13	29	72	100
Cost of purchased materials and services	-839	-788	-2,587	-2,677
Personnel expenses	-1,497	-1,210	-4,002	-3,617
Depreciation and amortization on intangible assets, and plant and equipment	-161	- 316	-718	-874
Other operating expenses	-618	-535	-1,969	-1,747
Operating income/loss	403	173	1,631	745
Interest income and expense	-21	-61	-115	-208
Result before income taxes and minority interest	382	112	1,516	537
Income tax	-146	-2	-523	-6
Result before minority interest	236	110	993	531
Minority interest	0	0	0	0
Net income / loss	236	110	993	531
Net income per share (basic)	0.10	0.05	0.44	0.24
Net income per share (diluted)	0.10	0.05	0.43	0.24
Weighted average shares outstanding (basic)	2,258	2,250	2,258	2,250
Weighted average shares outstanding (diluted)	2,288	2,250	2,288	2,250

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FIRST NINE-MONTHS 2004 (IFRS)

	<i>Jan. 01 - Sept. 30, 04</i> € 1,000	<i>Jan. 01 - Sept. 30, 03</i> € 1,000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit / loss	1,631	745
Adjustments for:		
Depreciation and amortization	718	874
Increase / decrease in provisions	-15	128
Earnings from allowance	-2	-95
Losses / gains on the disposal of fixed assets	6	4
Changes in assets not allocable to investing- or financing activities	152	80
Changes in liabilities not allocable to investing or financing activities	43	-872
Paid interest	-152	-212
Paid taxes	-2	-6
Change in net working capital	-21	0
Net cash provided by operating activities	2,358	727
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-314	-510
Proceeds from sale of equipment	21	0
Proceeds from government grants	2	72
Interest	37	5
Net cash used in interesting activities	-254	-433
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	296	0
Proceeds from short or long-term borrowings	400	0
Cash repayments of amounts borrowed	-540	-420
Net cash provided by financing activities	156	-420
Net effect of currency translation in cash and cash equivalents	-18	-48
Net increase in cash and cash equivalents	2,242	-174
Cash and cash equivalents at beginning of period	1.065	825
Cash and cash equivalents at end of period	3,307	651

CHANGE IN EQUITY

FOR THE FIRST NINE-MONTHS 2004

	Number of shares '000	Share Capital € 1,000	Reserves € 1,000	Translation Reserve € 1,000	Retained Earnings € 1,000	Total € 1,000
Dec. 31, 2002	2,250	6,750	3,061	-2,391	-105	7,315
Nine-month surplus				531		531
Net effect of currency					48	48
Sept. 30, 2003	2,250	6,750	3,061	-1,860	-57	7,894

	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
Capital increase against cash contributions	55	65	131			296
Nine-month surplus				993		993
Net effect of currency					-12	-12
Sept. 30, 2004	2,305	6,915	3,192	-678	-200	9,229

SILICON SENSOR INTERNATIONAL AG – GROUP NOTES TO BUSINESS REPORT

FOR THE FIRST NINE MONTHS OF THE BUSINESS YEAR 2004

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 third quarter of the business year 2004 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 2003.



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, 2003

	2004	2005 - 2007	as of 2008
Rent and lease	323	149	0
Premium-oriented pension plans	176	882	1,007
	499	1,031	1,007

As of September 30, 2004

	Oct. 01 - Dec. 31, 2004	2005 - 2007	as of 2008
Rent and lease	83	149	0
Premium-oriented pension plans	44	882	1,007
	127	1,031	1,007

6. Segment information 2004

Segment information is prepared on the following bases:

(1) Custom-designed optical semiconductor sensors and electronics

The Group in this segment essentially develops and manufactures high-end customized silicon sensors which are used in geodesy to survey the earth, and in space research to examine and monitor the blood data and circulatory functions of astronauts. In addition, chips are assembled into complex customer-specific hybrid circuits and packages.

(2) Other product lines

This segment basically deals with clinical sensor applications for the extra- and intra-operative detection of tumor cell clusters. More particularly, the segment is built around semiconductor radiation sensors for industrial and laboratory applications, and PC measuring systems for coating thickness measurement, PET radiochemistry and dosimetry.

	Custom-designed production		Other production		Total	
	Sept. 30, 2004	Sept. 30, 2003	Sept. 30, 2004	Sept. 30, 2003	Sept. 30, 2004	Sept. 30, 2003
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Segment turnover	10,460	8,749	138	446	10,598	9,195
Segment result	1,025	483	-32	48	993	531

Internal statement

Officers held the following (individual) shares in the company as of September 30, 2004:

Dr. Hans-Georg Giering	17,500	(June 30, 2004: 11,000)
Dr. Edmund Rickus	4,000	(June 30, 2004: 0)