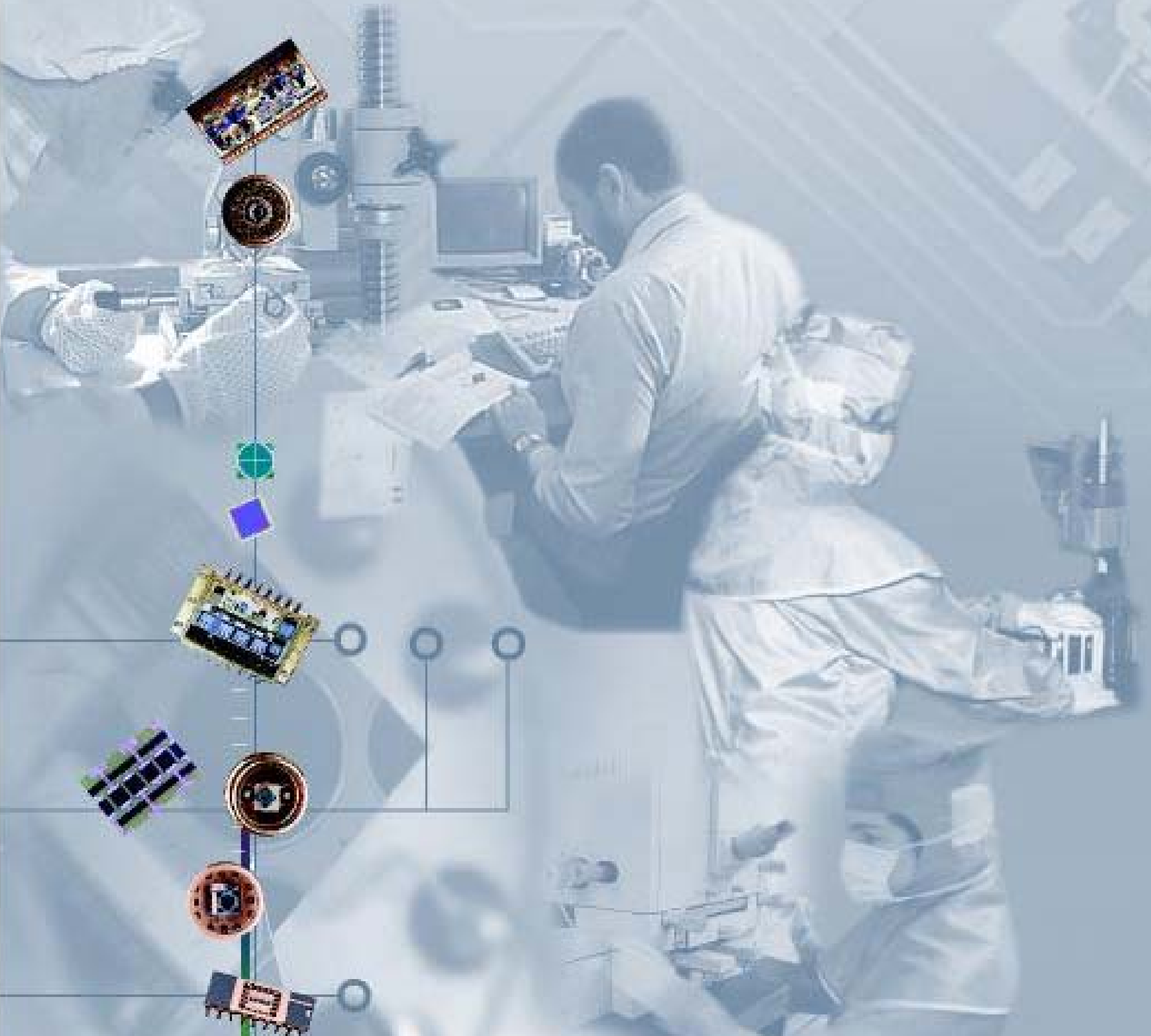
SILICON SENSOR
International AG



BUSINESS REPORT
for the year 2003

SILICON SENSOR INTERNATIONAL AG

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for the Silicon Sensor Group

Financial ratios October 01, 2003 - December 31, 2003 (IV. quarter 2003)

	Oct. 01, 03 - Dec. 31, 2003 TEuro	*Oct. 01, 02 - Dec. 31, 2002* TEuro	*Change in* TEuro	*% Change*
Sales revenue	**2,764**	2,819	-55	-2
Back orders	**8,384**	8,776	-392	-4
EBITDA	**741**	280	461	165
EBIT	**407**	114	293	257
Three-month surplus	**189**	-49	238	
Three-month surplus €/ individual share certificate	**0.08**	-0.02	0.10	
Share	**2,250,000**	2,250,000	-	-
R&D expenditure	**157**	161	-4	-2
Staff (Dec. 31)	**101**	108	-7	-6

Financial ratios Jan. 01, 2003 - Dec. 31, 2003 (twelf-months report 2003)

	Jan. 01, 2003 - Dec. 31, 2003 TEuro	*Jan. 01, 2002 - Dec. 31, 2002* TEuro	*Change in* TEuro	*% Change*
Sales revenue	**11,959**	11,546	413	4
Back orders	**8,384**	8,776	-392	-4
EBITDA	**2,360**	1,857	503	27
EBIT	**1,152**	739	413	56
Twelf-month surplus	**720**	335	385	115
Twelf-month surplus €/ individual share certificate	**0.32**	0.16	0.16	100
Share	**2,250,000**	2,100,000	150,000	7
R&D expenditure	**619**	931	-312	-33
Staff (Dec. 31)	**101**	108	-7	-6

Foreword

by the Management Board

Silicon Sensor set for growth – better earnings create hope for the future

To all shareholders and business associates

In a macroeconomic environment which saw only slow stabilization, the Silicon Sensor group experienced solid growth during the 2003 business year. While sales rose by about 4 % on the previous year, from € 11.55 million to € 11.96 million, profits increased by 115 % as planned, which is good news in testing times.

EBITDA rose 27 % from € 1.857 million (Dec. 31, 2002) to € 2.360 million (Dec. 31, 2003), while operating income - EBIT – increased by 56 % from € 739,000 (Dec. 31, 2002) to € 1.152 million (Dec. 31, 2003). The result after tax and interest improved by 115 % from € 335,000 (Dec. 31, 2002) to € 720,000 (Dec. 31, 2003). Earnings per share were € 0.32 during the period under review, an increase of € 0.16 over the previous period (Dec. 31, 2002: € 0.16).

Recent developments in the U.S. have encouraged expectations that our subsidiary there will make a first positive contribution to group results in the current business year.

The growing demand for high-end sensors expected by customers has not been fully reflected in our order books as yet. Work on hand now amounts to € 8.4 million, an increase of over 18 % on the previous quarter, but on an annual basis has dropped by some 4 % compared with 2002 (€ 8.77 million). Back orders of our U.S. subsidiary more than doubled, which is gratifying to note and seen as clear evidence that our products are being better accepted in North American and Asian markets.

Manufacturing now as before concentrates on user-specific items, some of them requiring enormous development efforts. Customized hybrid ICs, sensor solutions and avalanche photo diodes continue to be major products.

A particular highlight for the group was the launch of "Mars Express", Europe's first mission to Mars whose instruments included HRSC, a High Resolution Stereo Camera. The head of this optoelectronic masterpiece incorporates an electronic system developed and made by Lewicki microelectronic GmbH, a Silicon Sensor subsidiary. Over the next few years, the camera will be used to compile a three-dimensional map of the planet's entire surface. From an altitude of 250 km, it can distinguish details with a size of no more than 2 m. Silicon Sensor takes pride in the statement made by our clients, Deutsches Zentrum für Luft- und Raumfahrt and ASTRIUM GmbH (formerly Dornier), that we have "essentially contributed to the success of the Mars Express mission."

A new proprietary process for through-plated photodiodes (thermo-migration) gave satisfactory results during further testing in the reporting period. The finished product stage will probably be reached in the second half of 2004.

During the period under review, the Silicon Sensor group laid the foundations for sound expansion in the future. The Executive Board expects such growth particularly in optical communication, security engineering and measuring systems where high-level talks about new orders continue with leading clients.

At the same time as presenting business statistics, the Executive Board would like to express their thanks and appreciation to all employees for contributing suggestions and showing a great deal of commitment in their day-to-day jobs, all of which helps the group to prosper. Thanks are also due to the Supervisory Board for their constructive approach and advice relating to everyday business on the one hand, and strategic decisions paving the way for the group's future on the other.

Last but not least, the commitment shown by shareholders is to be appreciated as a major factor at the end of a successful business year which has seen far-reaching decisions designed to secure the future prosperity of Silicon Sensor.

Berlin, March 2004

The Executive Board
Silicon Sensor International AG

Dr. Bernd Kriegel | *Dr. Hans-Georg Giering* | *Dr. Edmund Rickus*

Business development

The Silicon Sensor group specializes in the production of optoelectronic sensors (photodetectors) for identifying and measuring alpha, beta, gamma and X-rays, ultraviolet and visible light, and near-IR radiation. It also develops and manufactures extremely reliable user-specific hybrid ICs and products for microsystem technology. Customers include leading industrial groups and research establishments with production engineering and strategic orientations requiring the outsourcing of highly specialized manufacturing processes.

The group's main activity is in the market for optoelectronic sensors, the key components in a wide range of applications. With this profile, Silicon Sensor is largely independent of business cycles affecting various industrial sectors. Market conditions for these high-end products are generally described as favorable, and so is the future potential for growth.

Silicon Sensor is among a small circle of companies worldwide developing and making optical high-end sensors for exacting requirements. A case in point are Avalanche Photo Diodes (APDs) and Avalanche Photo Diode Arrays which were developed and produced only recently. These products are world leaders when it comes to quality and speed. APDs, for instance, are installed by the group's clients in high-precision proximity sensing systems for a wide range of uses.

Since its establishment, the group has sought to ensure sufficient liquidity for growth and made good progress during the period under review. Operating cash-flow rose by 125 % over the previous year, and liquid assets increased by 29 %, from € 825,000 (Dec. 31, 2002) to € 1.065 million (Dec. 31, 2003). In addition, efforts continued to improve cost structures by utilizing synergistic effects from the interaction of affiliated companies.

Plans for the business years to come are built on sound growth, with cash planning assuming a further increase in sales and a related positive effect on operating cash flows. In the opinion of the Executive Board, current liquidity is sufficient to reach the ambitious targets for growth.

Foreign developments

Once the group's share in the European market has consolidated, the greatest potential for growth will be in North America and Asia. In order to get a foothold in these markets and become an international player, Silicon Sensor has systematically invested in Pacific Silicon Sensor Inc. In a difficult business environment, the U.S. subsidiary did not quite meet expectations and increased its sales by only 5 %, from US$ 733,000 (Dec. 31, 2002) to US$ 766,000 (Dec. 31, 2003). This was due to delays in order placing which meant that products whose shipment was planned for 2003 will only be delivered in 2004. The organic growth which has been achieved is evidence of the growing acceptance of Silicon Sensor products also in North America. The U.S. subsidiary is expected to break even during the 2004 business year, after which a continuous positive contribution to results is foreseen.

Personnel

The SIS group's success derives from the extensive know-how of its employees and over 30 years of experience in the development and manufacture of high-class optical sensors and extremely reliable hybrid ICs. Its economic future will depend not only on the motivation of existing staff but also on the recruitment of new highly skilled personnel.

The utilization of synergistic effects in affiliated companies brought the group's workforce down to 101 at the end of the fourth quarter (from 108 at the end of the 2002 business year).

Prospects

SIS has established itself as a major specialized supplier of optical sensors made to client specifications and high quality standards.

The group foresees growing sales and revenues in almost all subsidiaries, with the greatest increases expected for Pacific Silicon Sensor Inc. and Silicon Sensor GmbH. These profits and those made by other affiliates will hopefully add up to group results in 2004 which are better than those achieved in 2003.

Against this proposed background, and in view of results reported for the first three months the group expects sales and revenues in 2004 to be higher than in the previous year, even though the general economic situation is improving only slowly.

Silicon Sensor's market significance will continue to grow in 2004, with the group's wealth of know-how being utilized as a strategic factor for success in consistently expanding both sales and revenues.

Over the last two business years, Silicon Sensor has widened its clientele, thus reducing its dependence on a number of major customers. At the same time, greater presence in the U.S. and Asian markets will, in the medium term, help to compensate for fluctuations in demand and reduce dependence on big customers in Europe. In targeting these new operating areas, the group hopes to minimize risks arising from macroeconomic developments.

The multifunctional uses of sensors will make them key factors of growth also in future, with the group's development resources providing the basis for high-quality, ambitious and problem-solving optoelectronic systems

Berlin, March 2004

The Executive Board
Silicon Sensor International AG

Dr. Bernd Kriegel Dr. Hans-Georg Giering Dr. Edmund Rickus

Management report

Group Management Report and Management Report of Silicon Sensor International AG for the Financial Year 2003

- ***Sales increase 4 % from € 11.5 million to € 12 million***
- ***EBIT rises 56 % from € 739,000 to € 1.152 million***
- ***Revenues up 115 % from € 335,000 to € 720,000***
- ***Operating cash-flow improves substantially***
- ***Further growth based on extensive use of customized opto-electronic sensors worldwide***
- ***Sound increase in sales/profits expected for 2004***

Accounting procedures

Silicon Sensor International AG (hereafter referred to as SIS) has drawn up consolidated accounts in keeping with standards set by Deutsche Börse AG and, for better comparability at international level, in compliance with IFRS (*International Financial Reporting Standards*).

General economic environment

Whereas general market trends are characterized by sluggish economic growth, VDI (the association of German engineers) has singled out commercial uses of light as a future market. Optical technology already provides about 15 % of all manufacturing jobs, and estimates made by IPM (Fraunhofer Institut für Physikalische Messtechnik) in Freiburg/Germany see 30 % of today's electronic processes replaced by optical techniques in future. While this is partly responsible for the semiconductor industry's dwindling (processor/memory) chip sales, there is no major decline seen in the trade with optical high-end sensors.

The SIS Executive Board believes that the niche market the company has found with user-specific high-end applications will develop favorably in comparison with other business trends because clients will continue to demand such products in their drive to find and provide more innovative uses.

Sales

Continuous sales growth

Consolidated sales have risen by 4 % from € 11.5 million (2002) to € 11.96 million (2003), a development to which nearly all subsidiaries active in the core business contributed. The only exception was Silicon Instruments GmbH whose turnover dropped because orders were transferred to the following financial year. Lewicki microelectronic GmbH achieved the best result since its establishment in 1967, even exceeding the excellent income for the previous year. Silicon Sensor GmbH also reported much improved sales and profits and, more importantly, laid the foundation for continued expansion in the coming years. Silicon Projects GmbH, the group's in-house provider of IT services, met expectations by achieving the same turnover as in the previous year.

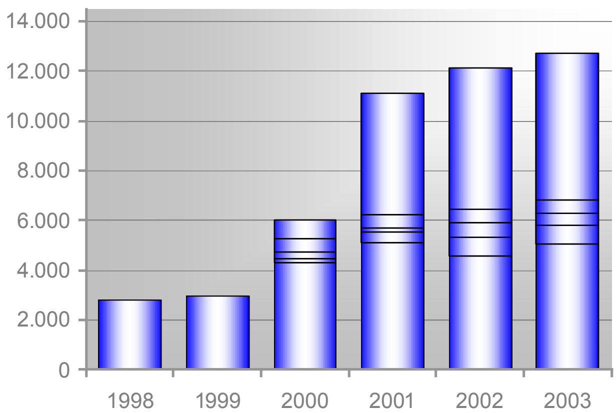
Silicon Sensor GmbH	(+ € 0.492 mn; +11.0 %)
Lewicki microelectronic GmbH	(+ € 0.241 mn; + 4.0 %)
Pacific Silicon Sensor Inc.	(+ € 0.032 mn; + 4.0 %)
Silicon Instruments GmbH Berlin	(- € 0.126 mn; - 21.0 %)
Silicon Projects GmbH	(- € 0.06 mn)

Total sales of the Silicon Sensor Group prior to consolidation in € 1,000

Sales growth (before consolidation) in € 1,000

SALES in € 1,000	2001	2002	2003
Silicon Sensor	5,084	4,566	5,058
Pacific Silicon Sensor	439	720	752
Silicon Instruments	149	592	466
Silicon Projects	562	581	526
Lewicki microelectronic	4,901	5,636	5,858
Total	**11,135**	**12,095**	**12,660**

Sales in € 1,000



Earnings

Consolidated profit and loss statement

€ 1,000	2003	% of Total Output	2002	% of Total Output
Sales	11,959	97 %	11,546	96 %
Total output	**12,374**	100 %	**12,021**	100 %
Cost of materials	-3,289	27 %	-3,364	28 %
Gross margin	**9,085**	73 %	**8,657**	72 %
Personnel expenses	-4,693	38 %	-4,645	39 %
Depreciation & amortization (fixed assets, goodwill)	-1,208	10 %	-1,118	9 %
Other expenses	-2,032	16 %	-2,155	18 %
Operating income	**1,152**	9 %	**739**	6 %
Financial and investment income/expenses	-286	-2 %	-368	-3 %
Consolidated income before tax	**866**	7 %	**371**	3 %
Income taxes	-154	1 %	-31	0 %
Loss attributable to minority interests	8	0 %	-5	0 %
Consolidated net income	**720**	6 %	**335**	3 %

Group results showed a positive trend in the period under review. Pro-rata labor costs and depreciation levels were approximately the same as for the previous year. Consolidated income after taxes almost doubled as a result of higher sales, the use of synergistic effects in affiliated companies, and a better financial result.

Despite an increase in the number of shares from 2,100,000 to 2,250,000 net earnings per share rose by 100 % to € 0.32 (Dec. 31, 2003) compared with the previous year (€ 0.16) and thus exceeded the expectations of analysts who had expected no change.

Investments

Total group capital investment in 2003 amounted to approx. € 0.8 million, resulting in an investment quota of about 7 %.
Investment concentrated on extending the manufacturing base, developing and installing a thermomigration plant, and quality assurance. The aim was to achieve future growth targets while making allowance for risk management and related systems and requirements. Capital spending at the same time will ensure the group's innovation capability in future.

Acquisitions

2003 saw further talks on acquisition, with Silicon Sensor looking for companies that would enable synergistic effects so as to expand its share of the sensor market in the long term. This planning is due to the good experience gained in acquiring and integrating Lewicki microelectronic GmbH, which helped consolidate the group's market standing in the 2003 business year.

State of the Silicon Sensor International AG

Silicon Sensor International AG developed sucessfully throughout the past financial year. Effective on Jan. 1, 2003 the Supervisory Board made Mr. Dr. Rickus a member of the Executive Board. Dr. Rickus at the same time continues as Managing Director of Lewicki microelectronic GmbH so that the two largest affiliates of Silicon Sensor International AG are now represented on the Board by their Directors.
Aggregate results of Silicon Sensor International AG for the business year increased by 62 %, from € 529,000 (Dec. 31, 2002) to € 858,000 (Dec. 31, 2003). Income before tax and interest rose from € 1,048,000 (Dec. 31, 2002) to € 945,000 (Dec. 31, 2003) from € -88,000 (Dec. 31, 2002) to € 1.175 million (Dec. 31, 2003), due to the rise in aggregate results, the good revenues achieved by subsidiaries, and the reduction of miscellaneous operating costs. As the company's loss carryover was consumed during the 2003 business year, another rise in fiscal charges is to be expected in 2004. The Executive Board welcomes the increase in liquid assets from € 17,000 (Dec. 31, 2002) to € 230,000 (Dec. 31, 2003). At the General Meeting, the Managing Board and Supervisory Board of the Company will propose that the net income for the year 2003 of € 1,017,784.04 be carried forward.

The Silicon Sensor share

In contrast to what happened in the previous financial year, Silicon Sensor shares performed better while still lagging somewhat behind the DAX and TecDax. Relative to the average Xetra closing rate, performance was up 18 % in 2003.

Despite favorable corporate performance, unsteadiness of the market in early 2003 caused the share to drop to an all-time low of € 2.08 on March 27, 2003. The highest closing rate was € 4.50 on Sept. 9, 2003 shortly after the result for the first half of 2003 had been announced.

On Nov. 25, 2003 Dr. Bernd Kriegel declared his readiness to sell his 555,000 shares of Silicon Sensor International AG to a strong group of financial investors seeking a long-term stake in the company. Silicon Sensor is thus embarking on a new stage of successful growth, with the Executive Board and Dr. Kriegel agreeing that the new challenges facing the company should be tackled by a wider circle of investors.

To ensure past achievements, break new ground and ensure future expansion, it is desirable for the company to attract even more investors.

After the reporting period, on Feb. 26, 2004 it became known that Dr. Johannes Heidenhain GmbH headquartered at Traunreut/Germany would also sell its shares of Silicon Sensor International AG both at the stock exchange and to the above-mentioned group of investors, so that its holding drops to less than 5 %. Silicon Sensor is thus seeking consistently to widen the circle of shareholders, a policy begun at the end of last year. The free float now stands at about 93 %.

On March 1, 2004 the share price reached a new annual peak of € 6.25.

Share indices (Xetra)

	12/31/ 2003	12/31/ 2002	12/31/ 2001
Share price	4.08	3.45	7.32
Number of shares	2,250,000	2,250,000	2,050,000
Earnings per share	0.32	0.16	0.22
KGV	13	22	33
KUV	0.74	0.67	1.41
Freefloat	1,540,000	754,500	685,500

Group Financing

Consolidated cash-flow statement

Compared with the previous year, cash-flow developed as follows:

€ 1,000	2003	2002	Change
Operative cash flow	1,747	775	+972
Cash flow from investment activities	-587	-445	-142
Cash flow from financing activities	-914	129	-1,043
Foreign currency translations	-6	-6	0
Change in liquid funds	240	453	
Liquid funds at the beginning of the year	825	372	
Liquid funds at the end of the year	1,065	825	

While operating cash-flow again improved substantially, it was on the whole only slightly positive due to funding requirements for new projects, a high investment quota and the consistent repayment of bank borrowings. The Executive Board expects operating cash-flow to increase further in the current fiscal year.

Low liquid funds - liquidity assured

Compared with the end of the previous year, funds increased by € 240,000. Budgeting for the years to come is aimed at sound growth, with liquidity planning for targeted sales growth and related positive operating cash-flows. Exponential strategic expansion in future would require more inputs of equity and borrowed capital.
The Executive Board regards current liquidity as sufficient to achieve growth targets.

Balance sheet structure in 2003

The capital stock shown in the balance as subscribed capital amounted to € 6.750 million on the accounting date, Dec. 31, 2003 consisted of 2,250,000 individual share certificates with an accounting par value of € 3.00.

A resolution adopted by the General Meeting on June 25, 2003 authorized the Executive Board to increase the capital stock, subject to the consent of the Supervisory Board, once or repeatedly by a total of € 3,375,000,00 over a period ending June 24, 2008 through the issue of new individual share certificates made out to bearer (authorized capital).
This means that the authorized capital was € 3,375,000 as per Dec. 31, 2003.

The balance sheet total was € 0.7 million (5 %) less on the accounting date and stood at € 13.9 million. Equity capital on the accounting date showed an increase of € 0.6 million and stood at € 7.9 million (previous year € 7.3 million), which is equivalent to an equity ratio of 57 % (previous year 50 %). The liquidity of the Silicon Sensor group on the accounting date was € 1.065 million (previous year € 825,000).

Employees

On Dec. 31, 2003 Silicon Sensor had a total workforce of 101 worldwide, compared with 108 on Dec. 31, 2002. Of these, 97 were employed in Germany and 4 in other countries.

Product development

The group's basic philosophy is to supply user-specific products, which makes it a provider of technological services in a high-tech environment.
Apart from developing customized solutions, Silicon Sensor GmbH improved its process for making NIR epitaxial avalanche photodiodes (APDs) in 2003. These are the products expected to contribute most growth in future. The company also made progress in the field of array technology.
Lewicki microelectronic GmbH works on a wide range of custom-designed systems for medical, aeronautic and space applications, along with specific security engineering projects.
Pacific Silicon Sensor Inc. has come up with user-friendly system modules for APDs, and position and wavelength-sensitive photodiodes. Its activity in California is built around customized product development.
Silicon Instruments GmbH makes the Handheld Gamma Finder for a collaborator, W.O.M. World of Medicine AG, and is working successfully on a novel positron probe for cancer detection and research projects for sensor applications.

Group R&D expenditure in 2003 was € 0.619 Mio. million, a decrease of about 33 % (2002: € 0.932 million).

Risk Management

As an integral part of its national and international business, Silicon Sensor faces a variety of risks and therefore monitors and controls these activities at all times.

The Executive Board has established the following principles for risk management:

- Value-oriented administration should continuously add to company goodwill and improve the return on assets.

- Operational procedures should be based on decentralized management and generally accepted rules governing internal controls. Subsidiaries, divisions and departments are responsible for their own business process and should work to defined guidelines and standards established by the Executive Board. Related internal activities are illustrated in ISO documents describing process standardization, which should be followed.

- Silicon Sensor has its own standard strategy, planning and budgeting procedures for recording, assessing, monitoring and controlling the business process, which were also followed in 2003. Assistance is provided in the form of continuous market and competition research, and a monthly reporting system gathering data on orders, employment, earnings and the financial situation. The entire cost accounting system is undergoing extensive restructuring and improvement to be continued in 2004.

- The Executive Board and Directors of subsidiaries held quarterly meetings in 2003 to discuss and assess cumulative and individual risks with a view to complete processes and the group as a whole.

- Reporting and checking procedures used within the group give decision-makers the latest information, for instance on trading results, as well as early warnings of changes in the business environment for corrective action to be taken.

Risks regarding the future development of the group

One risk facing the Silicon Sensor group as an international competitor is that manpower needed to ensure planned growth may not be available, or only available at costs which are higher than budgeted. This is true of highly skilled staff in particular.

Proposed expansion of the group calls for constant liquidity, and there are cash reserves to deal with unforeseen developments. Budgeted liquidity during the 2004 business year is ensured particularly by the company's existing credit lines.

The Executive Board sees good development potential for Silicon Instruments GmbH and Pacific Silicon Sensor Inc. Previous investment in these companies was designed to further expansion of the group as a whole. One risk facing Silicon Instruments GmbH is that major clients fail to achieve their own targets for product distribution through existing and improved channels, which would affect the company's profitability.

Silicon Sensor GmbH has successfully continued its work on a thermomigration facility, a world first which is expected to reach the production stage during the second half of 2004. In view of the highly complex technology involved, however, more time than planned may be required before production can start.

Taxation risks could arise from an audit which is still underway if the tax authority should not share the company's view that remissions of debts undertaken by Silicon Instruments GmbH and Pacific Silicon Sensor Inc. to secure their equity bases caused instant losses. In such a case the group would have exhausted its tax loss carry-forward so that a further increase in the tax ratio would have to be expected in 2004.

Favorable trends in worldwide stock markets in the 2003 business year also affected Silicon Sensor's share price. There is currently no major risk of underpricing due to price movement resulting from general market trends, which would substantially restrict Silicon Sensor's future financial margin in terms of steps taken in relation to equity.

Outlook

Development of market environment is very difficult to assess

Cyclical trends in the sensor market and its environment should improve from the second half of 2004. Silicon Sensor's growing sales are primarily due to the customized solutions the company offers. Potential expansion can also be anticipated as a result of product development and further penetration of U.S. markets.

In the 2004 financial year the Executive Board expects first stimuli for greater sales of APDs from a budding and rapidly growing market for Free Space Optics in the U.S.

Silicon Sensor believes the considerable developmental lead achieved in recent years make it particularly well prepared for this market segment.

Order book position

Despite a difficult macroeconomic environment, the group's order backlog has hardly suffered, which is due to reductions, sometimes to a minimum, of the enormous inventory buffers some clients had built for vital components developed and made by Silicon Sensor. This trend stopped toward the end of 2003, and there is now a clear 18 % rise in orders on hand on the previous quarter. Compared with the previous year, the group's order backlog was 4 % less at the end of 2003 and stood at € 8.384 million (2002: € 8.776 million).

Acquisitions on a moderate level

Silicon Sensor will consider buying more companies as required, once previous acquisitions have been integrated into the group. As before, such purchases will be made according to in-house rules for optimizing shareholder value.

Statements on future developments

To the extent possible today, the group's planning for the coming financial year has made allowance for uncertainties in future economic trends such as changes in the economic environment, competition, the acceptance of products, processes and the company image in the market, partial dependence on clients and suppliers, and changes in par rates of exchange.

Expectations in subsidiaries

The group foresees better sales and revenues in almost all affiliates, the highest increases being expected for Pacific Silicon Sensor Inc. and Silicon Sensor GmbH. The other subsidiaries, too, will make profits so that consolidated results for 2004 can be expected to surpass those of 2003.

Expectation for the Group

In view of the group's proposed future development and results reported for the first quarter of 2004, another increase in sales and profits is anticipated for the year as a whole. A positive result is expected from ordinary activities as a result of all the proposed measures described above.

Berlin, March 25, 2004

The Executive Board
Silicon Sensor International AG

Dr. Bernd Kriegel Dr. Hans-Georg Giering Dr. Edmund Rickus

Consolidated Balance sheets

as of December 31, 2003 and 2002 (IFRS)

A S S E T S	*Note*	***Dec. 31, 2003*** *TEuro*	***Dec. 31, 2002*** *TEuro*
CURRENT ASSETS			
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	*5*	1,065	825
Trade receivables	*6*	1,181	1,339
Inventories	*7*	3,765	4,139
Prepaid expenses and other	*8*	596	457
Total current assets		**6,607**	**6,760**
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	5,193	5,452
Intangible assets	*10*	178	260
Goodwill	*10*	1,846	2,000
Deferred tax assets	*25*	22	12
Other non-current assets		22	114
Total non-current assets		**7,261**	**7,838**
TOTAL ASSETS		**13,868**	**14,598**

Consolidated Balance sheets

as of December 31, 2003 and 2002 (IFRS)

LIABILITIES AND EQUITY	*Note*	***Dec. 31, 2003*** *TEuro*	***Dec. 31, 2002*** *TEuro*
LIABILITIES			
Liabilities			
CURRENT LIABILITIES			
Short-term loans	*13*	1,027	957
Trade payables		301	651
Advance payments received		125	380
Provisions	*11*	222	201
Other accounts payable	*12*	1,271	1,158
Total current liabilities		**2,946**	**3,347**
NON-CURRENT LIABILITIES			
Long-term debt	*14*	1,697	2,681
Employee benefits obligations	*15*	229	187
Provisions	*11*	46	41
Deferred tax liabilities	*25*	261	272
Deferred income		354	364
Contributions of silent partnerships		383	383
Total non-current liabilities		**2,970**	**3,928**
Minority Interests		**0**	**8**
EQUITY			
Share capital	*16*	6,750	6,750
Reserves	*17*	3,061	3,061
Translation reserve		-188	-105
Retained earnings		-1,671	-2,391
Total Equity		**7,952**	**7,315**
TOTAL LIABILITIES AND EQUITY		**13,868**	**14,598**

Consolidated Income Statements

for the fiscal year 2003 and 2002 (IFRS)

	4 th quarter Oct. 01, 2003 - Dec. 31, 2003 TEuro	4 th quarter Oct. 01, 2002 - Dec. 31, 2002 TEuro	Note	Twelf-months report Dec. 31, 2003 TEuro	Twelf-months report Dec. 31, 2002 TEuro
	*	*			
Ordinary activities					
Sales	2.764	2.819	18	11.959	11.546
Other operating income	51	44	19	449	357
Increase / decrease in finished goods and work-in-process	-172	-463	20	-205	-29
Own work capitalised	71	61		171	147
Cost of raw materials, supplies and purchased services	-612	-659	21	-3.289	-3.364
Personnel expenses	-1.076	-1.074	22	-4.693	-4.645
Depreciation and amortisation costs on intangible assets, and plant and equipment	-334	-166	9,10	-1.208	-1.118
Other operating expenses	-285	-448	23	-2.032	-2.155
Results of ordinary activities	**407**	**114**		**1.152**	**739**
Interest income / expenses	-60	-93	24	-268	-356
Exchange gains	35	9		35	9
Exchange losses	-53	-21		-53	-21
Results before tax and minority interest	**329**	**9**		**866**	**371**
Income tax	-148	-83	25	-154	-31
Results before minority interest	**181**	**-74**		**712**	**340**
Minority interest	8	25		8	-5
Consolidated net profit / loss	**189**	**-49**		**720**	**335**
Basic and diluted earnings per share:	**0,08**	**-0,02**	26	**0,32**	**0,16**
Number of shares used for the calculation of basic and diluted earnings per share (in thousend)	2.250	2.100		2.250	2.100

* 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

for the fiscal year 2003 and 2002 (IFRS)

	Jan. 01 - Dec. 31, 2003 *TEuro*	***Jan. 01 - Dec. 31, 2002*** *TEuro*
Operating income/loss	1.152	739
Adjustments to reconcile the consolidated profit/ loss with cash flows from operating activities		
Depreciation of intangible assets and property, plant and equipment	1.208	1.118
Income from contributions	-193	-136
Loss on the disposal of assets	3	5
Changes in provisions	67	-852
Changes in assets not allocable to investing- or financing activities	275	25
Changes in liabilities not allocable to investing or financing activities	-522	222
Interest payments	-243	-346
Cash flow from operating activities	**1.747**	**775**
Investments in intangible assets and property, plant and equipment	-759	-750
Proceeds from the disposal of intangible assets, property, plant and equipment	5	5
Proceeds from government grants	160	294
Interest income	7	6
Cash flow from investing activities	**-587**	**-445**
Proceeds from issuance of share capital	0	900
Proceeds of loans	-914	-771
Cash flow from financing activities	**-914**	**129**
Net effect of currency translation on cash and cash equivalents	**-6**	**-6**
Net increase in cash and cash equivalents	**240**	**453**
Cash and cash equivalents at beginning of year	825	372
Cash and cash equivalents at end of year	1.065	825

* For composition and trend of financial resources we refer you to note 5.

Consolidated Statement of changes in equity

for the years ended December 31, 2003 and 2002 (IFRS)

	Number of Shares '000	Share Capital TEuro	Reser-ves TEuro	Retained earnings TEuro	Retained Earnings TEuro	Total TEuro
Balance at December 31, 2001	**2.050**	**6.150**	**2.761**	**-2.726**	**14**	**6.199**
Increase in share capital through issue of new shares	200	600	300			900
Curreny translation differences					-119	-119
Net profit for the year				335		335
Balance at December 31, 2002	**2.250**	**6.750**	**3.061**	**-2.391**	**-105**	**7.315**
Curreny translation differences					-83	-83
Net profit for the year				720		720
Balance at December 31, 2003	**2.250**	**6.750**	**3.061**	**-1.671**	**-188**	**7.952**

Notes to consolidated accounts
as per Dec. 31, 2003 (IFRS)

1. General

Silicon Sensor International AG, Berlin (hereafter referred to as 'SIS' or 'the company') and its subsidiaries are active in sensor manufacture and microsystem technology, with the accent on the development, manufacture and distribution of user-specific optical semiconductor sensor systems of all types, and the development and production of hybrid ICs. Several affiliates of the group are active in the market as independent business units. Pacific Silicon Sensor Inc. (hereafter referred to as 'PSS'), apart from developing and packaging customized optical sensors, essentially distributes sensor chips and systems of all types in the North American and Asian markets. Silicon Projects GmbH mainly provides IT support and/or assists distribution via an Internet platform. With affiliates utilizing synergistic effects on a larger scale, the average workforce was reduced from 108 to 101 during the 2003 financial year. The SIS group is headquartered at Ostendstraße 1 in Berlin/Germany.

2. Consolidated accounts conforming to § 292a paras. 1 and 2 HGB

SIS has exercised the right granted under § 292a paras. 1 and 2 HGB to draw up consolidated accounts for the SIS group in conformity with international accounting standards. Consolidated accounts as per Dec. 31, 2003 were therefore made up as required by the International Accounting Standards Board (IASB), i.e. according to International Financial Reporting Standards (IFRS).

Compliance of consolidated accounts with the 7th EU Directive as required for exemption from consolidated reporting requirements under German commercial law was achieved by interpreting the Directive in terms of DRS 1 "Befreiender Konzernabschluss nach § 292 a HGB“ ('Exempting consolidated accounts pursuant to § 292 a HGB'). The consolidated annual report was drawn up in conformity with § 315 HGB.

Differences between IFRS and reporting requirements under German commercial law relate to the following:

- Under German law, deferred tax is assessed in relation to time differences, including semi-permanent differences, provided it has originated in a manner affecting net income and its release leads to future tax burdens or benefits. IFRS require deferred tax to be assessed in the balance for temporary differences between the taxable value of a property item and a debt relative to the book value. Temporary differences thus are more widely interpreted than time differences.

- One difference from German accounting rules is that losses of a consolidated subsidiary apportionable to minority interests are first assigned to the majority shareholders if these proportional losses exceed the subsidiary's equity ratio. The excess amount and any other loss apportionable to minority interests then will be no longer offset against minority interests in the consolidated accounts. This basically prevents the formation of a negative compensating item. If the subsidiary later shows a profit, then the full profit will be apportioned to the majority interests until the part of the minority shareholder's loss assumed earlier by the majority shareholder has been offset.

- Under applicable IFRS rules, provisions for the pension fund should be valued with the 'Projected Unit Credit Method'. German law provides for choice of a method, including components-based tax calculation. This leads to differences in the amount of provisions for the pension fund. In addition, regulations differ on the treatment of actuarial profits and losses, changes to plans, working times required in past periods, and plan assets.

- Under IFRS, receivables and payables in foreign currencies are converted at the rate applicable on the accounting date. Exchange profits and losses from conversion are shown as they affect the current result in the profit and loss statement. In German law, the minimum value principle applies to receivables and the maximum-value method to payables. The monetary differences resulting from a long-term debt SIS has to pay PSS will be shown directly as equity in a form not affecting the operating result because the debt is part of SIS's net investment in PSS due to its long-term nature.

- Under IFRS assets and debts in a company statement should be subdivided into short and long-term groups.

  German accounting rules differ substantially from IFRS in that they specify a division of assets into fixed assets and current assets only on the active side of a balance sheet.

3. Representation of accounting and valuation methods

Major accounting and valuation principles used in drawing up consolidated accounts for SIS include the following:

Form of representation

Consolidated accounts are drawn up on the basis of historical or production costs. It is the Executive Board's duty, in this connection, to make estimates and assumptions to the best of its knowledge at the time, where these affect the value of assets and liabilities shown, data on contingent claims on the accounting date, and revenues and expenses for the reporting period. Actual results may later differ from these estimates.

Accounting currency

This is € 1,000.

Consolidation policy

Consolidated accounts for the group cover SIS and the companies it controls by directly or indirectly having over 50 % of the votes deriving from a company's subscribed capital and/or being able to control the financial and business policies of a company in such a way as to profit from its activities. The equity apportionable to minority shareholders and related accounting profits are shown separately in the balance sheet and profit and loss statement.

The acquisition method is used for companies that were purchased. Companies acquired in past years are included in the consolidated accounts from the date of purchase.

Services rendered by one affiliated company of the SIS group to another, and vice versa, and interim profits and losses, are eliminated. The financial statements of companies included in the consolidated accounts for SIS are based on standard accounting and valuation principles. Individual statements for subsidiaries are drawn up as per the accounting date. First-time consolidation takes place on the date of initial consolidation based on interim statements.

Cash and cash equivalent

Cash consists of cash assets and deposit money in banks.

Inventories

Raw materials and supplies used to manufacture inventories are not written down to a value below their initial or manufacturing costs if the finished products into which they are incorporated can presumably sold at or above production costs. In this connection, allowance is to be made for selling costs incurred. If, however, a decrease in the prices of these materials suggests that the production costs of the finished product will be above the net sale value, then the materials will be devalued to the net sale value.

In these circumstances the replacement costs of the materials may be the best available basis for determining their net sale value.

Work in progress and finished goods are valued at production costs or the lower market value. Production costs include direct personnel costs, material costs and the apportionable share of production overheads. Interest on borrowed capital is not activated. Obsolete and low-turnover items are reasonably revalued.

Accounts receivable

These are shown at depreciated historical costs following individual value adjustment for delinquent receivables.

Financial instruments

Financial assets and liabilities in the balance sheet include cash and cash equivalent, trade debtors, accounts payable, other assets and liabilities and long-term loans.

As the majority are assets and liabilities extended by the company, and loans which bear interest at market rates, these are shown at depreciated historical costs.

Tangible assets

These are shown at historical and production costs less accumulated depreciation. Interest on borrowed capital is not activated. Where tangible assets are retired, the historical costs and accumulated depreciation are taken out of the books and a profit or loss from retirement is recorded as effecting the current result.

Depreciation follows the straight-line method according to plan over the following years of service life.

Buildings	25 Yrs.
Plant and machinery	4 – 10 Yrs.
Other fixtures and fittings, tools and equipment	1 – 10 Yrs.

Regular checks on service life and depreciation methods make sure that economic benefit is in keeping with periods of depreciation.

Tangible assets in course of construction are activated at historical and production costs and depreciated from the date of completion and commissioning. Production costs include full production-related costs and prime costs and overheads incurred through work done by the company's own staff in the construction of plant, machinery, fixtures and fittings.

Maintenance and repair expenses are basically shown as affecting costs in the profit and loss statement.

Intangible assets

The SIS group activates intangible assets

(a) if the company is the equitable owner due to past events;
(b) if they are assumed to yield an economic benefit for the company in future; and
(c) their costs can be reliably determined.

This applies where an intangible asset has been acquired externally. Internally produced intangible assets are shown at the incurred directly apportionable development costs provided all requirements specified in IAS 38.45 are met. Overheads which are necessarily incurred in producing the asset and can reasonably and progressively be apportioned to it are also activated. Cost activation ends when the product has been finished and generally released. IAS 38.45 specifies the following six requirements for activating development costs, which have all been fully met in the cases in question:

1. Technical feasibility of finishing the asset so that it becomes available for internal use and/or sale;
2. An intention to finish the intangible asset for use or sale;
3. A capacity to use or sell the intangible asset;
4. Proof of expected economic benefit;
5. The availability of adequate technical, financial and other resources for completing development and using or selling the intangible asset; and
6. The company's ability to reliably assess the expenses apportionable to the asset during development.

Intangible assets are shown at historical costs less accumulated depreciation and expiration. Pursuant to IAS 38 intangible assets are evenly depreciated over their estimated useful life, from the date of utilization. The depreciation period and schedule are reviewed at the end of each financial year.

(a) Software

New software is activated at its historical cost and shown as an intangible asset if these costs are not an integral part of the related hardware. Software is written off over 3 - 4 years using the linear method.

(b) Goodwill

This denotes the surplus of the historical cost of a company's shares over the portion of market values to be attached to the related assets by the acquiring company on the date of the transaction, less debts, and is shown as an asset in the balance sheet. Goodwill is shown at historical costs less accumulated depreciation and expiration and to be written off over its expected useful life using the linear method. The depreciation period reflects the estimated useful life during which the economic benefit from the utilization of goodwill accrues to the company.

Due to the specific circumstances of the purchase the period of depreciation is set at 15 years on the acquisition date. The residual value after depreciation is to be reviewed for its future economic benefit on each accounting date. If there are indications of reduced goodwill, the obtainable amount is determined for the cash-generating unit to which goodwill is apportioned. If the book value is greater than the obtainable amount, value readjustment is performed.

(c) R&D costs

As requirements were not met, no R&D costs were activated in 2002 or 2003. Development costs affecting expenses amounted to € 600,000 in 2003 and € 932,000 in 2002.

(d) Permanent depreciation of long-term assets

Tangible and intangible assets are reviewed for possible depreciation whenever events or changes in external circumstances suggest that the value to be attached to the asset on the accounting date will be permanently below its book value. Where the book value of an asset exceeds the lower value attached, depreciation is shown for tangible and intangible assets estimated at historical or production costs. The value to be attached is the greater amount resulting from the net sale price and the utility value. The net sale price equals the amount obtainable by selling the asset in a normal transaction involving two competent parties. The utility value equals the cash value of the estimated future cash-flow to be expected from permanent use of an asset and its sale at the end of its useful life. The obtainable amount is to be estimated for each individual asset or, where this is impossible, for the smallest identifiable cash-generating unit.

Depreciations made in previous years are canceled in the presence of substantial evidence that depreciation no longer applies to the asset or has reduced. Such cancellation is shown as a profit.

Operating lease

This is a lease where the lessor retains basically all property-related risks and opportunities. Related payments are to be shown as expenditure in the profit and loss statement in a linear procedure over the duration of the lease.

Accrued liabilities

These are shown pursuant to IAS 37 for obligations whose due dates or amounts are uncertain. An accrued liability should be shown exclusively in cases where

(a) a current (legal or actual) obligation for the company has arisen from a past event,

(b) it is probable (with more aspects speaking in favor than against) that meeting the obligation requires a drain of economically beneficial resources, and

(c) the amount of the obligation can be reliably estimated.

The amount shown as an accrued liability on the accounting date represents the best possible estimate of the expenditure necessary to meet the obligation, i. e. the amount the company would have to pay on closer examination to meet the obligation on the accounting date or transfer payment to a third party.

Long-term provisions are discounted if their effect is essential.

Contingent liabilities shown in the notes are for obligations which may result from past events and depend on the (non)occurrence of one or more uncertain future events that are not fully under the company's control. They may also be due to a present obligation which derives from past events but has not been recorded because

(a) a drain of economically beneficial resources is not probable if the obligation is met; or

(b) the amount of the obligation can not be estimated with sufficient reliability.

No contingent liability is shown if the probability of a drain of economically beneficial resources from the company is low.

Liabilities

These present (legal or actual) obligations of a company which have resulted from a past event and, if met, will probably cause a drain of economically beneficial resources are shown as liabilities at accumulated historical costs unless they can be included under accrued liabilities.

Benefits to employees

Performance-oriented plans

The group provides a performance-oriented pension plan for a member of the board. To determine pension obligations and expenditures, a cash procedure for accrued pension rights is used which provides for an extra proportion of the final benefit entitlement to be earned each year the employee is in the service of the company. Each of these modules is separately assessed, and all eventually make up the final obligation. When a new scheme starts or an existing one is improved, remaining working time to be apportioned is spread in a linear procedure over the average period prior to non-forfeiture of the accrued pension rights affected by the change of plan. To the extent that these rights are non-forfeitable immediately after the introduction of a plan, or changes to it, the working time to be apportioned is shown immediately as affecting income. Profits or losses from a reduction or discharge of pension benefits are shown as affecting income on the date of reduction or discharge. Actuarial profits or losses are fully shown as revenue and as affecting income. Pension obligations are determined at the cash value of estimated future cash-flows using a discount rate close to the rate of interest on government bonds whose currency and life correspond to the currency and estimated period of the performance-oriented obligation.

Contribution-oriented plans

In addition to the performance-oriented plans described there are contribution-oriented plans for two board members in the form of pension commitments undertaken by an inter-company pension fund to which the company pays fixed monthly contributions. Such group expenditures are offset each year with an effect on income. The same applies to expenditure for public pension schemes.

Foreign currencies

(a) Foreign currency business

Here the foreign currency amount is converted into the accounting currency at the exchange rate applicable on the transaction date. Translation gains or losses from winding up currency items at exchange rates differing from those originally shown for the period and/or conversion on the accounting date at the day's rate are to be shown as an expenditure or revenue for the period in which they originated.

(b) Foreign subsidiaries

All consolidated foreign subsidiaries of SIS are regarded as economically independent foreign business units as they are financially, economically and organizationally autonomous. Their accounting is done in the national currencies, their balance sheets being converted on the accounting date. Profit and loss statements are converted at the average exchange rate. Any translation gains or losses are to be shown as equity and as not affecting the operating result until the net investment has been sold.

Stock options

Options for buying capital stock of the SIS group have been granted to employees and managers.

On granting such options, the resulting obligations and costs are not shown as personnel expenditure in the profit and loss statement. At the time an option is exercised, payments received are shown as equity.

Payments from public funds

These are systematically shown as revenue for the period in which the company incurred the expenditure relevant to the granting of the payment. Payments received are shown as deferred credits in the balance sheet. Revenue from winding up a deferred credit are offset against relevant expenditure.

Sales realization

Sales are realized pursuant to IAS 18 provided the following requirements have been met in a cumulative procedure:

(a) The SIS group has transferred the major risks and opportunities relating to ownership of goods and products sold to the buyer.

(b) The SIS group retains neither a continuing right of disposal as is usually connected to an economic interest, nor effective control over items and titles sold.

(c) The amount of revenue can be reliably determined.

(d) It is reasonably probable that the economic benefit from the sale will accrue to the company.

(e) Any costs incurred or to be incurred in connection with the sale can be reliably determined.

In keeping with the principle of allocating revenues and expenses to applicable accounting periods described in IAS 18, revenues and expenses relating to the same transaction or other event are shown simultaneously.

Earnings tax

Taxes on profits and revenue depend on the amount of tax payable with allowance made for current results and deferred tax as calculated with the liability method. Deferred earnings tax reflects the taxation effects of differences (limited in time) between the book value of an asset or liability in the financial statement and its value in the tax statement. Deferred tax claims and liabilities are determined using tax rates expected for the period during which an asset is realized or a liability discharged. Deferred tax liabilities are rated with allowance made for the company's expectations as to whether or not tax items can be realized as per the accounting date.

Deferred tax claims and liabilities are shown regardless of the point in time at which temporary differences may reverse.

Active deferred tax on loss carried forward is activated only if there is sufficient probability that it may be utilized through future taxable earnings. The SIS group shows a deffered tax claim not previously shown in the balance sheet to the extent that there is a probability of future taxable income making it possible to utilize that claim. Conversely, a deferred tax claim is reduced to the extent that it is no longer probable for sufficient taxable income to be available to utilize that claim in whole or part.

Deferred tax liabilities are to be shown for all taxable temporary differences provided they do not derive from a transaction value whose depreciation is not deductible for tax purposes.

Segments

Business segments: For better control and similar to the previous year, the group was divided into two operating areas for worldwide activities during the 2003 business year. These provide the background for presenting vital information. Financial data on business and geographic segments is provided in item 29.

Transactions between segments: Incomes, expenses and results given for segments involve transfers between divisions and geographic segments which are shown at general market prices as charged to non-affiliated customers. These transfers have been eliminated for consolidation.

Events after the accounting date

Events leading to adjustment are shown in the balance sheet if they provide additional information concerning the company's situation on the accounting date. Events which do not cause adjustment are mentioned in the notes if they are essential.

Release for publication

In a meeting on March 25, 2004 the SIS Executive Board agreed to hand over the consolidated accounts as per Dec. 31, 2003 to the Supervisory Board.

4. Changes in group structure

No such changes were made during the 2003 financial year.

5. Cash

	2003	2002
	€ 1,000	€ 1,000
Check	0	71
Cash on hand	4	8
Bank deposits	1,061	746
	1,065	**825**

6. Trade debtors

	2003	2002
	€ 1,000	€ 1,000
Trade debtors	1,196	1,357
Less value adjustments on delinquent receivables	-15	- 18
	1,181	**1,339**

During the year value adjustments were made on receivables worth € 16,000 (previous year: € 2,000).

7. Inventories

	2003	2002
	€ 1,000	€ 1,000
Finished goods and goods for resale at sale value, net	186	175
at historical/production value	691	705
Subtotal	877	880
Work in progress at sale value, net	396	267
at production value	1,813	2,193
Subtotal	2,209	2,460
Raw materials and supplies at historical costs	679	799
Total	3,765	**4,139**

Value adjustments made on inventories as per accounting date amounted to a total of € 1.003 million(2002: € 1.160 million).

8. Accruals and other short-term assets

	2003	2002
	€ 1,000	€ 1,000
Accruals	192	186
Tax refund claims	213	213
Others	191	58
	596	**457**

9. Tangible assets

	Land and buildings	Plant and machinery	Tools and equipment	Payments on account/ tangible assets in course of construction	2003 Total	2002 Total
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Historical costs						
Jan. 1, 2003	**3,398**	**4,367**	**2,736**	**811**	**11,312**	**10,689**
Additions	3	258	161	281	**703**	698
Disposals	0	14	0	2	**16**	18
Rebookings	0	930	2	-932	**0**	0
Monetary differences	0	-22	-30	0	**-52**	-57
Dec. 31, 2003	**3,401**	**5,519**	**2,869**	**158**	**11,947**	**11,312**
Accumulated depreciation						
Jan. 1, 2003	**1,106**	**2,810**	**1,944**	**0**	**5,860**	**5,036**
Depreciation	110	567	243	0	**920**	850
Disposals	0	6	0	0	**6**	8
Monetary differences	0	-7	-13	0	**-20**	-18
Dec. 31, 2003	**1,216**	**3,364**	**2,174**	**0**	**6,754**	**5,860**
Net book value	**2,185**	**2,155**	**695**	**158**	**5,193**	**5,452**

Plant, machinery, fixtures and fittings of Silicon Sensor GmbH (hereafter referred to as „SSO") were pledged as security for short-term loans (see Note 13).

No unscheduled depreciation was set off during the 2003 and 2002 financial years.

10. Intangible assets, goodwill

	Software	Goodwill	2003 Total	2002 Total
	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Historical costs				
Jan. 1, 2003	**631**	**2,324**	**2,955**	**2,907**
Additions	56	0	56	52
Currency differences	-5	0	-5	**-4**
Dec. 31, 2003	**682**	**2,324**	**3,006**	**2,955**
Accumulated depreciation				
Jan. 1, 2003	**371**	**324**	**695**	**427**
Depreciation	134	154	288	268
Currency differences	-1	0	-1	0
Dec. 31, 2002	**504**	**478**	**982**	**695**
Net book value	**178**	**1,846**	**2,024**	**2,260**

Goodwill as per Dec. 31, 2003 relates to Lewicki microelectronic GmbH of Oberdischingen/Germany (hereafter referred to as LME). In the financial year 2000 SIS bought all shares of LME. Since the purchase price exceeded the value of LME's equity capital, SIS showed both goodwill and the value of the firm, both to be depreciated over a 15-year period.

No unscheduled depreciation was set off during the 2003 and 2002 financial years.

11. Accrued liabilities

	Warranty	Other	Total
	€ 1,000	€ 1,000	€ 1,000
Dec. 31, 2002	**204**	**38**	**242**
Additions	156	40	196
Liquidation	0	0	0
Consumption	132	38	170
Dec. 31, 2003	**228**	**40**	**268**
Short-term	182	40	222
Medium/long term	46	0	46
Dec. 31, 2003	**228**	**40**	**268**

The warranty provisions made for repairs and the replacement of defective products are based on sales volume and empirical values.

Warranty provisions are expected to be taken up within the legal 2-year warranty period.

12. Other short-term liabilities

	2003	2002
	€ 1,000	€ 1,000
For wages/salaries	488	511
For sales tax	99	125
For social security	84	85
For wage/church tax	79	57
Other	521	380
	1,271	1,158

13. Short-term loans

		2003	2002
		€ 1,000	€ 1,000
Collateralized			
Bank loan	5.00 % interest	67	0
	5.60 % Interest	266	0
	6.90 % Interest	186	0
	7.50 % Interest	0	299
	7.75 % Interest	438	370
	8.25 % Interest	70	288
Total, short-term loans		1,027	957

Short-term loans include the short-term portion of long-term loans, bear fixed interest and are collateralized by transfer of ownership, by security, of fixed assets having a book value of € 2.275 million (previous year: € 2.357 million). As regards collateral for the short-term portions of long-term loans see Note 14.

14. Long-term interest-bearing loans

	2003	2002
	€ 1,000	€ 1,000
Collateralized		
Bank loan, 6.90 % interest, due in 2005	197	556
Bank loan, 5.60 % interest, due in 2009	1,201	1,700
Bank loan, 5.00 % interest, due in 2009	299	425
	1,697	2,681

The collateral for long-term loans comes from pledged interests in LME and a registered land charge. The net book value of LME assets and debts in the consolidated accounts is € 4.646 million (previous year: € 4.720 million), the land charge is € 1.380 million (previous year: € 1.380 million).

15. Obligations for benefits to employees

Pension plans

The company has made a pension commitment to a board member, contribution-oriented commitments exist for two other board members.

The amount of benefits for the pension commitment which still continues to exist on the accounting date depends on years of service and salary in each case. Provisions are made for pensions covering payable benefits in the form of old age, disability and survivor's pensions.

Provisions for pensions were determined on the basis of actuarial principles using an accrued pension right cash value procedure.

The amount of the expected pension obligation accrued in the balance sheet was € 229,000 on the accounting date, Dec. 31, 2003 (previous year: € 187,000).

Pension expenses contained in personnel expenditure can be subdivided as follows:

	2003	2002
	€ 1,000	€ 1,000
Current working hours reqd.	11	27
Recorded actuarial net profits/losses	20	-50
Interest costs on obligations	11	21
Revenue from waiving existing commitments	0	-246
Total pension expenses (revenues)	**42**	**-248**

Movement within the obligation shown in the balance sheet is as follows:

	2003	2002
	€ 1,000	€ 1,000
Net liabilities at the beginning of the year	187	435
Pension expenses covered in profit/loss statement	42	-248
Net liabilities at year's end	**229**	**187**

The following basic actuarial assumptions were used to determine pension obligations as per Dec. 31, 2003 or 2002:

	2003	2002
	%	%
Discount rate	5.35	6.0
Pension adjustments	2.0	2.0
Future wage/salary rises	2.0	2.0

The rights under an insurance contract are shown as an asset because the company itself is the party insured.

The value to be attached to the insurance claim was € 95,000 as per Dec. 31, 2003 (previous year: € 86,000). It is shown on the balance sheet under other short-term assets as it is to be settled at short term in future.

Apart from payments of € 257,000 into public pension schemes (2002: € 243,000) the company also pays into contribution-oriented schemes for two SIS board members at a rate of € 177,000 (2002: € 172,000).

Stock option plan

Stock option plans drawn up in 2001 (SOP 2001) and 2002 (SOP 2002) provide for granting options on capital stock to employees and members of the SIS Executive board. In this connection, the exercise price per share equals the market price of these shares at the Frankfurt stock exchange for a 5-day period prior to granting the options. The longest period for an option is 5 years.

Shares bought after exercising an option have full voting and dividend rights.

Stock options may only be exercised after a waiting period of two years from the date of issue, and subject to these conditions:

(a) As a condition for exercising option rights, the exercise hurdle must have been reached at least once over a period of 6 weeks prior to exercise ("exercise window"). The hurdle is reached if the closing price of the company's share in XETRA trading (or a comparable follow-up system) exceeds the average exercise price by more than 10 % on five successive trading days (SOP 2001, SOP 2002) or the performance of the company's share over a period from granting the stock option until the date on which an exercise window opens exceeds the average performance of all shares in the NEMAX ALL SHARE Index (or a comparable follow-up index - the NEMAX ALL SHARE was discontinued in March 2003) by at least 5 % in the same period. The exercise hurdles were not reached prior to Dec. 31, 2003.

(b) Option rights may not be exercised in the two weeks preceding the announcement of quarterly results, and in the period from the end of the financial year until the announcement of annual results (holding periods). This also applies if an exercise window should open during holding periods.

During the 5-year period of stock option plans no more than 205,000 (SOP 2001: 120,000; SOP 2002: 85,000) option rights may be issued. These rights may be called in annual portions of no more than 33 1/3 % (SOP 2001) or 50 % (SOP 2002). During financial year 2001, 40,000 options were granted to employees and managers, the figures for 2002 were 82,500 and for 2003 82,500. Issue prices are equal to market prices of SIS shares at the time of issuing the options.

Options issued have these exercise prices:

No. of options	Year of issue	Issue price
40,000	2001	5.27
40,000	2002	6.39
42,500	2002	4.11
82,500	**2003**	**3.55**

16. Subscribed capital

Capital stock shown as subscribed capital on the balance sheet stood at € 6.750 million on the accounting date, Dec. 31, 2003 and includes 2,250,000 individual share certificates with a calculated nominal value of € 3.00. Changes in the capital stock of SIS can be represented as follows:

	Nominal shares (issued and paid up) (€ 1,000)		Amount of capital stock (€ 1,000)	
	2003	2002	**2003**	2002
Jan. 1	2,250	**2,050**	6,750	**6,150**
Issue of new shares	0	200	0	600
Dec. 31	2,250	**2,250**	6,750	**6,750**

A resolution adopted by the General Meeting on June 25, 2003 authorized the Executive Board to increase the capital stock, subject to the consent of the Supervisory Board, once or repeatedly by a total of € 3,375,000,00 over a period ending June 24, 2008 through the issue of new individual share certificates made out to bearer (authorized capital).

In addition, contingent capital worth a total of € 615,000 Euro is available from the beginning of the financial year of issue, for issuing a total of 205,000 new individual share certificates made out to bearer, with entitlement to a dividend (contingent capital I, II). The capital increase will be limited by the extent to which bearers of option rights exercise these rights under the 2001 and 2002 stock option plans.

The company's capital stock has also been increased by up to € 600,000 through the issue of 200,000 new individual share certificates made out to bearer from the beginning of the financial year of issue (contingent capital III).

The conditional capital increase by Dec. 31, 2006 is to be limited by the extent to which the bearers of convertible and option bonds exercise their right of conversion/option. The new shares will participate in profits from the beginning of the business year in which they originated through the exercise of conversion and/or option rights. So far no convertible and option bonds have been issued.

Contingent capital as a whole (contingent capital I, II and III) thus stood at € 1,215,000 on the accounting date.

No option rights were exercised in 2003.

17. Capital reserve

This developed as follows in the 2003 financial year:

	2003	2002
	€ 1,000	€ 1,000
Jan. 1	3,061	2,761
Premium from issue of new shares	0	300
Dec. 31	3,061	3,061

There were no capital increases in the 2003 business year.

18. Sales revenue (€ 1,000)

	2003		2002	
	€ 1,000	%	€ 1,000	%
Germany	10,123	84.66	9,562	82.81
Europe	824	6.87	1,022	8.85
Israel	8	0.07	63	0.55
USA	1,004	8.40	899	7.79
	11,959	**100.00**	11,546	100.00

19. Other operating income

This is composed as follows:

	2003	2002
	€ 1,000	€ 1,000
Revenue from grants		
• Investment grants	32	31
• Investment subsidies	100	105
Below-the-line items	114	34
Revenue from public grants	61	93
Revenue from other payments in kind	50	50
Insurance recoveries	27	33
Others	65	11
	449	**357**

20. Changes in inventory of finished goods and work in progress

	2003	2002
	€ 1,000	€ 1,000
Work in progress	-255	128
Finished goods	50	-157
	-205	**-29**

Changes include cumulative value adjustments worth € 966,000 (2002: € 725,000) for inventory.

21. Cost of raw materials, supplies and purchased services

Expenses for material and purchased services are composed as follows:

	2003 € 1,000	2002 € 1,000
Raw materials and supplies	2,717	2,603
Purchased services		
• Assembly	428	553
• Material machining	20	22
• Implantation	71	57
• Other	53	129
Total, purchased services	572	761
	3,289	**3,364**

22. Personnel expenses

These are composed as follows:

	2003 € 1,000	2002 € 1,000
Wages, salaries	3,747	3,954
Social levies including retirement arrangements	946	691
	4,693	**4,645**

23. Other operating costs

These include the following items:

	2003 € 1,000	2002 € 1,000
Rentals, space costs	287	294
Goods delivery costs	159	216
Drawing up, auditing annual/intermediate statements, book-keeping expenses	157	232
Insurance	132	116
Warranty	129	167
Costs of investor / public relations	128	174
Maintenance expenses	113	166
Motor vehicle costs	101	100
Leasing costs	91	105
Travel/entertainment expenses	89	64
Advertizing expenses	85	126
Costs of General Meeting	85	52
Legal/consulting expenses	40	95
Communication costs	38	45
Directors' fees	38	19
Patent costs	3	10
Losses from disposing of fixed/current assets	3	5
Others	354	169
	2,032	**2,155**

24. Interest revenue/expenditures

	2003 € 1,000	2002 € 1,000
Interest revenue	7	6
Interest expenditure for loans	-275	-362
Financial result	**-268**	**-356**

Interest revenue and expenditure derives from expenses for short and long-term liabilities and interest-like expenses.

25. Tax on income and profits

Tax expenditure is composed as follows:

	2003 € 1,000	2002 € 1,000
Actual tax yield/expenditure	-133	0
Deferred tax expenditure/yield from reversal of temporary differences	-21	-31
	-154	**-31**

Taxes on earnings cover taxes paid or payable in specific countries and all deferred tax.

They include corporate and business tax, the German solidarity surcharge, and related foreign taxes. Earnings tax in Germany on paid-out and retained results has stood at a uniform 25 % since. In addition, a 5.5 % solidarity surcharge is levied on corporate tax. Local business tax is between 15.25 % and 17.01 % depending on the locality.

The group's weighted average tax rate for the years 2003 and 2002 (corporate and local business tax plus solidarity surcharge) which is used to calculate deferred tax was 38.9 %. Present tax budgeting assumes no short or medium term improvement of results from the performance of foreign subsidiaries which might give rise to more earnings tax so that a possible effect from differing foreign tax rates is neglected. Correspondingly, no loss carryovers of foreign subsidiaries are fully activated.

In 2003 the corporate tax rate was raised for once from 25 to 26.5 % under a law for flood damage relief. This will have no major effect on the company, and no allowance for the one-off rise was made in tax budgeting for the future.

Notes to consolidated accounts

The changeover between effective and legal tax rates is as follows:

	2003	2002
	€ 1,000	€ 1,000
Result before earnings tax	**866**	**371**
Tax yield (+), tax expenditure (-) estimated tax rate	**-337**	**-144**
Translation into earnings tax expenditure shown		
Utilization of tax loss carryover	218	230
Goodwill amortization	-60	-103
Non-activated loss carryovers	-63	-96
Tax-free earnings	12	13
Others	76	69
Tax expenses/yields	**-154**	**-31**

Deferred tax is used to cover all major differences (limited in time) between individual accounts and the tax statement, and the difference (limited in time) deriving from consolidation adjustments. In addition, deferred tax claims are activated in the presence of non-utilized tax loss carryovers. In past business years, active tax apportioned to losses/loss carryovers was not activated as a precaution. Tax loss carryovers were reported for SII, PSS and SIP in the 2003 business year.

The diagram shows the amounts of tax loss carryovers for individual affiliates of the group:

	2003	2002
	€ 1,000	€ 1,000
SIS	155 *	870 *
PSS	1,471 *	1,315 *
SII	309 *	245 *
SIP	28 *	23 *
	1,963	**2,453**

* Estimated as these companies have not filed tax returns/received tax bills

Losses carried over by German subsidiaries may be utilized for an indefinite period while those of PSS become invalid after about 20 years.

Deferred tax items are composed as follows:

	Jan. 1, 2003	Expenditure/ yield	Dec. 31, 2003
	€ 1,000	€ 1,000	€ 1,000
Provisions for pensions	12	10	**22**
Active deferred taxes	**12**	**10**	**22**
LME plot	272	11	**261**
Deferred tax liability	**272**	**11**	**261**
Deferred tax liability, net	**260**	**-21**	**239**

26. Net earnings per share

Undiluted figures for these earning are obtained by dividing the current result apportionable to common shareholders (profit for the period less dividends on preference shares) by the weighted average of the number of ordinary shares in circulation during the period.

To calculate the diluted net earnings per share, the effects of option rights from the exercise of stock options is eliminated from the weighted average of the number of ordinary shares in circulation during the period (see explanation 15). The number of option rights results as a weighted average of the number of ordinary shares in circulation plus the weighted average of the number of ordinary shares that would be issued as ordinary shares if all option rights were converted into ordinary shares. The hurdles for exercising options issued so far have not been cleared as yet so that no dilution of the net earnings per share can occur.

This means that diluted net earnings per share are of no relevance for the year 2003.

	For the 2003 business year		
	Profit for the period	**Weighted average no. of shares (1,000)**	**Undiluted net earnings per share**
Profit for the period apportioned to shareholderes	720		
(Un)diluted net earnings per share			
Profit for the period available to ordinary shareholders	720	2.250	**0,32**

	For the 2002 business year		
	Profit for the period	**Weighted average no. of shares (1,000)**	**Undiluted net earnings per share**
Profit for the period apportioned to shareholderes	335		
(Un)diluted net earnings per share			
Profit for the period available to ordinary shareholders	335	2,100	**0.16**

27. Notes on cash flow statement

SIS shows cash flow from current trading in keeping with IAS 7 'Cash flow statement' using the indirect method where the effects of transactions which do not affect payments, accruals and deferrals of the inflow and outflow of funds from current trading in the past or future, and revenue and expense items in connection with cash flow from investment or financing activities serve to adjust profit or loss for the period. Translation is based on the operating result so that interest and tax payments are shown separately as part of the operating cash flow.

For the composition of funds please refer to Note 5.

28. Contingent liabilities and other financial obligations

(1) Processes of law and claims from litigation arising in the normal course of business could in future be enforced on consolidated companies. Resulting risks are being analyzed for their probability. Even though the outcome of such litigation can not always be forecast in detail, the Executive Board believes that this will create no substantial obligations.

(2) Financial obligations also derive from renting office space and equipment, leasing cars and grants received from contribution-oriented pension plans. In keeping with the economic content of lease arrangements, they should be classified as operating leases from which the following contingencies may arise:

	2004	2005 - 2007	from 2008
	€ 1,000	**€ 1,000**	**€ 1,000**
Rental, leasing	323	149	0
Contribution-oriented pension plans	176	882	1,007
	499	**1,031**	**1,007**

Rentals and leasing expenses to be paid throughout the duration of all contracts amount to € 472,000 (previous year: € 1.276 million). For the 2003 business year, total rentals and lease obligations have been reported as affecting expenses and amounting to € 387,000 (previous year: € 407,000) in the profit and loss statement.

29. Segment reporting

This is provided on the following basis:

(1) Business divisions

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.

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.

(2) Geographical segments

Business Segment Data

	Custom-designed production		Other production		Elimination		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Sales								
External sales	11,493	10,955	466	591		0		
Intercompany turnover	21	30	0	0	-21	-30		
Total	**11,514**	**10,985**	**466**	**591**	**-21**	**-30**	**11,959**	**11,546**
Result								
Segment result	1,216	483	-64	256			1,152	739
Interest revenue/expense							-268	-356
Income tax							-18	-12
Currency earnings/losses							-154	-31
Minority interests							8	-5
Profit							**720**	**335**
Assets								
Segment assets	13,230	13,740	403	633			13,633	14,373
Latent tax claims							22	12
Tax refund claims							213	213
Sum of assets							**13,868**	**14,598**
Debts								
Segment debts	2,203	2,639	167	343			2,370	2,982
Latent tax liabilities							261	272
Short-term loans							1,027	957
Tax liabilities							178	0
Long-term interest-bearing loans							1,697	2,681
Contributions of dormant partners							383	383
Sum of debts							**5,916**	**7,275**
Other information								
Investments	756	746	3	4			759	750
Depreciation	1,186	1,084	22	34			1,208	1,118
Other expenditure not affecting payments	1,056	1,354	5	6			1,061	1,360

Geographical Segment Data

Sales	**2003**	2002
	€ 1,000	€ 1,000
Germany	10,123	9,562
Europe	824	1,022
Israel	8	63
USA	1,004	899
	11,959	**11,546**

Assets	**2003**	2002
	€ 1,000	€ 1,000
Germany	13,001	13,624
USA	632	749
Segment assets	**13,633**	**14,373**

Investment	**2003**	2002
	€ 1,000	€ 1,000
Germany	757	746
USA	2	4
	759	**750**

30. Transactions between affiliated companies and persons

(1) Transactions with affiliated companies and persons

There is a variety of these in the group as part of the normal course of business. They are treated like transactions between third parties and include, in particular,

a. Considerable sales of goods at market prices to Dr. Johannes Heidenhain GmbH, a business associate.

b. Under an agreement dtd. July 20/24, 1995 BayBG (Bayerische Beteiligungsgesellschaft mbH) has invested € 383,000 to become a silent partner of SSO, leading to expenses for interest, consulting and proportions of profit totaling € 46,000 in 2003 € 46,000 in 2002.

c. Allowances under management contracts with associated persons.

The balance sheet lists the following amounts as deriving from transactions with affiliated companies/persons:

	2003	2002
	€ 1,000	€ 1,000
Trade debtors	189	330
Deposits of silent partners	383	383
	572	**713**

The trade debtors relate exclusively to deliveries from the group to Dr. Johannes Heidenhain GmbH.

(2) Remuneration paid to members of Management Board and Supervisory Board

Allowances from the management contracts of associated persons (on the Executive/Supervisory Boards) also go to the executive bodies of affiliated companies listed in the consolidated accounts. This group of people has widened so that data for the previous year was adjusted accordingly.

	2003 Allowances	2002 Allowances
	€ 1,000	€ 1,000
Allowances paid under management contracts		
	903	**838**

Under a stock options program, members of the Executive Board were granted a total of 28,500 options for SIS shares in 2003 (2002: 27,500). This brings the number of options held by the Executive Board to 69,000 (2002: 40,500). A new board member has a performance-oriented pension commitment, while the group pays into contribution-oriented schemes for two other members, see Note 15.

31. Financing instruments

Financial risk management

The group is active on an international level which exposes it to market risks from changes in currency exchange rates. In addition, it obtains funding from bank loans which entail interest-rate risks. The company sees no substantial effect from these risks on the group's income and financial situation and has therefore not engaged in business involving the transfer of property as security. Foreign exchange risks are reduced by the independent operating activity of PSS.

Liquidity risks

The group seeks to have sufficient cash and equivalent, or irrevocable credit lines, at its disposal with a view to meeting its obligations in the years to come. It has access to credit lines worth € 1,350 (2002: € 1,350) and authorized capital totaling € 3,375,000 (2002: € 2,475,000) for future capital increases.

Non-payment risks

These and the risk of a contracting partner failing to pay are countered by loan commitments, credit lines and monitoring procedures. Where reasonable, the company obtains security in the form of titles to securities or concludes general compensation agreements. The maximum non-payment risk is equal to the amounts of financial items activated in the balance sheet.

Interest-rate risks

Loans extended to the company have fixed interest rates and entail interest risks which may affect the value of the loan. The risk is, however, not seen as substantial.

Current value

Current value estimated

The group's financial instruments which are not shown at current value primarily include cash and equivalent, trade debtors, accounts payable, other liabilities, current account credits and long-term loans.

The book value of cash, equivalent and current account credits comes quite close to their current value because of short terms.

In the case of receivables and debts characterized by normal commercial credit terms, the book value which is based on historical costs is also quite close to the current value.

The current value of long-term debts derives from interest rates applicable to raising outside capital with identical payability and credit rating profiles. The current value of outside capital presently varies very little from its book value.

32. Other notes as provided for by HGB

Following is additional information which is mandatory within the meaning of HGB provisions.

Members of the Executive Board

Dr. Bernd Kriegel, Berlin *Dr. rer. nat. Physik*	*Chairman*
Dr. Hans-Georg Giering, Deuben/Berlin *Dr. rer. nat. Physik*	
Dr. Edmund Rickus, Ehingen *Dr. rer. nat. Physik*	*since Jan. 1, 2003*

Members of the Supervisory Board

Dr. Rudolf Scheid, Swistthal *Lawyer*	*Chairman*
Gerhard Hagenau, Chieming *Graduate in Business Administration*	*Deputy Chairman*
Edgar Most, Berlin *Bank Manager*	

Other Supervisory Board seats:

▪ Aker MTW Werft GmbH, Wismar	
▪ Peene-Werft GmbH, Wolgast	
▪ Institut für Getreideverarbeitung GmbH, Potsdam	*Deputy Chairman*
▪ Kondor Wessels Deutschland GmbH & Co. KG, Berlin	*Member, Advisory Council*
▪ LEIPA Georg Leinfelder GmbH, Schwedt	*Chairman*
▪ Sodawerk Staßfurt GmbH & Co. KG, Straßfurt	*Chairman*
▪ BioCon Valley GmbH, Greifswald	
▪ Chemieanlagenbau Staßfurt AG, Straßfurt	
▪ DRESEARCH Digital Media Systems GmbH,Berlin	*Member, Advisory Council*

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

Prof. Dr. Hans Richter, Frankfurt/O.
Direktor, IHP BTU Joint Lab

Ernst Hofmann, Wiesbaden
Business consultant

Shareholdings subject to a duty of disclosure in compliance with section 41, sub-section 2 (1) of the German Securities Trading Act (WpHG)

SIS AG received the following notifications pursuant to section 41, sub-section 2 (1) of the German Securities Trading Act (WpHG) in the financial year and published them in compliance with section 41, sub-section 3 and section 25, subsection 1 of the German Securities Trading Act (WpHG):

"We received the following notification from Dr. Bernd Kriegel in his letter of 20 June 2003:

Notification pursuant to section 21, subsection 1 of the German Securities Trading Act (WpHG)

I hereby provide due notification pursuant to section 21, subsection 1 of the German Securities Trading Act (WpHG) that my share of voting rights in Silicon Sensor International AG fell below the 25 % threshold on 13 September 2002 and now amounts to 24.67 %."

"We received the following notification from Dr. Johannes Heidenhain GmbH, in its letter of 20 June 2003:

Notification pursuant to section 21, subsection 1 of the German Securities Trading Act (WpHG)

We hereby provide due notification pursuant to section 21, subsection 1 of the German Securities Trading Act (WpHG) that our share of voting rights in Silicon Sensor International AG fell below the threshold of 25 % on 13 September 2002 and now amounts to 23.67 %.“

"We received the following notification from Dr. Bernd Kriegel in his letter of 26 November 2003:

Notification pursuant to section 21, subsection 1 of the German Securities Trading Act (WpHG)

I hereby provide due notification pursuant to section 21, subsection 1 of the German Securities Trading Act (WpHG) that my share of voting rights in Silicon Sensor International AG fell below the thresholds of 10 % and 5 % on 25 November 2003 and now amounts to 0 %.“

Workforce

Average number of staff during 2003 business year:

	2003 € 1,000	2002 € 1,000
Germany	97	102
Other countries	4	6
	101	**108**

Consolidated subsidiaries

Company	Headquarters	Core activity	Interest share
Silicon Sensor GmbH	Berlin	Semiconductor sensor development/manufacture/ distribution	100 %
Lewicki microelectronic GmbH	Oberdischingen	Manufacture/distribution of microelectronic components/modules	100 %
Pacific Silicon Sensor, Inc.	Westlake Village, USA	Development/manufacture/ distribution of sensor systems, distribution of sensor chips	85 %
Silicon Projects GmbH	Berlin	Development/manufacture/ distribution of soft/hardware, Internet services	80 %
Silicon Instruments GmbH	Berlin	Development/manufacture/ distribution of radiation sensor modules/equipment	70 %

33. Corporate Governance

The company has made a statement of conformity pursuant to § 161 AktG and made it permanently accessible on its website.

Berlin, March 25, 2004

The Executive Board
Silicon Sensor International AG

Dr. Bernd Kriegel   Dr. Hans-Georg Giering   Dr. Edmund Rickus

Auditors Report

We have issued the following opinion on the consolidated financial statements and the Group management report:

"We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements, prepared by the Board of Directors of Silicon Sensor International AG, Berlin, for the fiscal year from January 1, 2003 to December 31, 2003. The preparation and the content of the consolidated financial statements are the responsibility of the Company's executive board. Our responsibility is to express an opinion whether the consolidated financial statements are in accordance with the International Accounting Standards (IAS), based on our audit.

We have conducted our audit of the consolidated financial statements in accordance with German auditing regulations and generally accepted standards for the audit of financial statements promulgated by the IDW ["Institut der Wirtschaftsprüfer in Deutschland": Institute of Public Auditors in Germany] as well as in accordance with the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatement. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, 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 give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the fiscal year in accordance with IAS.

Our audit, which also extends to the Group management report prepared by the executive board for the fiscal year from January 1, 2003 to December 31, 2003, has not led to any reservations. In our opinion, on the whole the Group management report together with the other disclosures in the consolidated financial statements provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the Group management report for the fiscal year from January 1, 2003 to December 31, 2003 satisfy the conditions required for the Company's exemption from its obligation to prepare consolidated financial statements and the Group management report in accordance with German law.

Berlin, March 26, 2004

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Selter	*Glöckner*
Wirtschaftsprüfer	*Wirtschaftsprüfer*
[German Public Auditor]	*[German Public Auditor]*

Internal statement

Officers held the following (individual) shares in the company on the Dec. 31, 2003:

Dr. Bernd Kriegel	0	(Dec. 31, 2002:	555,000)
Dr. Hans-Georg Giering	11,000	(Dec. 31, 2002:	10,100)
Dr. Rudolf Scheid	0	(Dec. 31, 2002:	2,000)
Gerhard Hagenau	0	(Dec. 31, 2002:	2,500)

According to SOP 2001 and des SOP 2002 a total of 82.500 share options, had been emitted in 2003 to the members of the Management Board, the CEOs and employees in the associated companies.

They were distributed as follows:

	2003	2002	2001	
Members of the Management Board	28,500	27,500	13,000	share options
CEOs	27,000	28,000	13,000	share options
Employees	27,000	27,000	14,000	share options

Report of the Supervisory Board

The 2003 financial year was both eventful and prosperous for the Silicon Sensor group. It was characterized by business expansion in affiliated companies despite unfavorable macroeconomic conditions. There were also changes in shareholder composition, along with efforts to improve cooperation between subsidiaries and develop business in North America. Particularly gratifying is the steep growth in the group's profitability and operating cash-flow, and the very good performance of the company's shares.

During the period under review, the Supervisory Board has kept abreast of business developments in the group and its subsidiaries and found conformity with regulations throughout. Four joint meetings were held with the Executive Board to discuss basic company policies and future strategies for growth and international expansion. In addition, individual members talked to the Executive Board on many occasions.

The consolidated statement and annual report, and the annual accounts and annual report as per Dec. 31, 2003 have been audited by Ernst & Young AG Wirtschaftsprüfungsgesellschaft Berlin and certified without qualification. The related documents have been submitted to the Supervisory Board, examined and discussed in detail at a meeting to approve the balance sheet held by the Board on March 23, 2004 and attended by the statutory auditors. The financial statement has been approved by the Supervisory Board and thus become final. The Board has taken note of the consolidated statement and made no objections.

The Board would like to thank the Executive and all employees for their willingness to serve and the above-average results achieved, and wishes them the best of success in meeting the challenges of the 2004 business year. Special thanks go out as usual to shareholders, both old and new, who have displayed confidence in the company in a difficult economic environment and continue to do so today.

Berlin, March 2004

The Supervisory Board
Silicon Sensor International AG

Dr. Rudolf Scheid
Chairman