BUSINESS REPORT
for the year 2007

SILICON SENSOR INTERNATIONAL AG

Silicon Sensor International AG

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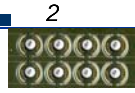


Contents

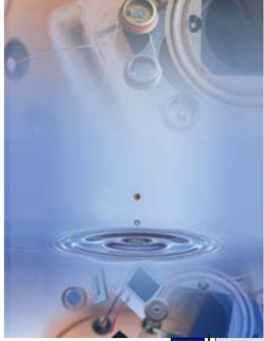
Business Report 2007
for the Silicon Sensor Group

Financial ratios January 01, 2007 – December 31, 2007 (Business report 2007)

	Jan. 01, 2007 - Dec. 31, 2007 *€ 1,000*	*Jan. 01, 2006 - Dec. 31, 2006* *€ 1,000*	*Change in* *€ 1,000*	*Change* *%*
Sales revenue	**37,014**	32,640	4,374	13
Backlog of orders	**22,885**	20,516	2,369	12
EBITDA	**9,487**	7,802	1,685	22
EBIT	**6,628**	5,484	1,144	21
Net income (Earnings)	**4,263**	3,007	1,256	42
Earnings per share	**1.15**	0.87	0.28	32
Number of shares (weighted)	**3,706,759**	3,468,065	238.694	7
R&D expenditure	**4,730**	3,528	1,202	34
Headcount (Dec. 31, 2007)	**303**	240	63	26

Financial ratios October 01, 2007 – December 31, 2007 (IV. quarter 2007)

	Oct. 01, 2007 - Dec. 31, 2007 *€ 1,000*	*Oct. 01, 2006 - Dec. 31, 2006* *€ 1,000*	*Change in* *€ 1,000*	*Change* *%*
Sales revenue	**9,542**	8,289	1,253	15
Backlog of orders	**22,885**	20,516	2,369	12
EBITDA	**1,563**	2,085	-522	-25
EBIT	**850**	1,482	-632	-43
Three-month net income	**385**	654	-269	-41
Three-month earnings €/ individual share certificate	**0.10**	0.19	-0.09	-47
Number of shares (weighted)	**3,896,150**	3,522,900	373,250	11
R&D expenditure	**1,395**	597	798	134
Headcount (Dec. 31, 2007)	**303**	240	63	26



Foreword

by the Management Board

Silicon Sensor has achieved a good year 2007 result –
This result is the fundament for the investment initiative in 2008

To all shareholders and business partners,

In the business year 2007 the Silicon Sensor Group performed again very successfully. The turnover grew by more than 13 % from € 32.64 mn to € 37.01 mn. This growth was solely organic and also derived form the good overall economic situation.

The EBIT grew disproportionately to turnover by 21 % from € 5.5 mn to € 6.63 mn. The EBIT Margin achieved was at approximately 18 %. Earnings after tax rose by 42 % to € 4.3 mn.

The Earnings per share for 2007 constitute € 1.15, taking into account the increased number of shares after the 2007 rights issue (2006: € 0.87).

The Order backlog of the group increased by 12 % from € 20.5 mn end of 2006 to € 22.9 mn as of December 31, 2007. Sales which could derive from the Nomination Letter received October 25, 2007 as of the 4th quarter of 2008, are not recorded in the order back log until specified monthly release orders will be placed. The headcount rose from 240 (December 31, 2006) to 303 (December 31, 2007).

In the business year 2008 we will further focus on building the fundamentals for further growth. The first milestone in this process was reached by completing the extension of the clean room area in Dresden in time at the beginning of the 2nd quarter of 2007. A further milestone is the construction of a 6-inch-sensor production plant in order to meet the increased demand for sensors. The foundation stone for the new plant was laid at March 21, 2007. A number of licensing requirements for the plant building delayed the issue of the building permit till November 5, 2007. The construction work started in November 2007, the topping-out ceremony will be on March 28, 2008. In all likelihood the new plant will be ready for production in the 4th quarter of 2008. The production at the recent production area is expected to be stopped by end of August 2008 and then will be transferred to the new building.

Production activities are still focused on custom products, which are sometimes very engineering-intensive. The key areas are still custom hybrid circuits, packaging and sensor solutions, as well as avalanche photodiodes.

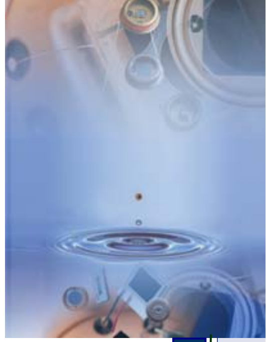
At the same time as presenting these results, the Executive Board would like to thank all members of staff for the ideas they have contributed, and the commitment shown in making the group even more prosperous. Our particular *thanks go to Jörg Ludewig who resigned on December 31, 2007 after a long commendable period as Managing Director and co-founder of MPD in Dresden. We also thank the Supervisory Board for its constructive accompaniment in all business processes and its advice in all strategic position of points for safeguarding the group.*

Last but not least at the end of a prosperous business year, where strategic decisions were made, we thank our shareholders.

Berlin, March 2008

Silicon Sensor International AG
The Executive Board

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



Business development

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

Silicon Sensor components are basis to a wide variety of final products from many industries, making the company largely independent of the business cycles of individual sectors. The market for these high-end products is promising and has growth potential also in future.

Silicon Sensor is among a small circle of companies worldwide developing and making optical high-end sensors for exacting requirements. Cases 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.

The MPD GmbH (MPD) has more than 35 years experience in packaging technology for manufacturing of semiconductor devices and sensors. As the MPD is able to produce as contract manufacturer high volumes the Silicon Sensor Group is now able to approach new market segments in the serial production area. Simultaneously MPD is strengthening with its know-how as contract manufacture for the automotive industry the competence in existing business units and helps to develop them. Unfortunately in the second half of 2007 MPD has lost a customer, transferring its production completely to Asia, furthermore a high volume customer project has been cancelled and the start of production of a long term customer project was delayed. Despite all these difficulties MPD was even able to increase its turnover compared to 2006.

The foundation of Silicon Micro Sensors GmbH (SMS) end of 2006 extents the Silicon Sensor Group's business activities along the value chain. Furthermore sharpens this MPD's profile as a contract manufacturer for packaging technology. The SMS, founded by the Silicon Sensor AG together with Wilhelm Prinz von Hessen, with seat in Dresden, develops, produces, and sells sensor-based products. The new subsidiary, where Silicon Sensor AG holds 85% of shares, will focus at first on pressure sensor production and camera systems for safety applications and the automotive industry. The company's first success was the winning of a Nomination Letter as supplier of pressure sensors for a big automotive manufacturer in the 4th quarter of 2007. At the moment the company is working on reaching the milestone ready for supply planned for the 4th quarter of 2008.

The Lewicki microelectronic GmbH was again able to reach extraordinary results in their business unit – the development and manufacturing of highly reliable hybrid circuits and applications of micro systems techniques. A special *highlight in 2007 was the 40th business anniversary of Lewicki microelectronic GmbH. The company has developed since 1967 very well and was always able to offer their customers solutions, which enabled the customer's own development. We thank the Management and the employees for their performance.*

Foreign developments

Once the group's share in the European market has consolidated, the greatest potential for growth is seen in North America and Asia. In order to consolidate our position in foreign markets, the development of Pacific Silicon Sensor Inc. has been continued according to plan. In 2007 our American subsidiary reached again a positive result with a turnover of 1.7 Mio USD. The consolidated economic situation is evidence for the product acceptance of the Silicon Sensor Group on the American market. In 2008 the Pacific Silicon Sensor Inc. will develop their sales activities for MPD. A continuous rise in the contribution to operating income is expected for the subsidiary during business year 2008. Simultaneously the Silicon Sensor GmbH forces sales activities in the Asian market by recruiting sales partners and participation in fairs. In 2007 three new sales partners for China were recruited.

Personnel

Group success derives from the extensive know-how of a workforce with over 30 years of experience. Apart from staff motivation, fresh skilled recruits will be a decisive factor when it comes to ensuring future economic success.

By end of 2007 the Silicon Sensor Group's total headcount amounts to 303. End of 2006 the Group had 240 employees. The growth in heads was mainly caused by the scheduled extension of business activities by SSO and SMS which are costs fro future growth.

Prospects

The Silicon Sensor group has established itself as a leading specialist supplier of high-quality optical and non-optical sensors, and hybrid/installation/ connection technology to client specifications.

For 2008 Group's main focus is on providing the fundaments for future growth. This is associated with on time cost effects which will have impact on 2008 profitability. The difficult negotiations with Berlin on the building permit fort he new sensor production plant where successfully finalized in 2007 and the building activities were started end of 2007. We expect completion of construction of the new building during the business year 2008. Start of production could then be in the 4th quarter of 2008.

During past business years the customer base was broadened, making the Silicon Sensor group less dependent on a few main customers. At the same time, opening up U.S. markets can in the medium term help to compensate fluctuations in demand and the dependence on big customers in Europe. It is the purpose of the new business segments which have been embarked on to minimize risks from general economic development.

Now as before, sensors will be responsible for most of the growth in a company whose development capabilities are a vital factor in making products of a generally accepted high quality and providing sophisticated problem solutions.

Berlin, March 2008

Silicon Sensor International AG
The Executive Board

Dr. Bernd Kriegel

Dr. Hans-Georg Giering

Management report

Group Management Report and Management Report of Silicon Sensor International AG for the Financial Year 2007

- ***Sales increase 13 % from € 32.640 mn to € 37.014 mn***
- ***EBIT rises 21 % to € 6.63 mn***
- ***Results rocket from € 3.01 mn to € 4.3 mn***
- ***Order backlog rises 12 % from € 20.5 mn to € 22.9 mn***
- ***Provide fundamentals for further growth in the ongoing business year***

Accounting procedures

Silicon Sensor International AG (hereafter referred to as „SIS“) has prepared the group's financial statement in compliance with IFRS (International Financial Reporting Standards).

General economic environment

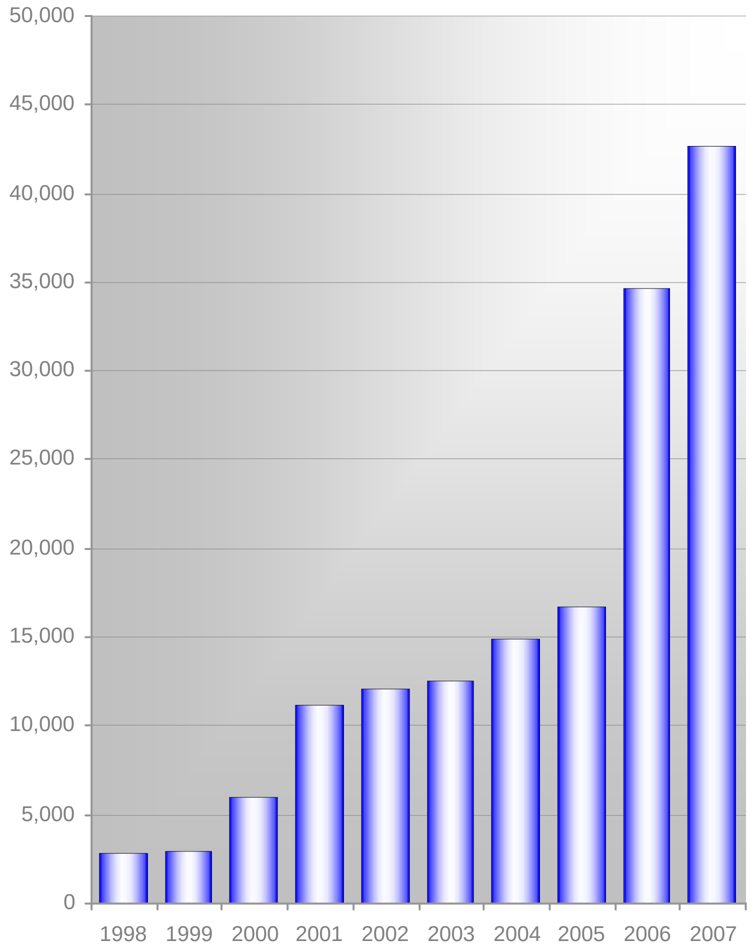
The general development of the market was positive in 2007. However a few customers evaluate the market outlook more conservative in the ongoing business year. In total we expect also for the ongoing business year, despite slightly lower growth rates, an increase in sales. The Silicon Sensor Group's customized niche business of high end applications will also in future outperform the general market development, as it enables our customers to develop and manufacture more innovative optical applications.

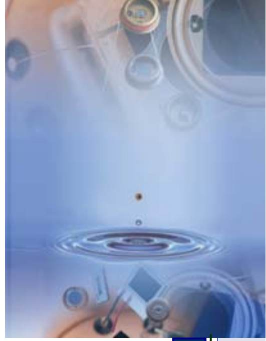
Sales

Major sales growth

Group turnover rose by 13 %, from € 32.64 mn (2006) to € 37.01 mn (2007). In 2007 the Silicon Sensor Group has benefit also from the good overall economic situation. The sales growth is only organic. Lewicki microelectronic GmbH reported good results and topped the high profit levels of the year before, while Silicon Sensor GmbH considerably increased sales and profits for the best annual result since its foundation in 1991. With the start of construction of the new 6-inch-sensor plant the fundamentals for a further positive development in the following years were laid.

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





Earnings

Consolidated profit and loss statement

	2007	Total Output	2006	Total Output
	€ 1,000	%	*€ 1,000*	%
Sales	37,014	92 %	32,640	93 %
Total output	**40,340**	100 %	**34,642**	100 %
Cost of materials	- 12,077	30 %	- 11,150	32 %
Gross margin	**28,263**	70 %	**23,492**	68 %
Personnel expenses	- 13,332	33 %	- 10,935	32 %
Depreciation & amortization (fixed assets, goodwill)	- 2,859	7 %	- 2,318	7 %
Other expenses	- 5,444	13 %	- 4,755	14 %
Operating income	**6,628**	17 %	**5,484**	16 %
Financial and investment income/ expenses	-474	- 1 %	- 481	- 1 %
Consolidated income before tax	**6,154**	16 %	**5,003**	15 %
Income taxes	- 1,851	5 %	- 1,993	6 %
Loss attributable to minority interests	- 40	0 %	- 3	0 %
Consolidated net income	**4,263**	11 %	**3,007**	9 %

In business year 2007 the Group result has reached again a solid level. A even further increase of earnings where prevented by the revaluation for finished and unfinished goods on stock of Silicon Sensor GmbH at December 31, 2007. Under perpetuation of the valuation model applied in the first three quarters of 2007, based on historical valuation standards approved by the auditors, the Group result would have been Euro 1 mn higher. As the revaluation effect for the whole stock build up over the year has major impact on the figures of the 4th quarter of 2007, these figures are only partially comparable with previous quarters. Previous quarters were not adjusted. The personnel costs portion and the depreciation portion of the total operating performance increased compared to the previous year. The lower material usage caused by the disproportionate increase of turnover in the SSO GmbH compensated the cost effects mentioned before.

Even though the number of shares rose, earnings per share (€ 1.15) were about 32 % higher than in the previous year (€ 0.87) and met our expectations. Due to the increased net income the new shares issued mid of 2007 did not cause a dilution effect.

Investments

Total group capital investment in 2007 amounted to approx. € 6.5 million, resulting in an investment quota of about 18 %. In 2008 are further Euro 14 mn investments for further growth planned.

Majority of the investment is for the extension of the production capacity and the improvement of quality assurance in order to reach the growth targets taking into consideration the requirements of the risk management system. The investments assure the innovative ability of the Silicon Sensor Group in the future.

Acquisitions

After the acquisition of the majority of shares of MPD Microelectronic Packaging Dresden GmbH as of October 1, 2005, which was the basis for a new dimension of the Silicon Sensor Group, the focus was on the integration of the new subsidiary in the Group. Therefore there were no further acquisitions in 2007. However the Group, based on its increased profitability, is looking for synergies in order to strengthen their market position in the sensor market on the long run. Basis for further acquisitions is the successful integration of Lewicki microelectronic GmbH and the commenced integration of Microelectronic Packaging Dresden GmbH and thereof expected positive effects for strengthening the market position in 2008.

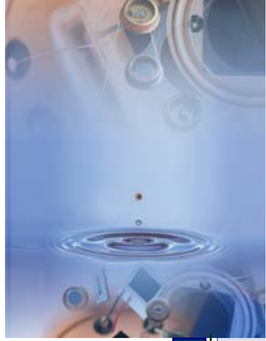
State of the Silicon Sensor International AG

The development of Silicon Sensor International AG in the past business year was very encouraging. Results of normal business operations rose by 29 %, from € 3.32 nm to € 4.29 mn. This was caused solely by the increased profitability of our subsidiaries in 2007. Due to the increased business activities in the Group and the higher visibility on the stock market the personnel costs rose slightly from Euro 1.9 mn (December 31, 2006) to Euro 2.1 mn (December 31, 2007) as well as the other operating expenses and the depreciation expenses from Euro 1.2 mn (December 31, 2006) to Euro 1.4 (December 31, 2007). Corresponding to the excellent result in 2007 taxes increased from Euro 1.3 mn to Euro 1.7 mn. From the net income of Euro 2.6 mn were appointed Euro 1.2 mn to other reserves for future growth. The equity of the Group grew in 2007 from Euro 28.2 mn to Euro 36.8 mn. The equity ratio amounts to approximately 80 %.

The Executive and Supervisory Boards will ask the General Meeting to appropriate the balance sheet profits of € 1,350,450.55 for the 2007 business year as follows:

a) distribution to shareholders by paying a dividend of € 0.10 per individual share certificate: € 389,615.00
b)
c) allocation to other earned surplus: € 960,835.55

Management is expecting solid development of Silicon Sensor International AG in the fiscal year 2008. Silicon Sensor International AG, in addition to the good performance of the operational subsidiaries, will therefore make its own contribution to ensure that Silicon Sensor Group will be able to reach its growth objectives.



The Silicon Sensor share

The stock price of the Silicon Sensor Share had a very volatile development in 2007. Forced by the very good business development and accompanied by a general friendly market the share price increased steadily starting at a share price of € 14 at the beginning of 2007. At October 29, 2007 the share price peaked at a final course of € 22.20. As of November 14, 2007 the share price started to fall until a share price of € 16.18, caused by a general cloudy mood at the stock market, which affected especially small caps. The downside trend continued also at the beginning of the ongoing business year. The decline of the share price might be caused on the one hand by the liquidation of funds of Absolut Capital Management and thereby triggered unlimited sales of high quantities of the share and on the other hand by not satisfying results of the Group in the 3rd quarter of 2007. Thus the market capitalization of the share has departed from the targeted market capitalization of € 100 mn. Thus also the interest of institutional investors in the Silicon Sensor Share has lowered, as they normally are not allowed to invest in title with lower market capitalization.

Another indicator of sound growth for Silicon Sensor International AG has been the willingness of members of staff to subscribe new shares under the company's share option scheme. These subscriptions reached a total of 21,000 new shares during the 2007 business year, creating an inflow of liquid funds worth € 119,000.

In 2007 notifiable acquisitions were characterized by many changes. At the moment notifiable shareholders, holding more than 3 % of the company’s shares, are Kairos Investment Management Ltd. with 13.52 % (notification at 27.07.07), DWS Investment GmbH with 5.87 % (notification at 7.10.2006), Lupus alpha Investment S.A. with 3.19 % (notification at 6.3.07), Universal Investment Gesellschaft mbH with 3.42 % (notification at 4.9.07) and Highclere International Investors Ltd. with 3.86 % (notification at 3.3.08). FPM Funds SICAV (notification at 9.7.07) and KST Beteiligungs AG (notification at 28.08.07) have left the group of notifiable shareholders in 2007.

For information regarding § 315 (4) HGB, please see the notes. In addition, the following legal provisions apply with regard to § 315 (4) no. 6 HGB:

The Supervisory Board may appoint Executive Board members for a max. of five years. An appointment may be repeated, or a term extended for a max. of five years in each case, subject to a new Board decision to be made not earlier than one year before the end of the previous term of office. In the case of an appointment for less than five years, the term of office may be extended without a new Board decision if the complete term lasts no longer than five years. The Supervisory Board may cancel appointments of Executive Board members for serious reasons.
Amendments of the statutes may only be made through a resolution adopted by the General Meeting.

The freefloat is currently about 100 %.

Share indices (Xetra)

	12/31/2007	12/31/2006	12/31/2005
Share price	16.18	13.75	10.19
Number of shares	3,896,150	3,522,900	3,457,900
Earnings per share	1.15	0.87	0.52
KGV	14	16	20
KUV	1.7	1.4	2.21
Free float	3,896,150	3,140,531	3,077,531

Group Financing

Consolidated cash flow statement

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

€ 1,000	2007	2006	Change
Operative cash flow	3,947	4,818	-871
Cash flow from investment activities	-5,375	-5,494	119
Cash flow from financing activities	6,168	920	5,248
Foreign currency translations	-29	-16	-13
Change in liquid funds	4,711	228	4,483
Liquid funds at the beginning of the year	4,980	4,752	228
Liquid funds at the end of the year	**9,691**	**4,980**	**4,711**

The operational cash flow was once again positive in the 2007 financial year. Despite the financing need for new projects, the high investments and the repayment of bank loans according to schedule was the cash flow clearly positive in 2007. The Management expects a further increase of the operating cash flow in the ongoing business year.

Liquidity

Compared to the end of previous year funds increased by € 4.7 mn. Budgets for the years to come are focused on 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 2007

The authorized capital recognized in the balance sheet as subscribed capital at Dec. 31, 2007 increased by € 1,120,000 from € 10,569,000 (Dec. 31, 2006) to € 11,689,000, composed of 3,896,150 shares with a par value of € 3 each.

The balance sheet total at the balance sheet date increased by € 11.58 mn to € 57.03 mn. Equity capital at the balance sheet date increased by € 10,390,000 to € 34,260,000. That corresponds to an equity ratio of approximately 60 % (prior year: 53 %). At the balance sheet date, the Silicon Sensor Group had cash and cash equivalents in the amount of € 9.7 mn (prior year: € 5.1 mn).

Employees

At December 31, 2007 the total headcount of Silicon Sensor Group constitutes 303 compared to 240 at December 31, 2006, thereof 297 in Germany and 6 abroad.

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 2006. 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.

Microelectronic Packaging Dresden GmbH was primarily focused on designing pressure sensors and optical systems with the digital image capture. Great research-and-development efforts have been undertaken in those areas. The new systems are primarily intended to be used in the automotive industry, as well IT and security technology.

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 2007 was € 4,700,000. This means that related costs rose 34 % on the previous year (2006: € 3,500,000).

The increased research-and-development expenses will help strengthen our market position and prepare for the transition from supplying basic components to delivering complete systems or system components.

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 2007. 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 Executive Board and Directors of subsidiaries held quarterly meetings in 2007 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.

The current tax audit has so far shown no major impact.

Proposed expansion of the group calls for constant liquidity, and there are cash reserves to deal with unforeseen developments. Existing credit lines for € 2.864 million which are presently not utilized by the company's will go a long way toward securing budgeted liquidity in the 2007 business year.

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.
The negative mood on the capital markets at the end of 2007, which even impaired for small caps in the ongoing business year, had also impact on the stock price of Silicon Sensor shares. At present there is a higher risk of market trends which lead to even further undervaluation of the Silicon Sensor share, which sustainable limits the equity based financing options or even makes Silicon Sensor to a potential target for a takeover.

Outlook

Development of market environment is very difficult to assess

The worldwide economic situation on the sensor market has not changed significantly. Silicon Sensor's growing sales are primarily due to the customized solutions the company offers. Apart from new products, a wider presence on the U.S. market promises potential growth.

The Management expects slightly growing sales in 2008.

Order book position

There was a welcome increase of 12 %, to € 22.9 mn, in orders on hand as per Dec. 31, 2007 compared with the previous year.
Our customers are showing a general tendency to place orders at shorter notice, especially in the area of hybrid manufacturing and advanced packaging.

Acquisitions on a moderate level

After the successful acquisition and incorporation of the Microelectronic Packaging Dresden GmbH in fiscal 2005, Silicon Sensor will continue to look into further acquisitions and push ahead with them, if appropriate. In the future as in the past, such operations will be conducted in accordance with our group rules for optimization of 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.. The other subsidiaries, too, will make profits so that consolidated results for 2007 can be expected to surpass those of 2006.

Expectation for the Group

According the outlook given and the results in the first quarter 2008 we do expect for 2008 compared to 2007 a slight increase of sales and an approximately constant operating profit.

Developments after the accounting date

As of January 1, 2008 Dr. Johannes Gregor Zwinge assumed the position of the sole Managing Director of Microelectronic Packaging Dresden GmbH.

„Release of an announcement according to Article 26, Section 1 of the WpHG"

On 29 February, 2008 Highclere International Investors Limited, London, United Kingdom, gave notice, pursuant to sec. 21 para. 1 of the WpHG, that on 27 February, 2008 its voting interest in Silicon Sensor International AG, Berlin, Deutschland exceeded the threshold of 3 % and amounts to 3.86 % (150,544 voting rights in relation to the total of 3,896,150) on this day. All voting rights are attributable to Highclere International Investors Limited in accordance with sec. 22 para. 1 Sent. 1 No. 6 of the WpHG. Voting rights are attributed to Highclere International Investors Limited by The Highclere International Investors Smaller Companies Fund and The Highclere (Jersey) International Smaller Companies Fund. Furthermore on 29 February, 2008 Highclere International Investors Smaller Companies Fund, Westport, USA, gave notice, pursuant to sec. 21 para. 1 of the WpHG, that on 27 February, 2008 its voting interest in Silicon Sensor International AG, Berlin, Deutschland, exceeded the threshold of 3 % and amounts to 3.77 % (147,053 voting rights in relation to the total of 3,896,150) on this day."

Berlin, March 2008

Silicon Sensor International AG
The Executive Board

Dr. Bernd Kriegel Dr. Hans-Georg Giering

Consolidated Balance Sheet

as of December 31, 2007 and 2006 (IFRS)

A S S E T S	*Note*	***Dec. 31, 2007*** *€ 1,000*	***Dec. 31, 2006*** *€ 1,000*
CURRENT ASSETS			
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	*3*	10,177	4,980
Short-term investments	*4*	0	124
Trade receivables	*5*	6,503	4,632
Accounts receivable from associated companies		33	0
Inventories	*6*	7,366	5,570
Other current assets	*7*	1,379	779
Claims for Tax repayments		37	111
Interest rate Swap receivables		89	49
Total current assets		**25,584**	**16,245**
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	14,303	11,786
Intangible assets	*9*	5,839	6,120
Goodwill	*9*	11,142	11,142
Equity holdings in associated companies	*10*	124	99
Deferred tax assets	*25*	16	20
Other non-current assets		26	42
Total non-current assets		**31,450**	**29,209**
Total assets		**57,034**	**45,454**

Consolidated Balance Sheet

as of December 31, 2007 and 2006 (IFRS)

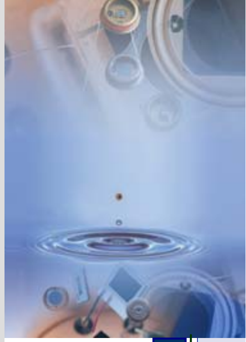
LIABILITIES AND EQUITY	*Note*	*Dec. 31, 2007 € 1,000*	*Dec. 31, 2006 € 1,000*
LIABILITIES			
CURRENT LIABILITIES			
Short-term loans	*13*	3,035	2,651
Trade payables		1,721	1,356
Accounts payable to associated companies		6	2
Advance payments received		283	237
Provisions	*11*	480	1,709
Liabilities from income tax		3,075	1,478
Other accounts payable	*12*	2,894	2,876
Total current liabilities		**11,494**	**10,309**
NON-CURRENT LIABILITIES			
Long-term debt	*14*	7,527	7,158
Provisions	*11*	106	92
Deferred tax liabilities	*25*	1,874	2,549
Deferred income	*16*	1,773	1,474
Total non-current liabilities		**11,280**	**11,273**
EQUITY			
Share capital	*17*	11,689	10,569
Reserves	*18*	14,935	9,497
Translation reserve		-335	-214
Retained earnings/loss		7,895	3,984
Equity falling on SIS AG shareholders		**34,184**	**23,836**
Minority Interests		76	36
Total Equity		**34,260**	**23,872**
Total liabilities and equity		**57,034**	**45,454**

Consolidated Income Statement

for the fiscal year 2007 and 2006 (IFRS)

	4 th quarter Oct. 01, 2007 - Dec. 31, 2007 *€ 1,000*	**4 th quarter Oct. 01, 2006- Dec. 31, 2006** *€ 1,000*	*Note*	**Twelve - months report Dec. 31, 2007** *€ 1,000*	**Twelve- months report Dec. 31, 2006** *€ 1,000*
	*	*			
Ordinary activities					
Sales	9,542	8,289	19	37,014	32,640
Other operating income	906	754	20	2,032	1,768
Increase / decrease in finished goods and work-in-process	-550	23	21	1,268	187
Own work capitalised	10	22		26	47
Cost of raw materials, supplies and purchased services	-2,567	-2,468	22	-12,077	-11,150
Personnel expenses	-4,162	-2,910	23	-13,332	-10,935
Depreciation and amortisation costs on intangible assets, and plant and equipment	-732	-603	8, 9	-2,859	-2,318
Other operating expenses	-1,597	-1,625	24	-5,444	-4,755
Results of ordinary activities	**850**	**1,482**		**6,628**	**5,484**
Interest income	93	35		222	100
Expenses	-138	-134		-642	-482
Income from securities in current assets	5	-4		9	40
Loss from sale of financial assets available for sale	-1	-56		-1	-85
Exchange gains	0	24		40	29
Exchange losses	-81	-29		-102	-83
Results before tax and minority interest	**728**	**1,318**		**6,154**	**5,003**
Income tax	-337	-661	25	-1,851	-1,993
Results for the period	**391**	**657**		**4,303**	**3,010**
Minority interest	6	3		40	3
Net earnings attributable to shareholders of SIS AG	**385**	**654**		**4,263**	**3,007**
Basic earnings per share:	**0.10**	**0.19**	26	**1.15**	**0.87**
Number of shares used for the calculation of basic earnings per share (in thousend)	3,896	3,468		3,707	3,468
Diluted earnings per share:	**0.10**	**0.19**	26	**1.13**	**0.86**
Number of shares used for the calculation of diluted earnings per share (in thousend)	3,896	3,494		3,766	3,494

* 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 Statement

for the fiscal year 2007 and 2006 (IFRS)

	Jan. 01 - Dec. 31, 2007 € 1,000	Jan. 01 - Dec. 31, 2006 € 1,000
Income/loss before taxes	6,154	5,003
Adjustments to reconcile the consolidated profit/ loss with cash flows from operating activities		
Depreciation of intangible assets and property, plant and equipment	2,859	2,318
Income from contributions	253	-302
Loss on the disposal of assets	0	3
Income from investment grants	-465	0
Interest income	-221	-100
Interest expenses	642	484
Other income / expenses	53	99
Changes in provisions	74	168
Changes in assets not allocable to investing- or financing activities	-4,292	-3,033
Changes in liabilities not allocable to investing or financing activities	260	2,091
Income tax paid	-623	-490
Interest payments	-747	-1,421
Cash flow from operating activities	**3,947**	**4,818**
Investments in intangible assets and property, plant and equipment	-6,488	-3,722
Payments for the acquisition of shares in associated companies	-25	0
Payments for buying stocks and shares	0	-164
Payments for acquiring minority interests	0	-2,637
Deposits from sales of securities	143	502
Proceeds from the disposal of intangible assets, property, plant and equipment	0	3
Proceeds from government grants	764	384
Interest income	231	140
Cash flow from investing activities	**-5,375**	**-5,494**
Dividends	-352	0
Proceeds from issuance of share capital	6,284	247
Proceeds of loans	-31	-47
Deposits from financial borrowing	-2,733	-2,200
Payments from buying out the silent partner	3,000	2,920
Cash flow from financing activities	**6,168**	**920**
Net effect of currency translation on cash and cash equivalents	**-29**	**-16**
Net increase in cash and cash equivalents	**4,711**	**228**
Cash and cash equivalents at beginning of year	4,980	4,752
Cash and cash equivalents at end of year*	**9,691**	**4,980**

* For composition and trend of financial resources we refer you to note 3.

Consolidated Statement of changes in equity

for the years ended December 31, 2007 and 2006 (IFRS)

	Equity falling on SIS AG shareholders						
	***Number of Shares** '000*	***Share Capital** € 1,000*	***Reserves** € 1,000*	***Retained earnings** € 1,000*	***Translation reserve** € 1,000*	***Minority Interests** € 1,000*	***Total** € 1,000*
Balance at January 01, 2006	**3,458**	**10,374**	**10,899**	**977**	**-140**	**1,381**	**23,491**
Translation of foreign currencies					-74		-74
Net losses from securities available for sale			-26				-26
Net profits from cash flow hedges			99				99
Total of results registered directly in equity capital (explanation 18)			73		-74		-1
Profit				3,007		3	3,010
Results for the periode			73	3,007	-74	3	3,009
Transaction costs			-29				-29
Acquisition of minority holdings			-1,579			-1,348	-2,927
Exercise of share options (explanation15 and 17)	65	195	52				247
Share-based remuneration (explanation 18)			81				81
Balance at December 31, 2006	**3,523**	**10,569**	**9,497**	**3,984**	**-214**	**36**	**23,872**
Balance at January 01, 2007	**3,523**	**10,569**	**9,497**	**3,984**	**-214**	**36**	**23,872**
Translation of foreign currencies					-121		-121
Net losses from securities available for sale			26				26
Net profits from cash flow hedges			40				40
Total of results registered directly in equity capital (explanation18)			66		-121		-55
Profit				4,263		40	4,303
Results for the periode			66	4,263	-121	40	4,248
Transaction costs			-19				-19
Rights issue for cash	352	1,057	5,108				6,165
Exercise of share options (explanation15 and 17)	21	63	56				119
Dividends				-352			-352
Share-based remuneration (explanation 18)			227				227
Balance at December 31, 2007	**3,896**	**11,689**	**14,935**	**7,895**	**-335**	**76**	**34,260**

Notes to consolidated accounts

as per Dec. 31, 2007 (IFRS)

1. General

Silicon Sensor International AG, Berlin (hereafter referred to as "SIS", "the company" or the "Silicon Sensor group") and its subsidiaries are active in sensor manufacture and micro system technology. Company operations focus on the development, production and marketing of customized optical semiconductor sensor systems. The company also makes non-optical sensors. In addition, the Silicon Sensor group develops and manufactures highly reliable customized hybrid ICs and micro system and advanced packaging products.

Several subsidiaries of the SIS group participate in the market as independent business units. The group's core company, Silicon Sensor GmbH (hereafter ‚SIS GmbH'), was founded in 1991 and has since then become the principal business unit for developing, manufacturing and marketing of sensor chips, components and systems. The Microelectronic Packaging Dresden GmbH (MPD) and the Lewicki microelectronic GmbH (LME) are leading contract manufacturer for customized electronic sensor systems, applications of advanced packaging and highly reliable hybrid circuits. The Silicon Micro Sensors GmbH (SMS) develops and markets since the start of business activities at January 1, 2007 sensor based products, mainly pressure sensors and cameras for industry applications. The Pacific Silicon Sensor Inc. (PSS) is, beside customized development and packaging of optical sensors, mainly responsible for sales of sensor chips and sensor systems in the north-american market.

With affiliates utilizing synergistic effects on a larger scale, the average headcount grew from 235 to 286 in 2007. The SIS group's headquarter is located at Charlottenstraße 57 in Berlin/Germany.

2. Representation of accounting and valuation methods

Basic principles for the preparation of the accounts

The consolidated accounts have been prepared basically by applying the historical cost principle. Excluded are financial derivatives and securities available for sale, which were assessed at their current value. The consolidated financial statement was drawn up in €. Unless stated otherwise, all amounts are given in € 1,000.

Declaration of conformity with IFRS

Consolidated financial statements of the Silicon group conform to the International Financial Reporting Standards (IFRS) as required within the EU, and to the provisions of § 315a HGB.

Changes in presentation and valuation methods

The applied accounting policies correspond generally with those applied in the previous year except for the following: In the reporting year the group has applied the following new and revised IFRS Standards and Interpretations. The application of these standards did not have impact on the asset, financial or profit situation of the group. Hence they lead to additional notes and in certain cases to changes in the accounting policies.

- IFRS 7 — Financial Instruments. Disclosure
- Amendment of IAS 1 — Presentation of Financial Statements
- IFRIC 8 — Scope of IFRS 2
- IFRIC 9 — Reassessment of Embedded Derivatives
- IFRIC 10 — Interim financial Reporting
- IFRIC 11 — Transaction with own shares and shares of Group companies

The major consequences of these changes read as following:

IFRS 7 Financial Instruments: Disclosure

This standard requires disclosures that enable users to evaluate the significance of financial instruments fort he group's financial position and performance and the nature and extent of risks arising from financial instruments. New disclosures are reported everywhere in the report as far applicable. Previous year information where added. The application of this standard did not have impact on the group's financial position or performance.

IAS 1 Presentation of financial statements

This amendment leads to information, which enables users to appraise objectives, methods and processes for capital management. The new disclosures are reported under Note 31.

IFRIC 8 Scope of IFRS 2

This interpretation requires the application of IFRS2 for all transactions where the goods or services in return received by the Group cannot be identified exactly. This especially rules for cases, where the return received for equity instruments issued seems to be smaller than the present value. As the Group issues equity instruments only to employees of the Group in course of the employee stock option plan, this interpretation has no impact on group's financial position or performance.

IFRIC 9 Reassessment of Embedded Derivatives

According IFRIC 9 a company has to appraise a contract on a structured instrument, whether the contract also includes an imbedded derivative. A new appraisal is only possible in case of significant changes of contract matters, if these changes trigger significant changes of cash flows. The Group does not have from their fundamental contract to be separated imbedded derivatives. Therefore the interpretation has no impact on the Group's financial position or performance.

IFRIC 10 Interim financial Reporting

The group has applied the IFRIC 10 interpretation on January 1, 2007 for the first time. This interpretation describes that an impairment of a goodwill positions, of equity instruments or financial assets recorded at acquisition costs in an interim financial report cannot be reversed in the following financial report. As the Group has not made such impairments in the past this interpretation has no impact on the Group's financial position or performance.

The Group has the following standards and IFRICs, which has been released already but not yet entered into force, not adopted. The SIS AG generally plans to adopt all standards at their compulsory application date.

IFRS 8 ‚Operative Segments' IFRS 8 replaces IAS 14 , Segment information' and adjusts the standards of IASB towards the regulation of the Statements of Financial Accounting Standards (SFAS) 131. IFRS 8 requires financial and describing information regarding so called 'reporting segments'. Reporting segments are operative segments or cluster of operative segments, which meet certain criteria. Operative segments are components of a company for which financial information is available, which are monitored by the Managing Director of this sector, in order to decide on the allocation of resources and benefits. The standard will be applied for business years commencing at January 1, 2009. An application ahead of schedule is possible. The Group assumes that the adoption of the IFRS 8 will not cause significant changes in the segment reporting.

IFRIC 11 IFRS 2 – Transaction with own shares and shares of Group companies

According this interpretation are agreements with employees on the issue of equity instruments to be recorded as share based remuneration transactions with offset by equity instruments, if the company acquires these instruments from a third party. This standard has no impact on Silicon Sensor Groups financial position as equity instruments to employees are in the Group only issued as stock options.

Major judgmental decisions and uncertainties in estimates

Assumptions have been made in some cases in drawing up the consolidated accounts and estimated values have been used that have had implications for the amount and the presentation of assets and liabilities, and the income and expenses, shown in the balance sheet. The actual values may differ in individual cases at a later stage from the assumptions and estimates that have been made. Any such changes would have a profit impact at the point in time when better knowledge is available.

Depreciation of goodwill and long-term assets

The Silicon Sensor group annually tests goodwill and the value of other long-term assets pursuant to IAS 36, based on the expected future cash flows of individual assets or groups of assets combined into cash-generating units. Essential long-term assets of Silicon Sensor Group which are tested annually are the recorded goodwill and intangible assets, which were acquired in course of previous acquisitions.

Share-based payments

The Silicon Sensor group provides share-based payments for staff and officers. The assessment of related labour costs includes estimates of how conditions tied to these options are met, and market parameters.

Estimated useful lives of acquired intangibles

In the course of acquisitions, the Silicon Sensor has acquired intangibles with limited useful life. Definition of the related service life is based on the estimated future applicability of an intangible asset.

Consolidation policy

Subsidiary companies

The Group's consolidated accounts incorporate SIS and the companies it controls. Domination is possible if the group, directly or indirectly, holds over 50 % of the voting rights of the subscribed capital of a company and/or can control its financial and business policies so that it may benefit from its operations. Minority interests are those parts of the periodic results and net assets of Silicon Instruments GmbH („SII") and Silicon Micro Sensors GmbH („SMS"), which are allocable to shares not held by the group. Minority interests are shown separately in the profit and loss statement and as part of equity in the consolidated statement. They appear in the consolidated statement under equity, separate from equity falling on parent company shareholders. Minority interests bought are shown in terms of what is known as the equity concept method where the difference between the purchase price and the book value of proportionally acquired net assets is shown in the reserves in a way not affecting the operating results.

The purchase method has been applied to the purchase of companies. Companies acquired in past years have been included in the Group accounts from the date of acquisition onwards.

The following companies have been included in the Group accounts as a fully consolidated subsidiary (SIS's shareholding and the existing voting rights are identical):

Company	Headquarters	Core activity	Interest share
Silicon Sensor GmbH	Berlin	Semiconductor sensor development/ manufacture/ distribution	100 %
Lewicki microelectronic GmbH	Ober-dischingen	Manufacture/ distribution of microelectronic components/ modules	100 %
Microelectronic Packaging Dresden GmbH	Dresden	Manufacture and sale of micro-electronic elements and groups of elements	100 %
Pacific Silicon Sensor, Inc.	Westlake Village, USA	Development/ manufacture/ distribution of sensor systems, distribution of sensor chips	100 %
Silicon Micro Sensors GmbH	Dresden	Development, production and marketing of microelectronic/ mechanical sensor systems, components, modules and microsystems	85 %
Silicon Projects GmbH	Berlin	Development/ manufacture/ distribution of soft/ hardware, Internet services	100 %
Silicon Instruments GmbH	Berlin	Development/ manufacture/ distribution of radiation sensor modules/ equipment	70 %

In 2007 were no changes in respect to the consolidated companies of the group.

Consolidation accounting practice and accounting

The financial statements of the consolidated subsidiaries and associated companies are based on consistent reporting standards, periods and closing days.

The inter-company balances and transactions, inter-company profits and losses as well as not realized profits or losses between consolidated companies were completely eliminated.

Foreign currencies

The reporting currency of the Silicon Sensor group is €, which is also the functional currency of the parent company.

(a) Foreign currency transactions

Within the group, each company defines its functional currency. Items in the company's financial statement are assessed in terms of that currency. Foreign exchange transactions are first converted into the functional currency at the spot rate applying on the transaction date. Monetary assets and debts in foreign exchange are converted into the functional currency on each reference date at the rate then prevailing. Currency differences are shown as affecting the current result. Non-monetary items assessed at historical initial/production costs in foreign exchange are converted at the rate prevailing on the transaction day. Non-monetary items whose current value has been assessed in a foreign currency are converted at the rate applying at the time when the current value was determined.

(b) Foreign subsidiary companies

All foreign subsidiary companies included in SIS's consolidation are regarded as economically autonomous foreign units, as they are autonomous in the financial, commercial, and organizational respects. Their reporting currencies are their respective national currencies. Their balance sheets are included in the consolidation and converted at the exchange rate in force on the closing date for the accounts. Their income statements are converted at the average rate of exchange. Differences arising from conversion are shown as separate components of equity. If a foreign business operation is sold, the related cumulative amount shown under equity is dissolved affecting the current result.

Liquid assets

Liquid assets include cash, time deposits and call deposits.

Financial assets

Financial assets are basically broken down into the following categories:

- loans and accounts receivables,
- financial investments held to maturity,
- financial assets held for trading, and
- financial assets available for sale.

The SIS Group recorded on December 31, 2007 and December 31, 2006 solely loans and accounts receivables as well as financial assets held for trading (derivatives). Financial assets available for sale were recorded only on December 31, 2006.

When a financial asset is recorded it is valued at its acquisition cost, which represents the market value of the consideration made to its acquisition, including transaction costs. The financial assets resulting from the usual purchase and sale are then presented as of the trading day.

Loans and receivables are non-derivative financial assets with fixed or predictable payments that are not quoted in an active market. After initial registration, credits and accounts receivable are assessed at net initial costs using the effective interest method, less value adjustment for depreciation. Net initial costs are calculated making allowance for any discounts and premiums on acquisition and include all charges that are an integral part of the effective interest rate and the transaction costs. Profits and losses are shown in the periodic result if credits and accounts receivable have been written off or depreciated, and as a part of repayment.

Financial assets available for sale are those non-derivative financial assets that are classified as available for sale and not placed in any of the three previous categories. After their initial valuation, financial assets held for sale are valued at their fair market value, with profits or losses booked as a separate line item in equity capital. At the point in time at which the financial investment is booked out or at which an impairment of value is identified for it, the cumulative profit or loss previously booked in equity capital is booked with profit impact in the income statement. The fair market value of financial investments traded on organized markets is calculated with reference to the bid price on the closing date for the accounts. Market values were available for the financial assets held by the SIS Group as available for sale on December 31, 2006. All classified securities available for sale are subject to public trading, their current values being based on current prices.

Financial assets are reviewed for depreciation on each reporting date. If it is probable that in the case of financial assets shown in the balance sheet at depreciated initial costs the company may be unable to collect all loans and receivables which fall due contractually, then depreciation or discounts on amounts receivable are shown as affecting profits. Depreciation previously shown as affecting expenditure is corrected as affecting profit if subsequent partial value increase (or reduced value loss) may objectively be attributed to circumstances which occurred after the original loss of value. A value increase is, however, only shown to the extent that it does not exceed the amount of depreciated initial costs that would have resulted in the absence of depreciation.

Financial assets or parts thereof are booked out when the Silicon Sensor Group loses its power of dispose over the contractual rights out of which the asset consists.

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.

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 allocable share of production overheads. Interest on borrowed capital is not activated. Obsolete and low-turnover items are reasonably devalued.

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.

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

Buildings	25 Yrs.
Technical equipment, Machinery, Other fixtures and fittings	3 – 15 Yrs.

Regular checks on service life and depreciation methods make sure that economic life is in line with the applied depreciation period.

Construction in progress is capitalized at initial and production costs and written off from the date of completion and commissioning. Production costs are manufacturing-related full costs including prime costs and production overheads incurred by work of company staff done in connection with the construction of facilities.

Intangible assets

The SIS group activates intangible assets,

(a) if the company is the beneficial owner due to past events;

(b) if the asset is 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 generated intangibles are assessed at directly attributable development costs if all requirements of IAS 38.57 have been met. Overheads necessarily incurred in generating the asset, which can be directly assigned thereto are also carried as assets. Cost capitalization ends when the product has been completed 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 completing the asset to make it available for internal use and/or sale;
2. the intention to complete the intangible asset for use or sale;
3. the ability to use or sell the intangible asset;
4. proof of the economic benefit expected in future;
5. availability of adequate technical, financial and other resources to complete development and use/sell the intangible asset, and

6. the company's ability to reliably assess the costs attributable to the asset during development."

In addition, acquired development work (manufacturing know-how) has been classified as an intangible where it could be reliably assessed and the utilization of development results controlled.

Limited life intangible assets are recorded at historical costs less accumulated depreciation and expiration. Non limited life intangible assets (goodwill) are recorded at acquisition costs less cumulated impairment. Pursuant to IAS 38 limited life 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

The surplus in the acquisition costs of the shares in a company over the share in fair market value of the acquired company on the day of the transaction, minus its debts and contingent debts, is described as goodwill and shown in the balance sheet as an asset.

Regardless of whether there are any indications of an impairment of value, the amount that could be realized for each cash-generating unit to which the goodwill belongs is calculated every year. If the book value is above the realizable amount, the figure is written down accordingly.

(c) Research and development costs

The expenses arising out of research and development activities are booked with profit impact in the period in which they are incurred.

No development costs were capitalized in 2007 or 2006 as useful life was not sufficient. Development costs shown as expenses amounted to € 4,730,000 in 2007 and € 3,528,000 in 2006.

(d) Developments

The SIS Group has acquired in the course of a company acquisition developments. These developments are depreciated over 20 years, starting with the commercialization of the development.

(e) 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 (still unutilized goodwill and intangibles).

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.

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 favour 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 allocations to reserves are discounted at an interest rate before tax if the resulting effect is considerable. In the event of discounts the increase in allocations to reserves caused by the expiration of time is shown as expenditure.

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.

Financial debt

Financial liabilities are classified as:

- liabilities held for trading purposes, and
- other financial liabilities.

Financial liabilities shown in the consolidated financial statement of the SIS group have been classified as other financial liabilities.

When initially registering a financial liability, it is estimated at initial costs equal to the current value of a given return; transaction costs are included.

Financial liabilities are no longer shown after redemption, i.e. once the contractual obligations have been met, canceled or have expired.

Benefits to employees

Contribution-oriented plans

There are contribution-oriented plans for Executive Board members, managing directors and executive staff. These are pension commitments made by an industry-wide pension fund to which the company pays fixed monthly contributions. Contributions paid by the group for contribution-oriented plans are allocated affecting net income for the year in question. The same applies to expenditures arising from public pension schemes.

Stock options

As remuneration for their efforts, group staff (including executives) receive share-based payments in the form of equity instruments (a so-called transaction with compensation by equity instruments).

The costs of granting equity instruments after Nov. 7, 2002 are assessed at the instruments' current value on the date when they were granted, the current value being determined by use of a suitable option price model (for details see notes, 15).

Expenditure incurred in granting equity instruments and the corresponding equity increase is shown over a period during which requirements for exercise and/or performance have to be met (retention period). This period ends on the day when an option can first be exercised, i.e. the staff member in question has an irrevocable subscription right. The accumulated expenditure for granting the equity instruments shown for each balance date until the date of the first exercise option reflects the expired part of the period and the number of equity instruments which actually become exercisable at the end of the period according to the group's best possible estimate. The amount debited or credited to the profit and loss statement reflects the development of accumulated expenditure registered at the beginning and end of the period under review.

No expenditure is shown for payment options which do not become exercisable, with the exception of options for which certain market conditions must be met. These are deemed exercisable regardless of market conditions if all other performance requirements have been met.

The dilutive effect of outstanding share options is taken into account as extra dilution when calculating results per share (for details see notes, 26).

Partial retirement

The liability of partial retirement for one person, based on a contract closed in 2007, were actuarial calculated and accrued for.

Payments from public funds

Payments from public funds are shown if there is sufficient certainty that they are forthcoming and the company meets related requirements. Expense-related payments are regularly shown as revenue over the period required to offset them against the expenditure they are meant to compensate. Payments for an asset are shown on the liabilities side as adjusting items to be dissolved over the asset's expected useful life in equal annual instalments affecting the current result.

Sales realization and profit booking

Sales of goods and products

Sales are realized in accordance with IAS 18 if the following conditions are met cumulatively:

(a) The SIS Group has transferred to the purchaser the risks and opportunities connected with the ownership of the sold goods.

(b) Neither a lasting right of disposal such as is usually associated with commercial ownership nor any effective control over the sold goods and rights remains with the SIS Group.

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

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

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

In compliance with the principles described in IAS 18 of accruing income and expenses to the appropriate periods, income and expenses relating to one and the same transaction or other event are booked simultaneously.

Interest income

Interest is booked in proportion to time and takes account of the effective interest rate on the asset.

Dividends

Returns are shown as the legal claim for payment arises.

Income taxes

The actual tax refund claims and tax liabilities for the current period and for former periods are to be disclosed with the amount that is anticipated as refund from the tax authorities or due for payment to the tax authorities. These amounts are calculated on the basis of tax rates and tax laws applicable on the balance sheet date or that will apply shortly.

Actual taxes relating to items shown directly under equity are not registered in the profit and loss statement but under equity.

Deferred taxes are to be accrued by application of the asset and liability method to all temporary differences existing on the balance sheet date between the valuation of an asset or a liability in the Balance Sheet and the fiscal valuation. Deferred tax liabilities will be recorded for all taxable temporary differences. The following are exceptions to this:

- Deferred tax claims from the first-time entry of a business value, goodwill, asset or debt in a transaction which is not a merger and at the time affects neither the result for the period in terms of commercial law, nor the taxable result, may not be shown.

- Deferred tax claims from temporary differences related to holdings in subsidiaries and associated companies may not be shown if the course of reversing the temporary differences can be controlled and there is a probability that the temporary differences will not reverse in the foreseeable future.

Deferred tax claims are shown for all deductible temporary differences, losses brought forward but not used as yet, and unused tax credits to the extent taxable income will probably be available, against which the deductible temporary differences and unused losses brought forward may be offset. The following exceptions apply:

- Deferred tax claims from deductible differences arising from an asset which is assessed for the first time, or a debt resulting from a business transaction that is not a company merger and which, at the time of the business transaction, affects neither the periodic result in commercial law nor the taxable result may not be shown in the balance sheet.

- Latent tax claims from deductible temporary differences related to interests in subsidiaries, associated companies and holdings in joint ventures may only be shown to the extent that reversal of the temporary differences is probable within a reasonable time so that sufficient taxable profit is available against which the temporary differences may be offset.

The book value of deferred tax claims is verified on each balance date and written off to the extent that it is no longer probable for a sufficient taxable result to be available against which the deferred tax claim may be offset at least in part. Deferred tax claims not shown are verified on each balance day and assessed to the extent that there is a probability of a future taxable result allowing the deferred tax claim to be met.

Deferred tax claims and tax liabilities are assessed in terms of the tax rates expected to apply during the period in which an asset is sold or a liability discharged, based on tax rates (and laws) applying on the balance date. Deferred taxes relating to items shown directly as equity are registered under equity and not as part of the profit and loss statement.

Deferred tax claims and deferred tax liabilities are set off against each other when an enforceable claim for setting off its actual tax refund claims against actual tax liabilities and these relate to income taxes of the same taxpayer that are raised by one and the same tax authority.

Sales tax

Sales revenue, expenses and assets are shown after deducting sales tax, with these exceptions:

- Sales tax from the purchase of assets or services which may not be claimed by the tax authority will be shown as part of the production costs of the asset and/or as part of expenses.

- Receivables and debts are stated as including the sales tax included.

Sales tax refunded by, or paid to, the tax authority is shown in the consolidated balance sheet and as receivables/debts.

Leasing agreements

Whether an agreement is, or contains, a lease is determined on the basis of its economic content and requires an assessment whether contract execution depends on the utilization of (a) certain asset(s) and whether the agreement grants a right to use the asset.

Financing Lease contracts, where all significant risks and benefits of the leasing object are transferred to the group, result in a capitalization of the leasing object at the time the leasing contract was closed. The leasing object is capitalized at its fair value or the present value of the minimum leasing payments if this amount is smaller. Leasing payments are split into an interest and an amortization portion, so that for the term of the lease a constant interest rate on the remaining lease liability remains. The interest portion will be recorded affecting net-income.

Is the passage of title to the Group at the End of the lease term not adequately assured, the capitalized leasing objects are depreciated over the expected lifetime or, if this time is period is briefer, over the term of the leasing contract.

Payments for operating leases are shown on a straight line basis over the term of the lease, as expenditure in the profit and loss statement.

Risk management, derivative financial instruments and hedging

Risk of default and liquidity exposure

The Group aims to provide sufficient liquidity and irrevocable credit lines in order to meet their financial obligation in the following years. The company has available credit lines in the amount of TEuro 2.864 (2006 TEuro 2.850). In addition has the Group authorised capital in the amount of Euro 4.227.600 (2006: Euro 37.800) available for further rights issues.

The risk of default is controlled by using loan commitments, credit lines and control procedures. As far as appropriate the company provides collaterals in form of securities or steps into compensation agreements. The maximum risk of default equals the recorded assets in the balance sheet.

Exchange rate exposure

As the Group's business transactions are mainly Euro-based the Group faces no significant exchange rate exposure. Noteworthy hedging against exchange rate exposure was not made. Exchange rate exposure is reduced by the independent operation of PSS.

Interest Rate Hedging

The group faces the risk of interest rate changes mainly resulting from long term loans based on variable interest rates. This risk is counteracted by drawing loans with fixed interest rates or in case of variable interest rates by using derivative financial instruments (interest swaps).

Derivative financial instruments will be valued at the time of contract conclusion and in subsequent periods at their fair value. They will be recorded as assets if their fair value is positive and as liability if their fair value is negative.

The group uses derivative financial instrument (interest swaps) to protect itself against interest rate risks. These instruments are assessed at current value when the agreement is concluded, and during subsequent periods. They are shown as assets if their current value is positive, and as debts if it is negative.

Profits or losses from changes in the current value of derivative financial instruments which do not meet the criteria for showing in the balance sheet as a security relation are registered immediately as affecting the current result.

The current value of interest swap contracts is determined with reference to the market values of similar instruments.

As per Dec. 31, 2007 and Dec. 31, 2006, the SIS group only used cash flow hedges.

These have been recorded according the strict regulations for hedge accounting as following:

The effective portion of profits or losses from a security instrument is shown directly under equity, the ineffective portion is shown at once as affecting the current result.

Amounts shown under equity are rebooked to the profit and loss statement during the period in which the hedged transaction affects the periodic result, for example at a time when hedged financial incomes/expenditures are registered or an expected sale is made. Where a safeguard results from assessing a non-financial asset or debt, the amounts shown under equity become part of the initial costs at the time of adding the non-financial asset and/or non-financial debt.

If the proposed transaction or firm commitment is no longer expected, then the amounts previously shown under equity are rebooked to the profit and loss statement. If the security instrument expires or is sold, terminated or exercised without being replaced or rolled over into another security instrument, then the amounts previously shown under equity will remain there as separate items until the proposed transaction or firm commitment have occurred. The same applies if it is found that the security instrument no longer meets the criteria for being shown in the balance sheet.

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 2007 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.

Release for publication

In a meeting on March 19, 2007 the SIS Executive Board agreed to hand over the consolidated accounts as per Dec. 31, 2007 to the Supervisory Board.

3. *Liquid funds*

	2007	2006
	€ 1,000	*€ 1,000*
Cash on hand	7	4
Bank deposits	10,170	4,976
	10,177	**4,980**

Credit balances with banks and subject to call carry variable interest rates. The current value of liquid funds is € 10,177,000 (2006: € 4,980,000).

As per Dec. 31, 2007 the group had unavailed credit lines in the amount of € 2,864,000 where all conditions for making recourse had been met (2006: € 2,850,000). The used overdraft facility as of December 31, 2007 amounts to TEuro 486 (2006: TEuro 0).

4. Securities

	2007	2006
	€ 1,000	*€ 1,000*
Securities available for sale	0	124
	0	**124**

The securities of current assets are disclosed at current values. All securities are traded openly. The relevant current value therefore corresponds to the market value.

Due to sales of securities the company realized in 2007 a profit of € 9,000 (2006: € 0).

Out of the adjustment to the current value an unrealized loss of € 26,000 was recorded in the previous year.

5. Accounts receivable

	2007	2006
	€ 1,000	*€ 1,000*
Trade receivables	6,614	4,778
Less value adjustments on delinquent receivables	-111	-146
	6,503	**4,632**

Trade debtors are free of interest and a normal maturity of 30 – 90 days.

Amounts from sales of goods which are dubious were value adjusted at the rate of € 111,000 (2006: € 146,000) (effect in terms of profit and loss statement: expenses of € 42,000). The level of value adjustment was determined on the basis of past debt losses. The development of the adjustment account reads as following:

	Adjusted
	€ 1,000
Balance as of January 1, 2006	**169**
Allocation	30
Usage	-38
Withdrawel	-15
Balance as of December 31, 2006	**146**
Allocation	63
Usage	-77
Withdrawel	-21
Balance as of December 31, 2007	**111**

As of December 31, 2007 (December 31; 2006) the age pattern of the accounts receivables reads as following:

	Total	Not overdue and not adjusted	Overdue but not adjusted				
			< 30 days	*30 – 60 days*	*60 – 90 days*	*90 – 120 days*	***> 120 days***
	€ 1,000	*€ 1,000*	*€ 1,000*	*€ 1,000*	*€ 1,000*	*€ 1,000*	***€ 1,000***
2007	6,503	3,730	1,682	621	51	32	**387**
2006	4,632	2,410	1,330	480	44	32	**337**

6. Inventories

	2007	2006
	€ 1,000	*€ 1,000*
Finished goods and goods for resale at sale value, net	107	124
at historical/ production value	1,254	1,145
Subtotal	**1,361**	**1,269**
Work in progress at sale value, net	174	37
at production value	2,753	1,812
Subtotal	**2,927**	**1,849**
Raw materials and supplies at historical costs	3,078	2,452
Total	**7,366**	**5,570**

The depreciation of inventories shown as expenditure amounts to € 62,000 (2006: € 116,000). This expenditure is shown as direct materials cost.

7. Accrued income and other short-term assets

	2007	2006
	TEuro	*TEuro*
Accruals	745	326
VAT receivables	306	149
Claims out of liability insurance	139	109
Tax refund claims	37	111
Investment grant receivable	0	180
Others	189	15
	1,379	**779**

8. Tangible assets

	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Payments on account and construction in progress	2006 Total
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Historical costs					
Jan. 1, 2006	**3,401**	**10,750**	**3,447**	**325**	**17,923**
Additions	1,326	1,732	534	1,332	4,924
Disposals	0	0	-74	-3	-77
Rebookings	0	629	4	-643	-10
Monetary differences	0	-16	-19	0	-35
31 Dec. 2006	**4,727**	**13,095**	**3,892**	**1,011**	**22,725**
Accumulated Depreciation					
Jan. 1, 2006	**1,435**	**4,875**	**2,588**	**0**	**8,898**
Depreciation*	110	1,637	388	0	2,135
Disposals	0	0	-71	0	-71
Monetary differences	0	-11	-12	0	-23
31 Dec. 2006	**1,545**	**6,501**	**2,893**	**0**	**10,939**
Net book value Jan. 1, 2006	**1,966**	**5,875**	**859**	**325**	**9,025**
Net book value 31 Dec. 2006	**3,182**	**6,594**	**999**	**1,011**	**11,786**

* Depreciation contains unscheduled write-offs worth € 105,000.

	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Payments on account and construction in progress	2007 Total
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Historical costs					
Jan. 1, 2007	**4,727**	**13,095**	**3,892**	**1,011**	**22,725**
Additions	123	1,724	641	2,665	5,153
Disposals	0	154	188	4	346
Rebookings	47	1,030	4	-1,088	-7
Monetary differences	0	-16	-20	0	-36
31 Dec. 2007	**4,897**	**15,679**	**4,329**	**2,584**	**27,489**
Accumulated Depreciation					
Jan. 1, 2007	**1,545**	**6,501**	**2,893**	**0**	**10,939**
Depreciation*	110	2,016	401	0	2,527
Disposals	0	153	99	0	252
Rebookings	0	-1	+1	0	0
Monetary differences	0	-14	-14	0	-28
31 Dec. 2007	**1,655**	**8,349**	**3,182**	**0**	**13,186**
Net book value Jan. 1, 2007	**3,182**	**6,594**	**999**	**1,011**	**11,786**
Net book value 31 Dec. 2007	**3,242**	**7,330**	**1,147**	**2,584**	**14,303**

The book value of the group's plant and machinery includes assets held under financing leases worth € 3,317,000 (2006: € 1,303,000).

9. Intangible assets and goodwill

	Software	Goodwill	Develop-ment	Payments on account	2006 Total
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Historical costs					
Jan. 01, 2006	**865**	**11,142**	**6,000**	**10**	**18,017**
Additions	82	0	0	5	87
Increases through acquisition of a subsidiary	0	0	0	0	0
Disposals	10	0	0	0	10
Monetary differences	-2	0	0	0	-2
Dec. 31, 2006	**955**	**11,142**	**6,000**	**15**	**18,112**
Accumulated depreciation					
Jan. 01, 2006	**669**	**0**	**0**	**0**	**669**
Depreciation	133	0	50	0	183
Disposals	0	0	0	0	0
Monetary differences	-2	0	0	0	-2
Dec. 31, 2006	**800**	**0**	**50**	**0**	**850**
Net book value Jan. 01, 2006	**196**	**11,142**	**6,000**	**10**	**17,348**
Net book value Dec. 31, 2006	**155**	**11,142**	**5,950**	**15**	**17,262**

	Software	Goodwill	Develop-ment	Payments on account	2007 Total
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Historical costs					
Jan. 01, 2007	**955**	**11,142**	**6,000**	**15**	**18,112**
Additions	45	0	0	0	45
Disposals	0	0	0	0	0
Rebookings	8	0	0	-1	7
Monetary differences	-3	0	0	0	-3
Dec. 31, 2007	**1,005**	**11,142**	**6,000**	**14**	**18,161**
Accumulated depreciation					
Jan. 01, 2007	**800**	**0**	**50**	**0**	**850**
Rebookings	82	0	250	0	332
Disposals	0	0	0	0	0
Monetary differences	-2	0	0	0	-2
Dec. 31, 2007	**880**	**0**	**300**	**0**	**1,180**
Net book value Jan. 01, 2007	**155**	**11,142**	**5,950**	**15**	**17,262**
Net book value Dec. 31, 2007	**125**	**11,142**	**5,700**	**14**	**16,981**

The goodwill on December 31, 2007 relates to Microelectronic Packaging Dresden GmbH, Dresden, (hereinafter “MPD”) and Lewicki microelectronic GmbH, Oberdischingen, (hereinafter “LME“).

SIS acquired 84.03 % of MPD in the financial year 2005. From this purchase, SIS shows a company goodwill of € 9,296,000.

Pursuant to IAS 36, MPD's goodwill as per Dec. 31, 2007 was reviewed for a possible loss of value based on these assumptions:

- Average annual growth in sales at approximately 20 % in the planning period 2008 – 2011.

- By productivity improvements and related fixed cost digression the portion of personnel costs to total performance reduces by approximately 9 %
- In 2008 and 2009 investments are planned slightly above depreciation and from 2010 on at equal levels.
- The discount factor based on the WACC method will be 6.99 %.

No need for impairment in 2007 and in 2006 was seen as result of these considerations.

From the acquisition of all shares of LME in business year 2000, SIS shows a company goodwill of € 1,846,000.

Pursuant to IAS 36, LME's goodwill as per Dec. 31, 2007 was reviewed for a possible loss of value based on these assumptions:

- Minor sales decline in 2008, followed by a slow increase in sales revenue until 2010 to the level of 2007 where it remains also in 2011,
- The 5-year outlook assumed a slight increase in material and personnel costs, which leads to slightly shrinking EBIT-Margin until 2011. No additional cost increases are expected.
- Replacement investments will be at level of annual depreciation
- The discount factor based on the WACC method will be 6.99 %.

No need for impairment in 2007 and in 2006 was seen as result of these considerations.

10. Shares in associated companies

The associated companies that were valued at equity in 2007 contained the book values of the following companies:

		2007	2006
		TEuro	*TEuro*
Heimann Sensor GmbH	24.9 %	124	99
		124	**99**

The shares of the associated accompany where acquired simultaneously with the acquisition of the minority stakes in MPD. In course of a capital increase at Heimann Sensor GmbH further shares were acquired by MPD. The percentual stake in the company as of December 31, 2007 is still 24,9 % (December 31 2006: 24,9 %). The average number of employees during business year 2007 amount to 18 (2006: 16).

	2007	2006
	€ 1,000	*€ 1,000*
Balance sheet share of the associated companies		
- short term assets	410	399
- long term assets	120	6
- short term liabilities	201	239
- long term liabilities	181	121
- equity	149	45
Sales and result share of the associated companies		
- Sales revenue	878	849
- Result	31	-3
Book value of the shares in associated companies	124	99

11. Provision

	Warranty	Other	Total
	€ 1,000	*€ 1,000*	*€ 1,000*
Dec. 31, 2006	**460**	**1,341**	**1,801**
Additions	186	53	239
Withdrawel	-4	0	-4
Consumption	-109	-1,341	-1,450
Dec. 31, 2007	**533**	**53**	**586**
Short-term	427	53	480
Medium/ long term	106	0	106
Dec. 31, 2007	**533**	**53**	**586**

An accrual was formed to cover warranty obligations from products sold in the past two years and booked as a liability. The valuation was undertaken on the basis of experience of costs of repairs and complaints. It can be anticipated that a major part of these costs will arise within the next financial year and the entire amount booked as liability will arise within two years of the balance sheet date. The assumptions on which calculation of the warranty provisions is based are derived from the current revenue level and the currently available information regarding customer complaints for sold products within the two-year warranty period.

In previous year's other provisions an amount of € 1,289,000 for a demolition and land reclamation commitment was accrued. This provision was consumed in 2007.

12. Other short-term liabilities

	2007	2006
	€ 1,000	*€ 1,000*
For wages/ salaries	955	1,048
Sales delimitation	500	600
For wage/ church tax	176	312
For sales tax	170	76
For social security	0	4
Other	1,093	836
	2,894	**2,876**

The other short term liabilities are non interest bearing liabilities and have in general a maturity of 60 days. Only the liabilities out of wages and salaries comprise an amount of € 826,000 with maturity after 180 days.

13. Short-term loans

	2007	2006
	€ 1,000	*€ 1,000*
Collateralized		
Debts from finance leasing agreements and hire-purchase agreements (Explanation 28)	332	336
Bank loan	2,703	2,315
Total, short-term loans	**3,035**	**2,651**

The short-term loans are due in 2008 and also contain the short-term part of the long-term debts.

14. Long-term interest-bearing loans

	2007	2006
	€ 1,000	*€ 1,000*
Collateralized		
Loan from leased assets or lease agreements		
1.90 % Interest, due in 2009 to 2011	742	725
2.06 % Interest, due in 2009 to 2010	29	50
2.38 % Interest, due in 2008	0	4
2.43 % Interest, due in 2008	0	9
2.06 % Interest, due in 2009 to 2011	396	0
3.11 % Interest, due in 2009 to 2012	82	0
2.53 % Interest, due in 2009	247	364
Bank loan		
5.50 % Interest, due in 2009	10	59
5.90 % Interest, due in 2008	0	19
6.45 % Interest, due in 2009	17	34
6.75 % Interest, due in 2009	13	44
5.00 % Interest, due in 2009	33	100
5.60 % Interest, due in 2009	133	400
3-month Euribor, due in 2009 to 2011 (MPD)	1,200	1,600
3-month Euribor, due in 2009 to 2013	1,875	2,250
3-month Euribor, due in 2009	750	1,500
3-month Euribor, due in 2010	2,000	0
	7,527	**7,158**

Long/short-term bank loans at 5.0 % and 5.6 %

These are secured by the pledging of shares in LME and a registered land charge. The net book value of LME assets and debts in the consolidated financial statement is € 4,403,000 (previous year: € 4,590,000). The land charge is € 1,380,000 (previous year: € 1,380,000). Constant semi-annual redemption at the end of the 1st and 3rd quarters has been agreed. The current value of the fixed interest rate bearing long- and short-term bank loans amounts on December 31, 2007 to € 614,000 (book value € 657,000) and on December 31, 2006 to € 950,000 (book value € 1,087,000).

Long/short-term loans at 3-month Euribor

For financing the purchase of the shares in MPD, SIS took out loans on September 30, 2005. On December 31, 2007, these loans comprised the following:

1. Tranche for EUR 0.750 million, variable interest (3-month Euribor + spread), term to 2009
2. Tranche for EUR 0.750 million, variable interest (3-month Euribor + spread), term to 2009
3. Tranche for EUR 1.1 million, variable interest (3-month Euribor + spread), term to 2013
4. Tranche for EUR 1.1 million, variable interest (3-month Euribor + spread), term to 2013

Quarterly repayment on the last day of the month has been agreed for long-term bank credits.

The loans are collateralized by pledge of shares in MPD.

All loan agreements are provided with an ancillary agreement providing for the following Financial Covenants to be observed by SIS:

Minimum own capital requirement	(own capital requirement at least 30 % of the balance sheet total)
Capital service cover	(ratio between EBITDA and capital service at least 1.75)

If SIS fails to fulfill the above obligations, the lender reserves the right to obtain or extend the bank's collateral.

SIS undertook to enter into a suitable interest-rate hedging transaction for tranches 2, 3 and 4 of the long-term bank credits in the form of an interest-rate swap or an interest-rate cap on the basis of the framework agreement for financial futures transactions with the bank at the loan amount for the period up to December 31, 2009 or December 31, 2013 and to sell or otherwise dispose of any of the interest-rate hedging instruments during the said period(s) only with the consent of the bank. The interest-rate hedging instruments are shown in Information 31.

Bank loan at EURIBOR + spread (MPD)

This 5-year loan with instalment redemption is to be repaid from March 30, 2007 in equal quarterly instalments and is not secured.

A covenant in the loan agreement commits MPD to keeping the min. equity ratio at 35 % of total assets.

If the above obligations are not observed, the creditors reserve the right to register/increase bank securities.

To safeguard the present interest rate, MPD has undertaken to conclude a cap on interest. The interest safeguard is shown in note 31.

Bonded Loan at Euribor + spread

For financing of the planned new building project of Silicon Sensor GmbH, SIS has borrowed in December 2007 a bonded loan in the amount of Euro 2 mn. The loan has a 3 years term, final maturity and the interest rate is 3-months-EURIBOR plus spread. The loan is not collateralized

15. Obligations for benefits to employees

Pension plans

Apart from contributions to the public pension scheme of approx. € 761,000 (2006: approx. € 610,000), the company pays into contribution-oriented plans for members of the SIS Executive Board, for managing directors of subsidiaries and for executive staff in the amount of € 270,000 (2006: € 208,000).

Stock option plan

Stock option plans drawn up in 2001 (SOP 2001), 2002 (SOP 2002) and 2006 (SOP 2006) 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 max. period of validity (waiting time plus exercise period) of an option is 7 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 by more than 20 % (SOP 2006) 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. Exercise ceilings for share options issued in business years 2001 - 2003 were reached during business year 2004.

(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 (retention periods). This also applies if an exercise window should open during retention periods (SOP 2001, SOP 2002). For SOP 2006: 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 general meeting of the company, which concludes over the appropriation of net income **(retention period)**. This also applies if an exercise window should open during the retention period

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.

SOP 2006 runs for 3 years. Over this period, a max. of 233,000 subscription rights from the plan's overall volume may be issued in annual tranches to all entitled persons. These rights may only be issued in the 9 months following publication of results at the end of a business year by the Executive Board. During 2006 business year, 130,000 subscription rights were granted to staff, executives and the Executive Board on June 29, 2006. The issue price corresponds to the company's average share price in XETRA trading (or a comparable follow-up system) over the five trading days preceding the date of issue of the subscription right, and at least to the pro-rata amount of capital stock falling on one share of the company. The average price of options issued as per June 29, 2006 was € 9.33. In the business year 2007 100,000 stock options of the SOP 2006 were granted at price of 18.68 Euro on July 11, 2007.

(c) Options expire when the exercise period is over, i. e. 5 years after the end of the 2-year waiting period. Option rights are not transferable, except in cases where the beneficiary dies after acquiring the options. His heirs may then take up the options once at the same conditions. If the employment contract/group relationship is terminated by the company or the beneficiary, or otherwise terminated for whatever reason, then any options which may not be exercised before the date of termination of the employment contract/group relationship become invalid. Beneficiaries may use option rights which may be exercised before the termination date only during the exercise window following the termination date.

The following table illustrates the number and the weighted average preferential prices (GDAP) of the share options granted during the financial year:

	2007 Number	2007 GDAP	2006 Number	2006 GDAP
Outstanding at beginning of the reporting period	174,500[4]	Euro 8.20	109,500[5]	Euro 4.24
Granted during the reporting period	100,000	Euro 18.68	130,000	Euro 9.33
Exercised during the reporting period	21,000	Euro 5.69[2]	65,000	Euro 3.80[3]
Outstanding at end of the reporting period	**253,500[1]**	**Euro 12.65**	**174,500[4]**	**Euro 8.20**
Exercisable at the end of the reporting period	23,500	Euro 4.18	44,500	Euro 4.89

1 This includes options for purchase of 10,000 shares that were not recorded in accordance with IFRS 2 as the options were granted on or before November 7, 2002. The contractual regulation of these options was not amended retroactively, and these options therefore do not have to be treated in accordance with IFRS 2.

2 The average share price at the time the option is exercised measures € 17.93.

3 The average share price at the time the option is exercised measures € 12.72.

4 This includes options for purchase of 30,000 shares that were not recorded in accordance with IFRS 2 as the options were granted on or before November 7, 2002. The contractual regulation of these options was not amended retroactively, and these options therefore do not have to be treated in accordance with IFRS 2.

5 This includes options for purchase of 48,500 shares that were not recorded in accordance with IFRS 2 as the options were granted on or before November 7, 2002. The contractual regulation of these options was not amended retroactively, and these options therefore do not have to be treated in accordance with IFRS 2.

The weighted average remaining contract term for the options outstanding on December 31, 2007 is 4.96 years (2006: 5.5 years).

The option exercise prices for options outstanding at the end of the period of the report are in the range between € 3.55 and € 18.68 (2006: € 3.55 – € 9.33).

Present stock option plans involve compensation by equity instruments so that current value is determined at the time the option is granted. The following table shows the parameters behind issues from SOP 2006 in the 2007 business year, and behind an adjustment made during the previous year due to the introduction of IFRS 2 for SOP 2001/ 2002 in a Black-Scholes model:

	SOP 2006 - granted 2007	SOP 2006 - granted 2006	SOP 2001/2002
Dividend return (%)	5.92	0.00	0.00
Expected volatility (%)	34.36	37.24	74.63
No-risk interest rate (%)	4.75	4.00	3.65
Anticipated option term (yrs.)	2 - 3	2 - 4	7
Weighted average share price (€)	18.68	9.20	3.45

The anticipated option term is based on historical data does not necessarily reflect the actual exercise behaviour of those entitled. Allowed/expected volatility rests on the assumption that future trends may be derived from historical volatilities, even though actual volatility may differ from assumptions.

16. Accrued items

Accrued items relate to public allowances.

These developed as follows:

	2007	2006
	€ 1,000	*€ 1,000*
January 1	**1,474**	**1,473**
Granted during the financial year	764	384
Dissolved with effect on profit	465	383
December 31	**1,773**	**1,474**

17. Subscribed capital

The capital stock, disclosed in the Balance Sheet as subscribed capital, measured € 11,689,000 on the balance sheet date December 31, 2007 and is made up of 3,896,150 no-par shares at an accounting nominal value of € 3. The change in the capital stock of SIS can be presented as follows:

	Nominal shares (issued and paid up) (€ 1,000)		Amount of capital stock (€ 1,000)	
	2007	2006	**2007**	2006
January 01	**3,523**	**3,458**	**10,569**	**10,374**
Issue of new shares from the stock option plan	21	65	63	195
Issue of new shares through cash capital increase	352	0	1,057	0
December 31	**3,896**	**3,523**	**11,689**	**10,569**

At July 5, 2007 a capital increase for cash out of authorized capital (2007/I) in the amount of Euro 1,056,750 for the issue of 352,250 shares took place

Authorized capital

By decision of the General Meeting at May 29, 2007 the Executive Board was empowered to increase the registered capital by € 5,284,350.00 (authorized capital 2007/I). The empowerment expires at May 28, 2012. For this reason ceased the remaining authorized capital of December 31, 2006 in the amount of € 37,800.

After the 2007 capital increase for cash out of authorized capital the authorized capital amounts to 4,227,600 at December 31, 2007

The Executive Board is authorized to decide, with the consent of the Supervisory Board, to exclude the subscription right for shareholders. Such exclusion of subscription right is possible only in the following cases:

- as compensation for peak amounts;
- so that shares can be issued to employees of the company;
- to acquire deposits in kind, specifically in the form of companies or shares in companies; if for the deposit in kind not more than 20% of the authorized capital are issued;
- when the capital increase against cash deposits does not exceed 10 % of the capital stock and the issue price of the no-par shares is not significantly below the market price.

Contingent capital

This is shown in the following table:

	2007	2006
	€ 1,000	*€ 1,000*
Contingent capital I	29	86
Contingent capital II	42	48
Contingent capital IV	699	699
	770	**833**

Contingent capital I + II

As per Dec. 31, 2007, contingent capital I + II of € 70,500 (2006: € 133,500) was available for issuing 23,500 (2006: 44,500) new individual share certificates made out to bearer and entitled to a profit share from the beginning of the business year in which they were issued. The capital increase takes place only to the extent that those with subscription rights exercise them under the stock option plans for 2001 and 2002.

During the business year, 19,000 (2006: 26,500) option rights from contingent capital I and 2,000 (2006: 38,500) option rights from contingent capital II were exercised under the stock option program for staff. A total of 21,000 (2006: 65,000) new individual share certificates were subscribed so that the capital stock grew by € 63,000 (2006: € 195,000). Under consideration of the 2007 rights issue for cash (€ 1,057,000) the fully deposited registered capital as entered in the commercial register amounts to € 11,688,450 as per Dec. 31, 2007 (2006: € 10,568,700).

Contingent capital IV

The General Meeting on June 15, 2006 conditionally increased the capital stock by up to a nominal € 699,000 by issuing 233,000 new individual share certificates made out to bearer and entitled to a profit share from the beginning of the business year in which they were issued (contingent capital IV). The conditional capital increase takes place only to the extent that those holding subscription rights issued under the 2006 stock option plan under authorization given on June 15, 2006 exercise these rights.

18. Reserves

The reserves developed in financial year 2006 and 2007 as follows:

	Share premiums	Retained earnings	Unrealizied earnings/ losses	**Total**
	€ 1,000	*€ 1,000*	*€ 1,000*	***€ 1,000***
January 1, 2006	**10,919**	**30**	**-50**	**10,899**
Transaction costs of capital increase*	0	-29	0	-29
Agio from the issue of new shares through the exercise of share options	52	0	0	52
Share-based payment	0	81	0	81
Minority acquisition	0	-1,579	0	-1,579
Profits realized from securities available for sale which have been regrouped into the profit and loss statement	0	0	-13	-13
Losses securities available for sale which have been regrouped into the profit and loss statement	0	0	12	12
Unrealized losses from the securities available for sale	0	0	-24	-24
Non-realized profits from cash flow Safeguards	0	0	84	84
Realized losses from cash flow safeguards	0	0	14	14
December 31, 2006	**10,971**	**-1,497**	**23**	**9,497**
Agio from the issue of new shares through cash capital increase	5.108			5.108
Agio from the issue of new shares through the exercise of share options	56			56
Transaction costs of capital increase		-19		-19
Share-based payment		227		227
Realized losses from the securities available for sale			26	26
Net profit from Cash Flow Hedge			40	40
December 31, 2007	**16,135**	**-1,289**	**89**	**14,935**

* all figures after tax impact

Share premiums

In 2007, 21,000 (2006: 65,000) new shares were subscribed under the stock option program for staff. The premium exceeding the nominal value, € 56,000 (2006: € 52,000) was appropriated to reserves for share premiums.

In 2007 a capital increase for cash with exclusion of subscription rights by issuing of 352,250 shares. The agio above par value in the amount of TEuro 5,108 was added to the reserves for share premiums.

Retained income

a) Transaction costs

Retained income showed the costs incurred in the issue of new shares for official charges, legal advisors, CPAs and other consultants as a deduction from equity (less related earnings tax benefits) (€ 19,000). Subsequent cost of € 29,000 were apportioned in 2006.

b) Stock options

A new stock option program, SOP 2006, resulted in expenditure which was distributed over the vesting period, shown as € 227,000 (previous period € 81,000) affecting the current result as part of personnel costs and appropriated to retained income.

c) Minority acquisition

In 2006, minority interest were acquired in MPD and SIP. Using the Equity Concept method, the difference between initial costs and the book value of the shares purchased (€ 1,579,000) was shown as retained income.

d) Reserve for non-realized profits/losses

This shows changes in the current values of financial investments available for sale and, in addition, that portion of profits or losses from a cash flow security instrument which is determined as an effective safeguard.

e) *Monetary compensatory amounts*

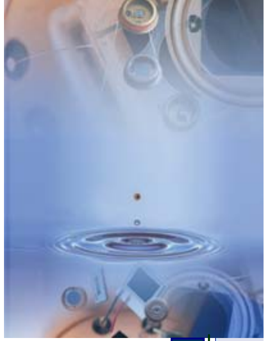
The consolidated financial statement also has a reserve, under equity, for foreign exchange differences (monetary compensatory amounts), which shows differences from the conversion of the financial statement of a foreign subsidiary.

19. Sales revenue

	2007		2006	
	€ 1,000	%	€ 1,000	%
Germany	24,445	66.04	21,149	64.79
Europe	10,782	29.13	9,446	28.94
USA	1,085	2.93	1,367	4.19
Others	702	1.90	678	2.08
	37,014	**100.00**	**32,640**	**100.00**

20. Other operating income

This is composed as follows:



	2007	2006
	€ 1,000	*€ 1,000*
Subsidies for Research and Development	828	773
Revenue from grants		
• Investment grants	272	263
• Investment subsidies	193	117
Income from other payment in kind	384	161
Below-the-line items	48	66
Insurance recoveries	19	11
Others	288	377
	2,032	**1,768**

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

	2007	2006
	€ 1,000	*€ 1,000*
Work in progress	1,017	-35
Finished goods	251	222
	1,268	**187**

22. Cost of raw materials, supplies and purchased services

Expenses for material and purchased services are composed as follows:

	2007	2006
	€ 1,000	*€ 1,000*
Raw materials and supplies	11,033	10,508
Purchased services	1,244	642
	12,077	**11,150**

23. Personnel expenses

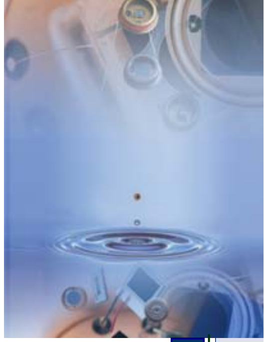
These are composed as follows:

	2007	2006
	€ 1,000	*€ 1,000*
Wages, salaries	11,375	9,202
Social insurance contributions including old-age provision	1,957	1,733
	13,332	**10,935**

24. Other operating costs

These include the following items:

	2007	2006
	€ 1,000	*€ 1,000*
Rentals, space costs	978	859
Maintenance expenses	438	363
Advertizing expenses	434	336
Warranty	228	306



Packaging	253	257
Travel/ entertainment expenses	263	236
Insurance	251	193
Motor vehicle costs	219	198
Goods delivery costs	207	439
Leasing costs	206	120
Legal/ consulting expenses	125	202
Auditing, preparation of annual/interim accounts, bookkeeping costs	165	158
Costs of investor / public relations	149	136
Outgoing freights	105	108
Communication costs	93	76
Losses due to the disposal of fixed/current assets	20	63
Costs of General Meeting	54	60
Incidental costs of money transactions	43	41
Directors' fees	76	38
Patent costs	16	9
Others	1,121	557
	5,444	**4,755**

25. Tax on income and profits

The general elements in income tax expenditure for financial years 2007 and 2006 are made up as follows:

	2007	2006
	€ 1,000	*€ 1,000*
Actual tax expense	2,455	2,064
Adjustments for non-period actual income taxes recorded in the period	55	-59
Deferred tax expense / (income) from the reversal of temporary differences	-671	-30
Taxes on transaction costs	12	18
Income tax expenditure disclosed in the consolidated Income Statement	**1,851**	**1,993**

The transition between income tax expense and the product of balance sheet period result and the group's applicable tax rate for business years 2007 and 2006 comprises the following:

	2007	2006
	€ 1,000	*€ 1,000*
Profit before income taxes	**6.154**	**5,003**
Tax expenses at booked tax rate	**2.394**	**1,946**
Reconciliation at disclosed income tax expenditure		
Adjustment for non-period actual income taxes	55	-59
Adjustment for tax rate change	-548	0
Use of tax loss carryforwards	-23	-11
Taxes on transaction costs	12	18
Tax-free income	0	0
Other	-39	99
Tax expense	**1,851**	**1,993**

The deferred income taxes consist of the following at the balance sheet date:

	Consolidated Balance Sheets		Consolidated Income Statements	
	2007	2006	**2007**	2006
	€ 1,000	***€ 1,000***	***€ 1,000***	***€ 1,000***
Other provisions	16	20	-4	3
Deferred income tax claims	**16**	**20**	-4	
Assessment of the securities available for sale at the current value	0	10	10	-5
Adjustment to current value on purchase (developments)	1.709	2,314	605	20
Land LME	164	225	61	12
Deferred income tax debts	**1.873**	**2,549**	676	
Deferred income tax expenditure/income			**672**	**30**

The income taxes comprise the income taxes and all deferred taxes that were or are to be paid in the different countries.

Income taxes for 2007 and 2006 comprise corporate tax, trade earnings tax, solidarity surcharge tax and relevant foreign taxes. In 2007 as in the previous year the applicable corporate tax rate in the Federal Republic of Germany on distributed and retained results was a standard rate of 25 %. A solidarity surcharge tax is furthermore raised on corporate tax at a rate of 5.5 %. The trade tax is charged, depending on the municipality, at rates between 15.25 % and 17.01 %.

The expected tax relief by the corporate tax law reform 2008 had impact on the calculation of deferred taxes in 2007. The parent company's weighted average tax rate (corporate tax, trade earnings tax and solidarity surcharge tax) used for calculating deferred taxes in 2007 amounted to 30 % (previous year 38.9 %). The group's current tax planning assumes that no major earnings effects causing an earnings tax burden may be expected from foreign subsidiaries in the short/medium run so that a possible effect from differing foreign tax rates has been neglected. Correspondingly, the full losses of foreign subsidiaries brought forward are not capitalized. PSS tax losses brought forward amount to € 391,000 (2006: € 781,000). These carryovers have been estimated in the absence of tax bills. Losses brought forward by PSS lapse after 20 years. There are no tax losses brought forward by domestic subsidiaries for business years 2007 and 2006.

26. Net earnings per share

When calculating the undiluted result per share, the result to be allocated to bearers of ordinary shares of the parent company is divided by the weighted average number of ordinary shares circulating during the year.

When calculating the diluted result per share, the result to be allocated to bearers of ordinary shares of the parent company is divided by the weighted average number of ordinary shares circulating during the year, plus the weighted average number of ordinary shares that would result from converting all potential ordinary shares with dilutive effects into ordinary shares.

The following table shows the amounts assumed for calculating undiluted and diluted results per share:

	2007	2006
	€ 1,000	*€ 1,000*
Results to be allocated to bearers of ordinary shares of the parent company	4,263	3,007

	2007	2006
	In Thousand	*In Thousand*
Weighted average number of ordinary shares for calculating the undiluted result per share	3,707	3,468
Dilutive effect: share options	59	26
Weighted average number of ordinary shares adjusted by the dilutive effect	3,766	3,494

No transactions involving (potential) ordinary shares took place between the balance sheet day and the preparation of the consolidated financial statement.

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 3.

28. Contingent liabilities and other financial obligations

(1) In future, court proceedings and claims resulting from legal disputes in the normal course of business could be enforced vis-à-vis companies in the group. Related risks are analyzed with a view to probability. Even though the outcome of such disputes is difficult to ascertain, the Executive Board believes that no major obligations will result.

(2) Financial obligations also result from renting office space and equipment, leasing cars, office systems and buildings, and from payments made under contributory pension plans. Leasing agreements have average terms between 3 and 20 years, with renewal/purchase options only for buildings. Lessees incur no obligations when concluding leases.

The resulting contingent liabilities are as follows:

	2008	2009 - 2013	as of 2014
	€ 1,000	*€ 1,000*	*€ 1,000*
Rental, leasing	1,080	3,377	5,640
Contribution-oriented pension plans	282	1,166	1,486
	1,362	**4,543**	**7,126**

Rental and leasing expenditure incurred over the entire contract period was € 10,097,000 (previous year: € 4,953,000). Total rental and leasing liabilities affecting expenditure for the 2007 business year were € 918,000 (previous year: € 744,000) as shown in the profit and loss statement.

(3) The group has entered into finance leasing agreements and hire-purchase agreements for various technical plant and operating and business equipment. The future minimum leasing payments from finance leasing agreements and hire-purchase agreements can be reconciled with the cash value as follows:

	2006	
	Minimum leasing payments	**Present value of minimum leasing payments**
	€ 1,000	*€ 1,000*
Within one year	381	358
Between one and five years	1,293	1,244
Total minimum leasing payments	**1,674**	**1,602**
Less interest expense due To discount	-72	0
Cash value of minimum leasing payments	**1,602**	**1,602**

	2007	
	Minimum leasing payments	**Present value of minimum leasing payments**
	€ 1,000	*€ 1,000*
Within one year	632	592
Between one and five years	1,593	1,369
Total minimum leasing Payments	**2,225**	**1,961**
Less interest expense due to discount	-264	0
Cash value of minimum leasing Payments	**1,961**	**1,961**

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/intra-operative detection of tumour 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.

Business Segment Data

	Custom-designed production		Other production		Elimination		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	€ 1,000	*€ 1,000*	***€ 1,000***	*€ 1,000*	***€ 1,000***	*€ 1,000*	***€ 1,000***	*€ 1,000*
Sales								
External sales	36,654	32,358	360	282			37,014	32,640
Intercompany turnover	5,711				-5,711		0	
Total	**42,365**	**32,358**	**360**	**282**	**-5,711**	**0**	**37,014**	**32,640**
Result								
Segment result	6,749	5,469	108	15	-229		6,628	5,484
Interest revenue/ expense	-451	-382	-3		43		-411	-382
Currency earnings/ losses	-63	-54	0		0		-63	-54
Income from securities of current assets	0	-45	0		0		0	-45
Income tax	-2,435	-1,993	-58		642		-1,851	-1,993
Minority interests	0	-3	0					-3
Profit	**3,800**	**2,992**	**47**	**15**	**416**	**0**	**4,263**	**3,007**
Assets								
Segment assets	76,743	45,065	461	369	-20,186		57,018	45,434
Latent tax claims		20			16		16	20
Tax refund claims								0
Sum of assets	**76,743**	**45,085**	**461**	**369**	**-20,168**	**0**	**57,034**	**45,454**
Debts								
Segment debts	12,289	7,688	3	58	-5,029		7,263	7,746
Latent tax liabilities					1,874		1,874	2,549
Short-term loans	486		32		2,517		3,035	2,651
Tax liabilities	3,037		38		0		3,075	1,478
Long-term interest-bearing loans	10,076				-2,549		7,527	7,158
Sum of debts	**25,888**	**7,688**	**73**	**58**	**-3,253**	**0**	**22,774**	**21,582**
Other information								
Investments	5,223	3,708	1	14				3,722
Depreciation	2,328	2,296	9	22	521			2,318
Other expenditure not affecting payments		81						81

(2) Geographical segments

Sales	**2007**	2006
	€ 1,000	*€ 1,000*
Germany	24,445	21,149
Europe	10,782	9,446
USA	1,086	1,367
Others	702	678
	37,014	**32,640**

Assets	**2007**	2006
	€ 1,000	*€ 1,000*
Germany	56,135	44,439
USA	900	995
Segment assets	**57,035**	**45,434**

Investment	2007	2006
	€ 1,000	€ 1,000
Germany	5,176	3,662
USA	22	60
	5,198	3,722

30. Transactions between affiliated companies and persons

Transactions involving persons or companies on whom the reporting company might exert influence or who might exert influence on the reporting company should be disclosed unless these transactions have already been covered by including consolidated companies in the consolidated financial statement.

The following transactions involved persons and companies deemed to be close to the SIS group:

Executive Board of SIS AG:

Dr. Bernd Kriegel, Berlin
Dr. Hans-Georg Giering, Berlin

Current payments to Executive Board members for the 2007 business year amounted to:

	Dr. Kriegel	Dr. Giering	Total	2006
	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Non-Profit-related pay	344	323	667	597
Profit-related pay	288	288	576	482
Total	632	611	1,243	1,079

Non-Profit-related pay includes payments to contribution-oriented pension plans, see Note 15.

In addition, the two members of the Executive Board were each granted 50,000 (previous year: each 30,000) share options under a new stock option plan. The value of stock options granted to members of the Executive Board is € 282,000 (previous year: € 150,000). Of this, € 137,000 (previous year: € 25,000) have been registered expense-effective in business year 2007.

Of the subscription rights dating from previous years, Executive Board members exercised rights worth € 14,000 in 2007 (2006: € 52,000). A total of 4,000 subscription rights had issue prices of € 5.27, 10,000 others issue prices of € 6.39. The Executive Board presently holds 160,000 subscription rights (2006: 74,000).

Supervisory Board of SIS AG:

Board members in 2007 received payments of € 76,000 (2006: € 38,000). The Supervisory Board remuneration not paid out until closing date amount to € 53,750, thereof € 3,750 to be allotted to 2005, € 10,000 to be allotted to 2006 and € 40,000 to be allotted to 2007.

Non member of the Supervisory Board were granted stock options.

Other close persons/companies:

Heimann Sensor GmbH, Dresden (associated, 24.9 % share)

	2007	2006
	€ 1,000	*€ 1,000*
MPD sales revenue from dealing with Heimann Sensor GmbH	162	168
Total	**162**	**168**

	2007	2006
	€ 1,000	*€ 1,000*
Receivable from Heimann Sensor GmbH	33	34
Total	**33**	**583**

31. *Financial Risk Management*

Risk management for financial instruments

The group has activities at international level and thus is exposed to market risks from fluctuating exchange rates. In addition, company financing is partly from bank loans, which involves interest risks. During business year 2005 the company has entered into hedging contracts to cover interest risks. Foreign exchange risks are reduced by the independent operative activity of PSS. Apart from trade debtors, the company's essential financial instruments are liquid assets and bank liabilities. These are aimed at financing operating business. There are principally payment, liquidity, exchange rate, interest and current value risks.

The main financial instruments used by the group – except for the derivative type – include bank loans, current account credits, financing leases, hire purchase contracts, currencies and short-term deposits. Their principal purpose is to finance the business activity of the group which also has other financial assets and debts such as receivables and debts from accounts payable which result directly from its business activity.

The group also carries out derivative transactions. This include above all interest-rate swaps for risk management of interest-rate risks.

Interest-rate swaps

The group uses interest-rate swaps for securing risks of interests from its bank liabilities rising. For liabilities with a nominal value of € 750,000 (2006: € 1,125,000), payment with a fixed interest rate of on average 3.41 % up to 2009 and variable interest income of 1.75 % plus EURIBOR is agreed. For further liabilities with a nominal value of € 2,250,000 (2006: € 2,625,000), payment with a fixed interest of on average 3.63 % up to 2013 and variable interest income of 1.75 % plus EURIBOR is agreed.

The current value of the swaps existing on December 31, 2007 is estimated at € 71,000 (2006: € 49,000). These amounts are based on the market values of equivalent financial instruments on the balance sheet date. All interest-rate swaps were provided as cash flow hedges and are classified as effective. The relevant current values were therefore included in equity capital. Over the period, incurred and hedged interest payments of € 22,000 (2006: € 14,000) were allocated.

Interest rate cap

The group uses a cap on interest to protect itself against the risk of interest rate fluctuation from bank liabilities. A ceiling of 4.0 % p. a. has been fixed for liabilities with nominal values of € 1,600,000 (2006: € 2,000,000).

The current value of the cap on Dec. 31, 2007 has been estimated at € 18,000 (2006: € 17,000), based on the market values of equivalent financial instruments on the reporting date. The cap has been introduced to hedge the cash flow and found efficient.

Thus, the interest rate exposure of the Group results mainly from long-term loans with variable interest rates. The following table shows the sensitivity of the group income before taxes against a reasonably possible change of interest rates (due to the impact on loans with variable interest rates). All other variables are fixed. There are no impacts on group equity.

	increase/decrease	Impact on income before taxes
	basis points	*€ 1,000*
2007	+15	-3
	-10	+2
2006	+15	0
	-10	0

Liquidity exposure

The Group monitors continuously the risk of a cash-out situation by means of a planning tool. This planning tool considers the terms of financial investments and assets (e.g. receivables or other assets) as well as expected operating cash flows.

As per December 31, 2007 the liabilities of the Group show the following maturities. The information is based on contractual not discounted amounts.

As per Dec., 31 2006	*Maturity within 1 Yearr*	*Between 1 and 5 years*	*More than 5 years*	*Total*
	€ 1,000	*€ 1,000*	*€ 1,000*	*€ 1,000*
Interest bearing loans	2,651	6,408	750	**9,809**
Trade liabilities	1,356			**1,356**
Liabilities against associated companies	2			**2**
Total	**4,009**	**6,408**	**750**	**11,167**

As per Dec., 31 2007	*Maturity within 1 Yearr*	*Between 1 and 5 years*	*More than 5 years*	*Total*
	TEuro	*TEuro*	*TEuro*	***TEuro***
Interest bearing loans	3,035	7,152	375	**10,562**
Trade liabilities	1,721			**1,721**
Liabilities against associated companies	7			**7**
Total	**4,763**	**7,152**	**375**	**12,290**

Debt / Equity control

Major target of the debt/equity control of the group is to assure a high credit rating and a high equity ratio to support operating activities as well as to maximize shareholder value. The group monitors its Debt/Equity by means of the debt-equity ratio*:*

	2007	**2006**
	€ 1,000	*€ 1,000*
Interest bearing loans	10,562	9,809
Trade liabilities and other liabilities	12,212	11,773
Less cash and cash aquivalents	10,177	4,980
Net - liabilities	12,597	16,602
Equity	34,184	23,836
Equity and Net-liabilities	46,781	40,438
Debt-Equity ratio	27	41

For equity ratio hedging the company has authorized capital in the amount of € 4,228,000 (2006: € 38,000) for further capital increase available.

32. Financial Instruments

The SIS Group has only derivative financial instruments and in the previous year also assets available for sale valued at their current value. (see details for Interest swaps , caps in this note and note 4). In case of all other financial instruments the book value equals the current value or current value information are given in the notes. If current value accounting is recorded at equity, details are given in note 18. All other current value accounting is recorded in the Income Statement.

33. 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. of Physics

Dr. Hans-Georg Giering, Deuben/Berlin
Dr. of Physics

Members of the Supervisory Board

Dr. Edgar Most, Berlin — Chairmann
Bank Manager

Other Supervisory Board mandate:

- Hanse-Klinikum Stralsund GmbH
- Hanse-Klinikum Wismar GmbH
- Institut für Getreideverarbeitung GmbH, Potsdam — Deputy Chairman
- LEIPA Georg Leinfelder GmbH, Schwedt — Chairman
- Peene-Werft GmbH, Wolgast

Memberships in comparable supervisory bodies:

- BioCon Valley GmbH, Greifswald
- DRESEARCH Digital Media Systems GmbH, Berlin — Chairman
- Vernetzte Gesundheit e. V.

Dr. Michael Altwein, Darmstadt — Deputy Chairman
Master of Physics

Ernst Hofmann, Wiesbaden
Business consultant

Kurt Ochner, Stuttgart
Graduate in Business Administration,
Member of Executive Board KST Beteiligungs AG

Other Supervisory Board mandate:

- Blättchen & Partner AG, Leonberg
- Investorsmedia AG, Frankfurt
- Sinosol AG, Stuttgart
- Wietler & Partner AG, Mannheim
- HumanOptics AG, Erlangen (as of February 18, 2008)

Dr. Robert Hock, Frankfurt am Main
Independent Investmentbanker

Other Supervisory Board mandate:

- Techem AG, Eschborn (as of December 14, 2007)

Dr. Dietmar Roth, Hohenstein-Ernstthal
Chairman/ CEO der Roth & Rau AG

Former members of the Supervisory Board

Prof. Dr. Hans Richter, Frankfurt/O. — *from Juni 18, 2002 to May 29, 2007*
Direktor IHP GmbH

Dr. Rudolf Scheid, Swistthal — *from June 18, 2002 to May 29, 2007*
Lawyer

Data pursuant to § 160 para. 1 no. 8 AktG

During business year 2007 and prior to publishing the financial report, SIS received these communications pursuant to § 21 para. 1 WpHG which were published pursuant to § 26 para. 1 WpHG:

„Lupus alpha Investment S. A., 69 route d'Esch, L-1470 Luxemburg, Luxemburg on March 5, 2007 informed us pursuant to § 21 WpHG para. 1 that its share of voting rights in Silicon Sensor International AG, Berlin/Germany, ISIN: DE0007201907, WKN: 720190 in terms of shares exceeded the threshold of 3 % on Feb. 23, 2007 and now stands at 3.19 % (equivalent to 112,500 voting rights)

The Kairos Fund Ltd, Cayman Corporate Centre, Fifth Floor, 27 Hospital Road, PO Box 1748, George Town, Grand Cayman, Cayman Islands has informed us pursuant to § 21 WpHG para. 1 as of May 14, 2007 that its share of voting rights in Silicon Sensor International AG, Berlin / Germany, ISIN: DE0007201907, WKN: 720190 as of May, 14 2007 in terms of shares exceeded the threshold of 3 % and now stands at 3.04 % (equivalent to 107.001 voting rights).

The Kairos Investment Management Limited, 77 Cornhill, London EC3V 3QQ, United Kingdom has informed us pursuant to § 21 WpHG para. 1 as of May 14, 2007 that its share of voting rights in Silicon Sensor International AG, Berlin / Germany, ISIN: DE0007201907, WKN: 720190 as of May, 14 2007 in terms of shares exceeded the threshold of 3 % and now stands at 3.04 % (equivalent to 107.001 voting rights).

The shares held by Kairos Fund Limited Fund Ltd as of May 14, 2007 in the amount of 3.04 % of voting rights are granted to Kairos Investment Management Limited.

The Kairos Investment Management Limited, 77 Cornhill, London EC3V 3QQ, United Kingdom has informed us pursuant to § 21 WpHG para. 1 as of June 15, 2007 that its share of voting rights in Silicon Sensor International AG, Berlin / Germany, ISIN: DE0007201907, WKN: 720190 as of June 15, 2007 in terms of shares exceeded the threshold of 5 % and now stands at 5.04 % (equivalent to 177.722 voting rights).

The shares held as of June 15, 2007 are granted via Kairos Fund Ltd (4,13% or 145.668 shares) and Kairos North European Fund Ltd. (0.91 % or 32,054 shares) pursuant to § 21 WpHG para. 1 to Kairos Investment Management Limited.

The Highclere International Investors Limited, London, United Kingdom has informed us pursuant to § 21 WpHG para. 1 as of June 25, 2007 that its share of voting rights in Silicon Sensor International AG, Berlin / Germany, ISIN: DE0007201907, WKN: 720190 as of June 25, 2007 in terms of shares exceeded the threshold of 3 % and now stand at 3,002 % (equivalent to 105.878 voting rights).

The shares held as of June 25, 2007 (3,002 %; 105.878 voting rights) are granted via Highclere International Investors Smaller Companies Fund pursuant to § 21 WpHG para. 1 to Highclere International Investors Limited, London, United Kingdom.

Furthermore the Highclere International Investors Smaller Companies Fund, Westport, USA has informed us pursuant to § 21 WpHG para. 1 as of June 25, 2007 that its share of voting rights in Silicon Sensor International AG, Berlin / Germany, ISIN: DE0007201907, WKN: 720190 as of June 11, 2007 in terms of shares exceeded the threshold of 3 % and now stand at 3,002 % (equivalent to 105.878 voting rights).

The Deutsche Bank AG has informed us on behalf of FPM Funds SICAV, L-1115 Luxembourg, Luxembourg pursuant to § 21 WpHG para. 1 as of July 6, 2007 that its share of voting rights in Silicon Sensor International AG, Berlin / Germany, ISIN: DE0007201907, WKN: 720190 as of July 2, 2007 in terms of shares did fall below the threshold of 3 % and now stands at 2,82 % (equivalent to 100.000 voting rights).

The Kairos Investment Management Limited, London, United Kingdom has informed us pursuant to § 21 WpHG para. 1 as of July 11, 2007 that its share of voting rights in Silicon Sensor International AG, Berlin / Germany, ISIN: DE0007201907, WKN: 720190 as of July 11, 2007 in terms of shares exceeded the threshold of 10 % and now stands at 13,59 % (equivalent to 526.490 voting rights).

10,38 % of the shares held (equivalent to 402.351 voting rights) are granted via Kairos Fund Limited Fund Ltd; 0,62 % of shares held (equivalent to 24.139 voting rights) are granted by Kairos North European Fund Ltd., 2,58% of shares held (equivalent to 100.000 voting rights) are granted by Kairos Focus Fund Ltd. pursuant to § 22 Abs. 1, Satz 1, Nr. 1 WpHG to Kairos Investment Management Limited.

The Kairos Fund Limited, George Town, Cayman Islands has informed us pursuant to § 21 WpHG para. 1 as of July 11, 2007 that its share of voting rights in Silicon Sensor International AG, Berlin / Germany, ISIN: DE0007201907, WKN: 720190 as of July 10, 2007 in terms of shares exceeded the threshold of 10 % and now stands at 10,38 % (equivalent to 402.351 voting rights).

The Highclere International Investors Limited, London, United Kingdom has informed us pursuant to § 21 WpHG para. 1 as of July 13, 2007 that its share of voting rights in Silicon Sensor International AG, Berlin / Germany, ISIN: DE0007201907, WKN: 720190 as of July 11, 2007 in terms of shares did fall below the threshold of 3 % and now stand at 2,72 % (equivalent to 105.878 voting rights).

2,72 % of voting rights (equivalent to 105.878 voting rights) are granted via Highclere International Investors Smaller Companies Fund pursuant to § 22 Abs. 1, Nr. 6 WpHG to Highclere International Investors Limited, London, United Kingdom.

Furthermore the Highclere International Investors Smaller Companies Fund, Westport, USA has informed us pursuant to § 21 WpHG para. 1 as of July 13, 2007 that its share of voting rights in Silicon Sensor International AG, Berlin / Germany, ISIN: DE0007201907, WKN: 720190 as of July 11, 2007 in terms of shares did fall below the threshold of 3 % and now stand at 2.72 % (equivalent to 105.878 voting rights).

The Universal-Investment-Gesellschaft mbH, Frankfurt am Main, Germany has informed us pursuant to § 21 WpHG para. 1 as of July 17, 2007 that its share of voting rights in Silicon Sensor International AG, Berlin / Germany, ISIN: DE0007201907, WKN: 720190 as of July 16, 2007 in terms of shares did fall below the threshold of 3 % and now stands at 2.86 % (equivalent to 111.204 voting rights).

The Universal-Investment-Gesellschaft mbH holds 0.12 % directly (equivalent to 4.500 Stimmrechten) and 2.74 % (equivalent to 106.704) are granted to the company pursuant to § 22 Abs. 1, Satz 1, Nr. 6 WpHG (special funds).

The Highclere International Investors Limited, London, United Kingdom has informed us pursuant to § 21 WpHG para. 1 as of August 8, 2007 that its share of voting rights in Silicon Sensor International AG, Berlin / Germany, ISIN: DE0007201907, WKN: 720190 as of August 1, 2007 in terms of shares exceeded the threshold of 3 % and now stand at 3.22 % (equivalent to 125.478 voting rights).

3.22 % of voting rights (equivalent to 125.478 voting rights) are granted via Highclere International Investors Smaller Companies Fund, Westport, USA pursuant to § 21 WpHG para. 1 to Highclere International Investors Limited, London, United Kingdom.

Furthermore the Highclere International Investors Smaller Companies Fund, Westport, USA has informed us pursuant to § 21 WpHG para. 1 as of August 8, 2007 that its share of voting rights in Silicon Sensor International AG, Berlin / Germany, ISIN: DE0007201907, WKN: 720190 as of August 1, 2007 in terms of shares did exceed the threshold of 3 % and now stand at 3.22 % (equivalent to 125.478 voting rights).

The KST Beteiligungs AG, Stuttgart, Germany has informed us pursuant to § 21 WpHG para. 1 as of August 24, 2007 that its share of voting rights in Silicon Sensor International AG, Berlin / Germany, ISIN: DE0007201907, WKN: 720190 as of August 23, 2007 in terms of shares did fall below the threshold of 5 % and 3 % and now stands at 2.99 % (equivalent to 116.500 voting rights).

The Universal-Investment-Gesellschaft mbH, Frankfurt am Main, Germany has informed us pursuant to § 21 WpHG para. 1 as of September 3, 2007 that its share of voting rights in Silicon Sensor International AG, Berlin / Germany, ISIN: DE0007201907, WKN: 720190 as of August 31, 2007 in terms of shares did exceed the threshold of 3 % and now stands at 3.42 % (equivalent to 133.203 voting rights).

The Universal-Investment-Gesellschaft mbH holds 0,68 % directly (equivalent to 26.499 voting rights) and 2.74 % of voting rights (equivalent to 106.704) are granted to the company pursuant to § 22 Abs. 1, Satz 1, Nr. 6 WpHG (special funds).

The Highclere International Investors Limited, London, United Kingdom has informed us pursuant to § 21 WpHG para. 1 as of December 4, 2007 that its share of voting rights in Silicon Sensor International AG, Berlin / Germany, ISIN: DE0007201907, WKN: 720190 as of November 30, 2007 in terms of shares did fall below the threshold of 3% and now stand at 2,70 % (equivalent to 105.878 voting rights).

2.64 % of voting rights (equivalent to 102.682 voting rights) are granted via Highclere International Investors Smaller Companies Fund, Westport; USA; 0.06 % of voting rights (equivalent to 2.291 voting rights) are granted via Highclere (Jersey) International Investors Smaller Companies Fund, Jersey, Channel Islands pursuant to § 22 para. 1, Satz 1, Nr. 6 WpHG to Highclere International Investors Limited, London, United Kingdom.

Furthermore the Highclere International Investors Smaller Companies Fund, Westport, USA has informed us pursuant to § 21 WpHG para. 1 as of December 4, 2007 that its share of voting rights in Silicon Sensor International AG, Berlin / Germany, ISIN: DE0007201907, WKN: 720190 as of November 30, 2007 in terms of shares did fall below the threshold of 3 % and now stand at 2.64 % (equivalent to 102.682 voting rights).

The Highclere International Investors Limited, London, United Kingdom has informed us pursuant to § 21 WpHG para. 1 as of February 29, 2008 that its share of voting rights in Silicon Sensor International AG, Berlin / Germany, ISIN: DE0007201907, WKN: 720190 as of February 27, 2008 in terms of shares did exceed the threshold of 3 % and now stand at 3.86 % (equivalent to 150.544 voting rights).

All voting rights are granted via Highclere International Investors Smaller Companies Fund, Westport; USA and via Highclere (Jersey) International Investors Smaller Companies Fund, Jersey, Channel Islands pursuant to § 22 Abs. 1, Nr. 6 WpHG to Highclere International Investors Limited, London, United Kingdom.

Furthermore the Highclere International Investors Smaller Companies Fund, Westport, USA has informed us pursuant to § 21 WpHG para. 1 as of February 29, 2008 that its share of voting rights in Silicon Sensor International AG, Berlin / Germany, ISIN: DE0007201907, WKN: 720190 as of February 27, 2008 in terms of shares did exceed the threshold of 3 % and now stands at 3.77 % (equivalent to 147.053 voting rights).

Employees

Average number of staff during 2007 business year:

	2007 Employees	2006 Employees
Germany	280	229
Other countries	6	6
	286	**235**

The group employed a total of 303 on December 31, 2007.

Audit fees

Fees for the final audit of SIS AG, the SIS consolidated financial statement and all major subsidiaries of the SIS group by Ernst & Young AG Wirtschaftsprüfungsgesellschaft amount to € 70,000.

Waiver of disclosure in accordance with section 264, sub-section 3 HGB

The following German subsidiaries with the legal status of joint-stock corporations have fulfilled the conditions for claiming exemption required pursuant to § 264, sub-section 3 HGB and therefore waive disclosure of their annual financial statement documents.

Lewicki microelectronic GmbH, Oberdischingen
Silicon Sensor GmbH, Berlin

34. Corporate Governance

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

Berlin, March 19, 2008

The Executive Board
Silicon Sensor International AG

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

Auditors Report

We have audited the consolidated financial statement drawn up by Silicon Sensor International AG, Berlin consisting of the balance sheet, profit and loss statement, cash flow statement, statement of changes in equity and notes – including segment information, as well as the group annual report which was combined with the company's annual report for the business year from Jan. 1 to Dec. 31, 2007.
Drawing up consolidated financial statements and group annual reports pursuant to IFRS as required in the EU and, in addition, under the provisions of commercial law pursuant to Sec. 315a, para. 1 HGB, is the responsibility of the company's legal representatives. It is our duty to assess the consolidated financial statement and group annual report based on our audit. In addition, we were asked to assess whether the consolidated financial statement conformed to IFRS as a whole.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and full IFRS and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Berlin, March 27, 2008

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

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

Internal statement

Officers of the company had no share holdings in the company on Dec. 31, 2007.

Compliance Statement (balance sheet oath) pursuant to paragraph 264 sec. 2 sentence 3, paragraph 289 sec. 1 sentence 5 HGB (Nr.3)

We assure to the best of our knowledge that according the applicable accounting and reporting standards the financial statement and the consolidated group statement give a true and fair view on the financial, asset and profit situation of the company and that the management report of the company and the group give a true and fair picture of the company and the group and describes all significant chances and hazards for an anticipated future development.

Berlin, March 2008

Silicon Sensor International AG
The Executive Board

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

Declaration of Conformity with the German Code of Corporate Governance (under § 161 AktG)

Except for the recommendations below, Silicon Sensor International AG conforms to the recommendations of the "Government Commission on the German Corporate Governance Code" as amended on June 14, 2007 made known by the Federal Ministry of Justice in the official part of the electronic Federal Gazette and has, since making the last conformance statement in March 2007, complied with the recommendations of the German Corporate Governance Code as amended on June 12, 2006 with the restrictions listed in each case in the annual statements.

In case the company concludes for the Executive Board and the Supervisory Board a D&O insurance pursuant to Section 3.8 of the Codex an appropriate deductible shall be agreed. The Silicon Sensor International AG does not follow this recommendation for the first time, as the deductible due to revised Institute Clauses has been omitted.

Subsections 5.1.2 and 5.4.1 of the Codex recommend an age limit both for Executive and Supervisory Board members. Silicon Sensor International AG does not follow this recommendation and foresees no age restriction for Executive and Supervisory Board members.

Subsection 5.3.1, 5.3.2 and 5.3.3 of the Codex proposes that the Supervisory Board set up committees. The Supervisory Board of Silicon Sensor International AG will form no committees but meet collectively at all times.

In subsection 5.4.7, the Codex recommends additional profit-related components for the pay of Supervisory Board members. Members of the Supervisory Board of Silicon Sensor International AG presently do not get any profit-related pay. In a resolution dtd. May 29, 2007 the general meeting determined the pay for Supervisory Board members and did not introduce profit-related components.

Progress reports of Silicon Sensor International AG will be published within the relevant time limit according to the rules of the Frankfurt stock exchange, i.e. not necessarily within 45 days from the end of the reporting period (subsection 7.1.2 of the Codex).

Berlin, March 2008

Silicon Sensor International AG

The Executive Board   The Supervisory Board

Report of the Supervisory Board

The business year 2007 was for the Silicon Sensor Group the most successful business year in its business history. It was dominated by a further integration of the Microelectronic Packaging Dresden GmbH in the Group. Alongside the resources were focused on the further development of business activities of the subsidiaries, an intensification of cooperation of group companies and the development of the America business. Positive were recognized the increase in sales in all business areas but also the successful start of the business activities of Silicon Micro Sensors GmbH, launched by end of 2006. Simultaneously an investment initiative for more growth was started in 2007. The Supervisory Board supports fully the Executive Board in its expansion plans for Dresden and Berlin. In line of the capacity increase the extension of the clean room area was completed according to schedule in the 2nd quarter 2007and thus the production area in Dresden nearly doubled. For the new sensor manufacturing plant in Berlin premises were acquired already in 2006. Start of construction was in the 4th quarter of 2007 due to regulatory delays and expected to be terminated in the third quarter of 2008. Therewith were the fundamentals laid for further positive business development of Silicon Sensor GmbH.

Over the past fiscal year, the Supervisory Board continuously monitored the trend of business of Silicon Sensor International AG and its subsidiaries, and was convinced, with no reservations, that the operations were properly conducted. Five joint meetings of the Executive and Supervisory Boards discussed key questions and details of company policy and future strategies for growth and internationalization. During the meeting of the Supervisory Board in March 2007 the consolidated financial statement of the Group and the financial statement of the AG were discussed in detail with the auditors and subsequently approved and ascertained. In May 2007 the Supervisory Board dealt with the current development of the Group and the new building project. At the General Meeting of the company on May 29, 2007 Dr. Hock and Dr. Roth were elected for he first time and Mr. Hoffmann was elected again by the shareholders as Supervisory Board Members, after the termination of the tenure of Mr. Hofmann, Prof. Richter und Dr. Scheid according statutes. In July 2007 the Supervisory Board constituted in its new formation and approved the Head of the Supervisory Board and its deputy. The recent business development and the issues in respect to the authorities and the new building project were discussed. Beginning of October 2007 the mid term plan for the Silicon Sensor Group has been discussed in detail and the budget for 2008 has been released. In addition the headcount plan was discussed. The focus of the meeting in December 2007 was on the cash management plan for 2008 - 2010 as well as on the business activities abroad. In addition, the Executive Board met with individual members of the Supervisory Board on a variety of occasions. The Supervisory Board has not held separate meeting but has always held meeting with all members.

The Consolidated Financial Statements and Management Report and the Annual Financial Report for the period ending December 31, 2007 and Management Report met with the unqualified approval of the auditors Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Berlin. The Annual and Consolidated Financial Statement Documents and Management Reports were submitted to the Supervisory Board and were examined and discussed in detail at the Supervisory Board's balance sheet meeting held on March 27, 2008 in the presence of the auditors of the financial statements. We approved the annual financial statements presented to us, which are therefore certified. We examined the consolidated annual financial statements and approved them without reservation.

The Supervisory Board would like to thank, in particular, the Board of Management and all the employees for their commitment and exceptional performance. We wish them great success in rising to the challenges of 2008. Special thanks to our old and new shareholders who have placed their confidence in our company, and continue to do so.

Berlin, in March 2008

Silicon Sensor International AG
The Supervisory Board

Dr. Edgar Most
Chairman