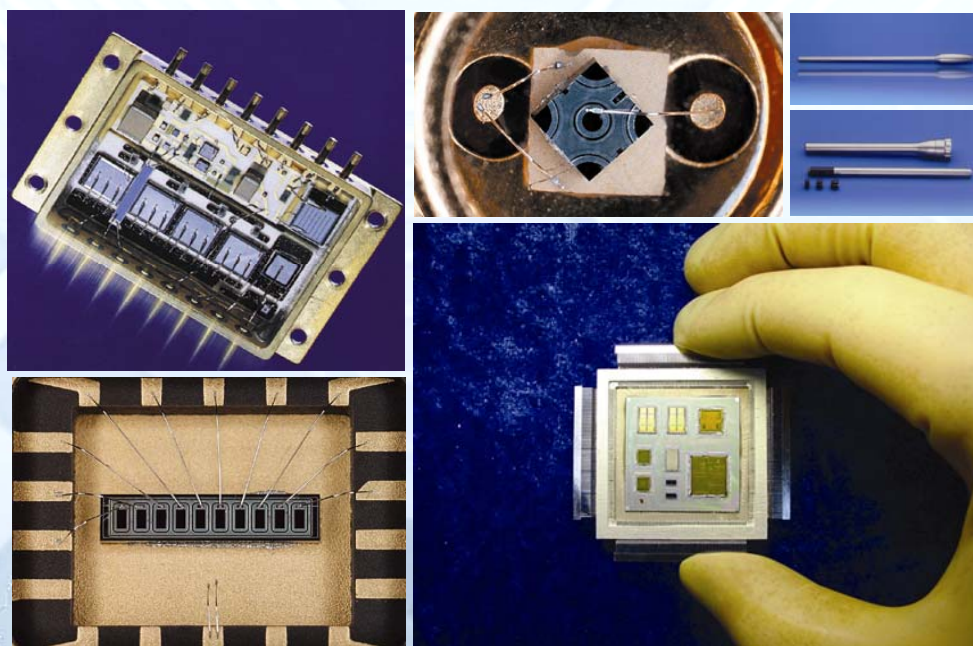


# SILICON SENSOR INTERNATIONAL AG



## BUSINESS REPORT

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

2004

# BUSINESS REPORT I/2004

## SILICON SENSOR GROUP

### *Financial ratios Jan. 01 – March 31, 2004 (first quarter 2004)*

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	<i>March 31, 2004</i> <i>TEuro</i>	<i>March 31, 2003</i> <i>TEuro</i>	<i>Change in</i> <i>TEuro</i>	<i>% Change</i>
Sales revenue	<b>3,500</b>	3,213	287	9
Back orders	<b>8,046</b>	7,668	378	5
EBITDA	<b>864</b>	659	205	31
EBIT	<b>590</b>	383	207	54
Three-month surplus	<b>408</b>	303	105	35
Three-month surplus €/individual share certificate	<b>0.18</b>	0.14	0.04	29
Share	<b>2,250,000</b>	2,250,000	0	0
R&D expenditure	<b>162</b>	157	5	3
Staff (March 31)	<b>102</b>	104	-2	-2



## Forword

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*Silicon Sensor on solid growth course – positive quarterly result confirms group strategy.*

*Dear shareholders,  
Dear business partners,*

*The Silicon Sensor groups attained a gratifying growth tempo in the first quarter of the 2004 business year. We are able to report positive business performance. As compared to the same time period in the previous year, turnover rose by 9 % from € 3.2 million to € 3.5 million and profits increased by 35 %.*

*EBITDA rose by 31 % from € 659,000 (31 March 2003) to € 864,000 (March 31, 2004). The operating result EBIT increased by € 207,000 from € 383,000 (March 31, 2003) to € 590,000 (March 31, 2004). Earnings after interest and taxes were improved by € 105,000 from € 303,000 (March 31, 2003) to € 408,000. Earnings per share totalled € 0.18 during the reporting period, improving by € 0.04 as compared to the same time period in the previous year (March 31, 2003: € 0.14). The encouraging growth tempo continues through the second quarter of the 2004 business year.*

*Particularly positiv is the development of the group's orders on hand which increased by 5 % from € 7.67 million to € 8.05 million. The number of personnel employed by the Silicon Sensor group at the end of the quarter sank to a total of 102 employees (104 persons were employed at the end of the first quarter of 2003).*

*Production activity has retained its focus on customer-specific products, in some cases with a very high development share. The main areas of focus continue to be customer-specific sensor solutions and hybrid circuits.*



## *Business development*

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

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

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

The positive operating cashflow is the guarantee for further growing. In addition, continued efforts at improving the cost structure through the utilisation of synergies between the individual subsidiaries were made during the report period.

According to planning for the coming business years, it can be assumed that additional growth is certain. The group's liquidity planning is based on continued growth in turnover and positive operating cash flows associated with this growth. The Managing Board currently regards liquidity as sufficient for attaining our ambitious growth goals.



## *Foreign developments*

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Following the expansion of the Silicon Sensor group's market share in Europe, the greatest growth potential for the future lays in the American and Asian markets. The development of Pacific Silicon Sensor Inc. has been pursued according to plans in order to gain a larger foothold on these markets and to further cultivate the company's degree of internationalisation. The American subsidiary will reach the break even within the next business quarter. This organic growth is proof of increasing acceptance of the Silicon Sensor group's products on the American market.

## *Personnel*

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

The number of personnel employed by the Silicon Sensor group at the end of the quarter sank to a total of 102 employees (104 persons were employed at the end of the first quarter of 2003).

## *Prospects*

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

The group expects stable developments in turnover and profits in all its subsidiaries. We expect that all our subsidiaries will generate profits, so that we plan to end 2004 with an improved consolidated result as compared to 2003.

Due to the future developments of our corporation as outlined here as well as the results attained in the first quarter of 2004, we expect another increase in overall turnover and result for 2004 as compared with 2003 despite the difficult general economic situation.



The market significance of the Silicon Sensor group will be further reinforced in 2004 and the existing expertise used as a strategic success factor for achieving continual growth in turnover and profits.

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

Berlin, May 2004

The Managing Board  
Silicon Sensor International AG

*Dr. Bernd Kriegel*

*Dr. Hans-Georg Giering*

*Dr. Edmund Rickus*



# CONSOLIDATED BALANCE SHEET

AS OF MARCH 31, 2004 (IAS)

<b>Assets</b>	<b>March 31, 2004 € 1,000</b>	<b>March 31, 2003 € 1,000</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	903	694
Trade receivables	1,726	1,651
Inventories	3,781	4,246
Prepaid expenses and other current assets	488	224
<b>Total current assets</b>	<b>6,898</b>	<b>7,032</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	5,030	5,327
Intangible assets	163	226
Goodwill	1,807	1,962
Deferred tax assets	26	9
Other non-current assets	23	89
<b>Total non-current assets</b>	<b>7,049</b>	<b>7,613</b>
<b>TOTAL ASSETS</b>	<b>13,947</b>	<b>14,645</b>
<b>Liabilities and shareholders' equity</b>		
<b>CURRENT LIABILITIES</b>		
Short-term loans and borrowings and current portion of long-term debt	625	1,002
Trade payables	369	598
Advance payments received	133	200
Provisions	204	232
Other accounts payable	1,519	1,224
<b>Total current liabilities</b>	<b>2,850</b>	<b>3,256</b>
<b>NON-CURRENT LIABILITIES</b>		
Long-term debt	1,481	2,514
Employee benefits obligations	240	194
Provisions	51	43
Deferred tax liabilities	258	269
Deferred income	332	346
Contributions of silent partnerships	383	383
<b>Total non-current liabilities</b>	<b>2,745</b>	<b>3,749</b>
Minority interests	4	19
<b>EQUITY</b>		
Share capital	6,750	6,750
Reserves	3,061	3,061
Retained earnings	-1,263	-2,088
Translation reserve	-200	-102
<b>Total Equity</b>	<b>8,348</b>	<b>7,621</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>13,947</b>	<b>14,645</b>

# CONSOLIDATED INCOME STATEMENTS

FOR THE FIRST THREE-MONTHS 2004 (IAS)

	<i>Jan. 01. - March 31, 2004</i> € 1,000	<i>Jan. 01. - March 31, 2003</i> € 1,000
Sales	3,500	3,213
Other operating income	103	51
Increase / decrease in finished goods and work-in-process	-105	46
Own work capitalised	22	39
Cost of raw materials, supplies and purchased services	-747	-988
Personnel expenses	-1,306	-1,107
Depreciation and amortisation costs on intangible assets, and plant and equipment	-274	-276
Other operating expenses	-603	-595
<b>Results of ordinary activities</b>	<b>590</b>	<b>383</b>
Interest income / expenses	-53	-78
<b>Results before tax and minority interest</b>	<b>537</b>	<b>305</b>
Income tax	-114	-2
<b>Results before minority interest</b>	<b>423</b>	<b>303</b>
Minority interest	-15	0
<b>Consolidated net profit / loss</b>	<b>408</b>	<b>303</b>
<b>Basic and diluted earnings per share:</b>	<b>0.18</b>	<b>0.14</b>
Number of shares used for the calculation of basic and diluted earnings per share (in thousand)	2,250	2,250



# CONSOLIDATED CASH FLOW STATEMENTS

FOR THE FIRST THREE-MONTHS 2004 (IAS)

	<i>Jan. 01 - March 31, 2004 € 1,000</i>	<i>Jan. 01 - March 31, 2003 € 1,000</i>
<b>Consolidated profit</b>	<b>590</b>	<b>383</b>
Depreciation of intangible assets and property, plant and equipment	274	276
Depreciation of current assets	0	33
Earnings from allowance	-1	-18
Losses from fixed assets retirements	0	0
Changes in provisions	-2	40
Changes in assets not allocable to investing- or financing activities	-458	-375
Changes in liabilities not allocable to investing or financing activities	-216	-132
Paid Interest	-55	-80
Paid Taxes	0	-1
<b>Cash flow from operating activities</b>	<b>132</b>	<b>126</b>
Investments in intangible assets and property, plant and equipment	-71	-94
Proceeds from the disposal of intangible assets, property, plant and equipment	0	0
Proceeds from government grants	1	2
Interest	2	2
<b>Cash flow from investing activities</b>	<b>-68</b>	<b>-90</b>
Proceeds from issuance of share capital	0	0
Repayment of loans	-216	-167
<b>Cash flow from financing activities</b>	<b>-216</b>	<b>-167</b>
<b>Net effect of currency</b>	<b>-10</b>	<b>0</b>
<b>Net increase in cash and cash equivalents</b>	<b>-162</b>	<b>-131</b>
Cash and cash equivalents at beginning of year	1,065	825
<b>Cash and cash equivalents at the date of March 31</b>	<b>903</b>	<b>694</b>

## CHANGE IN EQUITY

FOR THE FIRST THREE-MONTHS 2004 (IAS)

	Number of shares '000	Share capital € 1,000	Reserves € 1,000	Translation reserve € 1,000	Retained earnings € 1,000	Total € 1,000
<b>Dec. 31, 2002</b>	<b>2,250</b>	<b>6,750</b>	<b>3,061</b>	<b>-2,391</b>	<b>-105</b>	<b>7,315</b>
Three-month surplus				303		303
Net effect of currency					3	3
<b>March 31, 2003</b>	<b>2,250</b>	<b>6,750</b>	<b>3,061</b>	<b>-2,088</b>	<b>-102</b>	<b>7,621</b>

	Number of shares '000	Share capital € 1,000	Reserves € 1,000	Translation reserve € 1,000	Retained earnings € 1,000	Total € 1,000
<b>Dec. 31, 2003</b>	<b>2,250</b>	<b>6,750</b>	<b>3,061</b>	<b>-1,671</b>	<b>-188</b>	<b>7,952</b>
Three-month surplus				408		408
Net effect of currency					-12	-12
<b>March 31, 2004</b>	<b>2,250</b>	<b>6,750</b>	<b>3,061</b>	<b>-1,263</b>	<b>-200</b>	<b>8,348</b>



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# SILICON SENSOR INTERNATIONAL AG – GROUP NOTES TO BUSINESS REPORT

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FOR THE FIRST THREE MONTHS OF THE BUSINESS YEAR 2004

## *1. General*

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Silicon Sensor International AG, Berlin (hereinafter - SIS, the Company) and its subsidiaries are involved in developing, producing and marketing of custom-designed optical sensors. Within the SIS several subsidiaries operate as individual business units in the market. Pacific Silicon Sensor Inc. is involved in the marketing of sensor chips and sensor systems in North America and Asia. Silicon Projects GmbH handles the IT-support and the internet presentation of the group. The average number of employees in the Group in the first quarter of the 2004 business year reduced by 2 to 102. The registered office address of the Group is located at Ostendstr. 1, Berlin, Germany.

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

## *2. Consolidated financial statement in accordance with art. 292a paragraph 1 and 2 german commercial law*

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SIS has used the right in Art. 292a Paragraph 1 and 2 German Commercial Law to state a consolidated financial statements for the SIS-Group in accordance with International Accounting Standards IFRS (*International Financial Reporting Standards*, as of December 2002).

## *3. Summary of significant accounting policies*

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The principal accounting policies adopted in preparing the financial statements of SIS are in accordance with the Annual Report for the year 2003.

## 4. Notes to cash flow statements

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SIS shows cash flow from current business activities in accordance with IAS 7 "Cash flow statement" using the indirect method where profit or loss for the period under review is adjusted to the effects of transactions in which no payment was effected, the delimitation of the inflow/outflow of funds from ongoing business activities in the past or in future, and income or expense items related to the cash flow from investment/financing activity.

## 5. Contingent liabilities

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(1) Various legal actions and claims are pending or may be asserted in the future against Group companies from litigation and claims incident to the ordinary course of business. Related risks have been analysed as to likelihood of occurrence. Although the outcome of these matters cannot always be ascertained with precision, Management believes that no material liabilities are likely to result.

(2) Contingent liabilities furthermore result out of the rent of offices, as well as from the operating lease of cars. The contingent liabilities split up as follows:

*As of December 31, 2003*

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

*As of March 31, 2004*

	April 01 - Dec. 31, 2004	2005 - 2007	as of 2008
Rent and lease	243	149	0
Premium-oriented pension plans	132	882	1,007
	<b>375</b>	<b>1,031</b>	<b>1,007</b>

## 6. Segment reporting

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This is provided on the following basis:

### *(1) Application-oriented chip and component manufacture*

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

### *(2) Other products*

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

	Custom-designed production		Other production		Consolidated	
	March 31, 2004	March 31, 2003	March 31, 2004	March 31, 2003	March 31, 2004	March 31, 2003
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
<b>Sales</b>	<b>3,388</b>	<b>3,178</b>	<b>112</b>	<b>35</b>	<b>3,500</b>	<b>3,213</b>
<b>Profit</b>	<b>358</b>	<b>349</b>	<b>50</b>	<b>-46</b>	<b>408</b>	<b>303</b>

## *Internal statement*

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Officers held the following (individual) shares in the company on the March 31, 2004:

Dr. Hans-Georg Giering	11,000	(Dec. 31, 2003: 11,000)
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