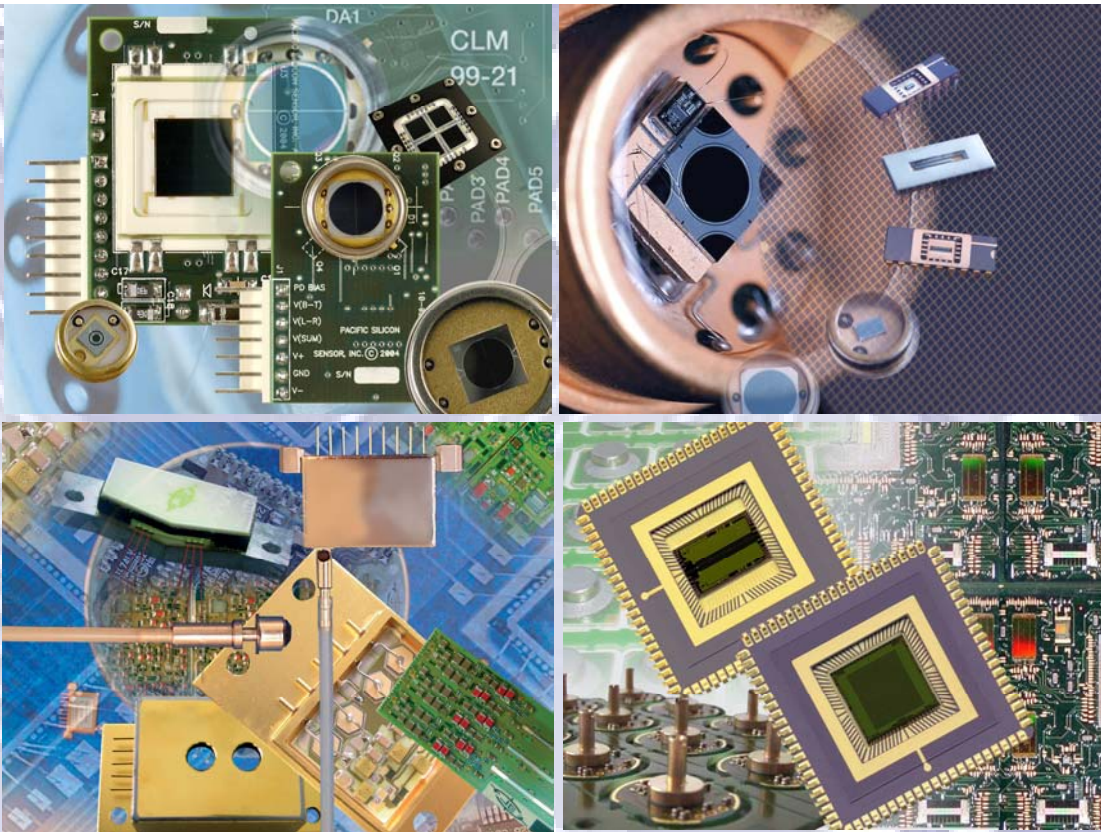


SILICON SENSOR INTERNATIONAL AG



BUSINESS REPORT

for the first three months
of the 2006 business year
(unaudited)

2006

BUSINESS REPORT I/2006

SILICON SENSOR GROUP

Financial ratios Jan. 01 – March 31, 2006 (first quarter 2006)

	March 31, 2006 € 1,000	March 31, 2005 € 1,000	Change in € 1,000	Change in %
Sales revenue	7,475	3,362	4,113	122
Back orders	13,029	7,258	5,771	80
EBITDA	1,823	864	959	111
EBIT	1,299	644	655	102
Three-month surplus	753	469	284	61
Three-month surplus €/individual share certificate	0.22	0.20	0.02	10
Share	3,457,900	2,317,500	1,140,400	49
R&D expenditure	443	142	301	212
Staff (March 31)	218	99	119	120

Preface

Silicon Sensor sales, results reach new order of magnitude

To all shareholders and business partners,

As expected, the performance of the Silicon Sensor group during the 1st quarter of the 2006 business year set a new standard, with sales rising more than two times over the same period last year, to € 7.48 mn (3/31/2005: € 3.36 mn).

EBITDA, too, more than doubled and increased by 111 %, from € 864,000 (3/31/2005) to € 1.82 mn (3/31/2006). The operating result EBIT grew by € 655,000, or 102 %, from € 644,000 (3/31/2005) to € 1.3 mn (3/31/2006). Compared with the same period last year, the result after interest and tax improved 61 %, from € 469,000 (3/31/2005) to € 753,000. Due to an increase in the number of shares, the income per share for the reporting period was € 0.22 Euro, an improvement of € 0.02 Euro compared with last year (3/31/2005: € 0.20). This gratifying trend has continued into the present quarter.

Orders on hand have taken a particularly positive development and, for the group as a whole, rose by 80 % to € 13.03 mn (3/31/2006) as against last year (3/31/2005: € 7.26 mn). Here again, the trend continued into the 2nd quarter. The workforce increased from 99 on March 31, 2005 to 218.

The emphasis during the current business year will be on preparing for further growth. To deal with an expected increase in turnover, work is to start on a new building where 6" sensors will be made. At the same time, the production area in Dresden is to be extended. The new sensor factory is to come on stream at the end of 2007.

Production will continue to emphasize customized ranges, some embodying a very high development effort, along with customized hybrid circuits, packaging and sensor solutions, and avalanche photo diodes.



Business development

The Silicon Sensor group is a specialist supplier of customized solutions mostly for applications using pressure, imaging and optoelectronic sensors (photodetectors) for the detection and measurement of alpha, beta, gamma and X-rays, and of UV radiation, visible light and near-infrared radiation. The group also develops and makes highly reliable customer-specific hybrid circuits and products for microsystem technology. Customers include leading industrial groups and research establishments wishing to outsource highly specialized manufacturing processes which do not fit their production patterns or strategic orientation. Products made by the group are used as basic components for the widest possible range of applications. This makes the Silicon Sensor group largely independent of the business cycles in the various industries. The market for these high-end products is generally seen as favorable, and so is the potential for further growth.

As one of the world's leaders in engineering, the Silicon Sensor group develops, manufactures and supplies optical and electronic high-end solutions for a very discriminating market. It has developed avalanche photodiodes (APD) and avalanche photodiode arrays which have become the first choice of users worldwide. Customers use APDs and laser modules in high-precision distance measuring systems for a variety of applications.

The acquisition last year of Microelectronic Packaging Dresden GmbH did not basically affect the operations of the group. Instead, MPD GmbH directly extends the group's value chain and makes it less dependent on external service providers. With over 35 years of experience in setup and linking processes for making semiconductor devices and sensors, and a proven capacity for the contract production of electronic components and modules using customized linking techniques in runs of up to several million pieces per year, the Silicon Sensor group can now open up completely new market segments in the field of series production. At the same time, MPD has added experience and skills as an automotive supplier, strengthened the group's existing business segments and will continue to do so in future. In addition, MPD is developing new approaches and applications and, in cooperation with industrial partners, has begun to create system solutions primarily for CMOS camera systems and MEMS which are intended to reduce market dependence on the rest of the industry.

Planning for the business years to follow indicates that future growth has been secured. Liquidity planning for the group assumes further sales growth with the related positive development in operative cash flow. The Executive Board currently regards liquidity as sufficient to achieve growth targets.



Foreign developments

After the group has secured a market for itself in Europe, the greatest potential for future growth is now in the Americas and Asia. The successful establishment of Pacific Silicon Sensor Inc. has made it possible, and promising, to seek larger penetration in these markets. The organic growth achieved so far testifies to a growing acceptance of Silicon Sensor products also in the U.S. We are convinced that the recent engagement by our subsidiary, Pacific Silicon Sensor Inc., of Mr. Mark K. Nicklas, former Vice President Sales of the direct competitor Advanced Photonix Inc., will in the long term result in clearly better market penetration and a strengthening of our position in the U.S. It is gratifying that related measures can already be financed from the operative cash flow of the U.S. subsidiary. Due to increased distribution costs, we do not expect Pacific Silicon Sensor Inc. to improve results for this business year in a big way, but instead hope to see a steadily rising contribution to operating income in the years to come.

Personnel

At the end of the quarter, the workforce of the Silicon Sensor group was more than twice that of last year due to the acquisition of MPD GmbH and now stands at a total of 218 (up from 99 at the end of the 1st quarter 2005).

Outlook

The SIS group has established itself as a specialist supplier of high-quality customized solutions in the market for optical sensors, pressure and imaging sensors and hybrid electronics.

The group expects stable sales and revenue in future and assumes that all of its subsidiaries will earn profits. Apart from improved turnover and earnings, the current business year will also be devoted to creating the basis for future growth.

In the last two business years, the group's dependence on a few major clients was clearly reduced by widening the customer base. In addition, a beginning presence in the U.S. and Asian markets will help compensate for fluctuations in demand and the dependence on large customers in Europe in the medium term. Risks resulting from general economic development are to be minimized by branching out into new business segments. The past has shown, however, that the extent of such risks also depends on developments in the international economic and political environment.

With a view to multifunctional industrial applications, growth will concentrate in the field of sensors. The company's development capability is vital for the high product quality that has been achieved in creating up-market problem solutions.

Berlin, May 2006

Silicon Sensor International AG

The Managing Board



Dr. Bernd Kriegel



Dr. Hans-Georg Giering

CONSOLIDATED BALANCE SHEET

AS OF MARCH 31, 2006 (IFRS)

Assets	March 31, 2006 € 1,000	March 31, 2005 € 1,000
CURRENT ASSETS		
Cash and cash equivalents	3,917	3,196
Short-term investments	716	499
Trade accounts receivable	3,974	1,408
Accounts receivable from associated companies	104	0
Inventories	4,567	3,338
Tax assets	364	0
Prepaid expenses and other current assets	471	291
Total current assets	14,113	8,732
NON-CURRENT ASSETS		
Property, plant and equipment	8,777	4,333
Intangible assets	6,206	118
Equity holdings in associated companies	416	0
Goodwill	11,158	1,846
Deferred taxes	22	29
Other assets	24	22
Total non current assets	26,603	6,348
TOTAL ASSETS	40,716	15,080
Liabilities and shareholders' equity		
CURRENT LIABILITIES		
Short-term debt	2,165	616
Trade accounts payable	1,060	203
Equity holdings in associated companies	51	0
Advance payments received	132	129
Accrued expenses	315	197
Income tax payable	1,110	773
Other current liabilities	1,673	941
Total current liabilities	6,506	2,859
NON-CURRENT LIABILITIES		
Long-term debt	6,299	1,166
Pension accrual	0	242
Accrued expenses	65	49
Deferred tax liability	2,573	246
Deferred revenues	1,395	243
Contributions of silent partnerships	0	0
Total non-current liabilities	10,332	1,946
MINORITY INTEREST	1,245	3
SHAREHOLDERS' EQUITY		
Share capital	10,374	6,953
Additional paid-in capital	10,727	3,418
Translation reserve	-198	-206
Retained earnings	1,730	107
Total shareholders' equity	22,633	10,272
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	40,716	15,080

CONSOLIDATED INCOME STATEMENTS

FOR THE FIRST THREE-MONTHS 2006 (IFRS)

	<i>Jan. 01. – March 31, 2006</i> € 1,000	<i>Jan. 01. – March 31, 2005</i> € 1,000
Revenues	7,475	3,362
Other operating income	5,726	68
Changes in inventories of finished goods and work in progress	80	119
Production of own fixed assets capitalized	24	31
Cost of purchased materials and services	-2,815	-921
Personnel expenses	-2,340	-1,220
Depreciation and amortization on intangible assets, and plant and equipment	-524	-220
Other operating expenses	-6,327	-575
OPERATING INCOME	1,299	644
Interest income and expense	-92	-19
RESULT BEFORE INCOME TAXES AND MINORITY INTEREST	1,207	625
Income tax	-415	-156
RESULT BEFORE MINORITY INTEREST	792	469
Minority interest	-39	0
NET INCOME/ LOSS	753	469
Net income per share (basic)	0.22	0.20
Weighted average shares outstanding (basic)	3,458	2,318
Net income per share (diluted)	0.22	0.20
Weighted average shares outstanding (diluted)	3,458	2,318

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FIRST THREE-MONTHS 2006 (IFRS)

	<i>Jan. 01. – March 31, 2006</i> € 1,000	<i>Jan. 01. – March 31, 2005</i> € 1,000
CONSOLIDATED PROFIT	1,299	644
Depreciation of intangible assets and property, plant and equipment	524	220
Income from investment grants	-76	-24
Earnings from allowance	0	0
Changes in provisions	36	10
Changes in assets not allocable to investing- or financing activities	-1,262	-575
Changes in liabilities not allocable to investing or financing activities	532	81
Paid interest	-108	-34
Paid taxes	-394	-29
CASH FLOW FROM OPERATING ACTIVITIES	551	293
Investments in intangible assets and property, plant and equipment	-276	-140
Proceeds from the disposal of intangible assets, property, plant and equipment	0	0
Payments for buying stocks and shares	-169	-499
Payments made to associated companies	0	0
Payments for buying shares of subsidiaries	-401	0
Proceeds from government grants	76	2
Interest	21	15
CASH FLOW FROM INVESTING ACTIVITIES	-749	-622
Proceeds from issuance of share capital	0	0
Proceeds of loans	-625	-249
Payments from buying out the silent partner	0	0
Deposits from financial borrowing	0	0
CASH FLOW FROM FINANCING ACTIVITIES	-625	-249
NET EFFECT OF CURRENCY TRANSLATION IN CASH AND CASH EQUIVALENTS	-12	-6
NET INCREASE IN CASH AND CASH EQUIVALENTS	-835	-584
Cash and cash equivalents at beginning of year	4,752	3,780
CASH AND CASH EQUIVALENTS AT THE DATE OF MARCH 31	3,917	3,196

CHANGE IN EQUITY

FOR THE FIRST THREE-MONTHS 2006 (IFRS)

	Number of shares '000	Share Capital € 1,000	Reserves € 1,000	Translation Reserve € 1,000	Retained Earnings € 1,000	Total € 1,000
Dec. 31, 2004	2,318	6,953	3,216	-187	-204	9,778
Option scheme prev. Y.s			175	-175		0
Option scheme 2005			27			27
Three-month surplus				469		469
Net effect of currency					-2	-2
March 31, 2005	2,318	6,953	3,418	107	-206	10,272

	Number of shares '000	Share Capital € 1,000	Reserves € 1,000	Other Reserves € 1,000	Trans- lation Reserve € 1,000	Retained Earnings € 1,000	Minority Interests € 1,000	Total € 1,000
Dec. 31, 2005	3,458	10,374	10,919	-20	977	-140	1,381	23,491
Exercise of share options								0
Acquisition of minority holdings							-175	-175
Issue of registered capital								0
Currency translation differences						-58		-58
Total of results registered directly in equity capital				-172				-172
Results for the period					753		39	792
March 31, 2006	3,458	10,374	10,919	-192	1,730	-198	1,245	23,878

SILICON SENSOR INTERNATIONAL AG – GROUP NOTES TO BUSINESS REPORT

FOR THE FIRST THREE MONTHS OF THE BUSINESS YEAR 2006

1. General

Silicon Sensor International AG, Berlin (hereinafter - SIS, the Company) and its subsidiaries are involved in developing, producing and marketing of custom-designed optical sensors. Within the SIS several subsidiaries operate as individual business units in the market. Pacific Silicon Sensor Inc. is involved in the marketing of sensor chips and sensor systems in North America and Asia. Silicon Projects GmbH handles the IT-support of the group. At the end of the quarter, the workforce of the Silicon Sensor group was more than twice that of last year due to the acquisition of MPD GmbH and now stands at a total of 218 (up from 99 at the end of the 1st quarter 2005).

The registered office address of the Group is located at Charlottenstraße 57, 10117 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. 315a german commercial law

SIS has used the right in Art. 315a German Commercial Law to state a consolidated financial statement for the SIS-Group in accordance with International Accounting Standards IFRS (*International Financial Reporting Standards*).

3. Summary of significant accounting policies

The principal accounting policies adopted in preparing the financial statements of SIS are in accordance with the Annual Report for the year 2005.

4. Notes to cash flow statements

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

5. Contingent liabilities

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

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

As of December 31, 2005

	2006	2007 - 2011	as of 2011
	€ 1,000	€ 1,000	€ 1,000
Rent and lease	744	1,978	2,636
Premium-oriented pension plans	196	769	879
	940	2,747	3,515

As of March 31, 2006

	4 - 12/2006	2007 - 2011	as of 2011
	€ 1,000	€ 1,000	€ 1,000
Rent and lease	553	2,010	2,642
Premium-oriented pension plans	147	769	879
	700	2,779	3,521

6. Segment reporting

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, 2006	March 31, 2005	March 31, 2006	March 31, 2005	March 31, 2006	March 31, 2005
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Segment turnover	7,396	3,351	79	11	7,475	3,362
Segment result	733	517	20	-48	753	469

Internal statement

Officers held the following (individual) shares in the company on the March 31, 2006:

Dr. Hans-Georg Giering	5,000	(Dec. 31, 2005: 0)
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