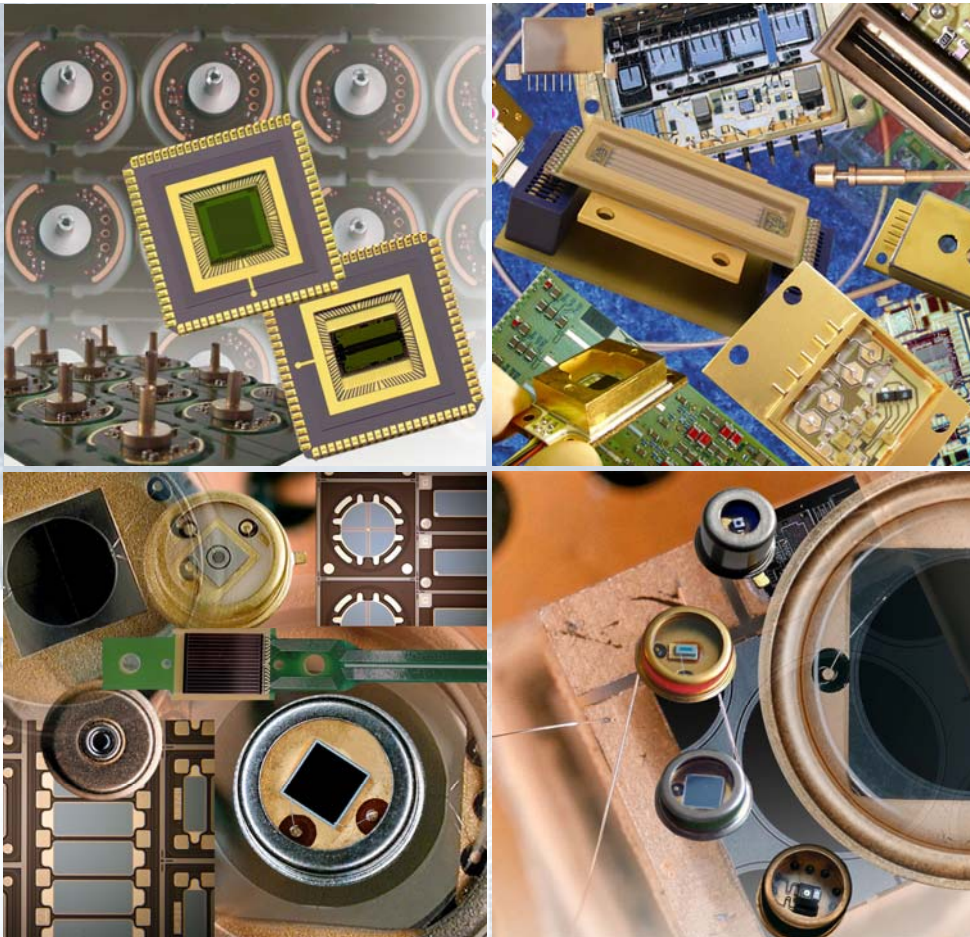


# **SILICON SENSOR INTERNATIONAL AG**



## **BUSINESS REPORT**

for the first three months  
of the 2007 business year  
(unaudited)

2007

# BUSINESS REPORT I/2007

## SILICON SENSOR GROUP

*Financial ratios Jan. 01 – March 31, 2007 (first quarter 2007)*

	<b>March 31, 2007</b> € 1,000	<b>March 31, 2006</b> € 1,000	<b>Change in</b> € 1,000	<b>Change in</b> %
Sales revenue	<b>9,767</b>	7,475	2,292	31
Backlog of orders	<b>22,857</b>	13,029	9,828	75
EBITDA	<b>3,173</b>	1,823	1,350	74
EBIT	<b>2,364</b>	1,299	1,065	82
Three-month surplus	<b>1,313</b>	753	560	74
Three-month surplus €/individual share certificate	<b>0.37</b>	0.22	0.15	68
Number of shares	<b>3,522,900</b>	3,457,900	65,000	2
R&D expenditure	<b>1,154</b>	443	711	160
Headcount (March 31, 2007)	<b>268</b>	218	50	23



## Preface

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### *Silicon Sensor – a very good start in the new fiscal year*

*To all shareholders and business partners,*

*During the first quarter of the fiscal year 2007 the Silicon Sensor group continued in developing very well. Compared to the previous year's period the sales increased by 31 % to € 9.767 mn (3/31/2006: € 7.475 mn).*

*The EBITDA increased by 74 % from € 1.82 mn (3/31/2006) to € 3.173 mn (3/31/2007). Compared to Sales, the Operating Income increased disproportionate by 82 % from € 1.3 mn (3/31/2006) to € 2.364 mn (3/31/2007). The Earnings after Interest and Tax did grow by 74 %, from € 0.753 mn (3/31/2006) to € 1.313 mn. The Earnings per Share amount to € 0.37, which is an increase of € 0.15 compared to the previous year's period (3/31/2006: € 0.22). This trend continues in the 2<sup>nd</sup> quarter of 2007.*

*Backlog of Orders has taken a particularly positive development and, for the group as a whole, rose by 75 % to € 22.86 mn (3/31/2007) compared to the the last year's figure (3/31/2006: € 13.03 mn). This trend continues in the 2<sup>nd</sup> quarter.*

*The headcount increased from 218 on March 31, 2006 to 268 at the end of the first quarter 2007.*

*The emphasis during the current business year will be on preparing for further growth. The doubling of the production area in our Dresden site was completed in April 2007 according to schedule. To deal with the planned increase in sales, erection of a new fab building for 6" sensor-manufacturing was started. On March 21, 2007 the foundation stone for the new site was laid in Berlin. Ready for production of the new site is planned for beginning of 2008.*

*The group's focus will be also in future on customized sensor products, some of them 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 (photo detectors) 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 manufactures highly reliable customer-specific hybrid circuits and products for micro system 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 discerning 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.*

*Planning for the upcoming business years indicates that future growth has been secured. Cash planning for the group assumes further sales growth with the related positive development in operative cash flow. The Executive Board currently considers the cash situation of the group as sufficient to achieve defined growth targets.*



## Foreign developments

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*Beside the increase of Silicon Sensor Group's market share in Europe, the greatest potential for future growth is seen on the North American market. The successful establishment of Pacific Silicon Sensor Inc. has made it possible, and promising, to seek larger penetration in these markets. Organic growth indicates greater acceptance for products made by the Silicon Sensor group on the North American market. In a slowly improving business environment, the U.S. subsidiary Pacific Silicon Sensor Inc. again increased sales by just under 16 % over last year, from \$ 400,000 (3/31/2006) to \$ 464,000 (3/31/2007) for a positive overall result.*

## Personnel

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*At the end of the quarter, the headcount of the Silicon Sensor group in total amounts to 268 (at the end of the 1<sup>st</sup> quarter 2006 total headcount 218).*

## Outlook

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*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 revenues in future and assumes that all of its subsidiaries will stay profitable. Apart from increased 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 to compensate 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.*

*The major growth will be also in future in the sensor business segment, due to the multifunctional industrial applications 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 2007*

*Silicon Sensor International AG*

*The Managing Board*

  
*Dr. Bernd Kriegel*

  
*Dr. Hans-Georg Giering*

# CONSOLIDATED BALANCE SHEET

AS OF MARCH 31, 2007 (IFRS)

<b>Assets</b>	<b>March 31, 2007 € 1,000</b>	<b>March 31, 2006 € 1,000</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	4,527	3,917
Short-term investments	142	716
Trade accounts receivable	6,226	3,974
Accounts receivable from associated companies	0	104
Inventories	6,489	4,567
Tax assets	0	364
Prepaid expenses and other current assets	775	471
<b>Total current assets</b>	<b>18,159</b>	<b>14,113</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	12,048	8,777
Intangible assets	5,898	6,206
Equity holdings in associated companies	99	416
Goodwill	11,142	11,158
Deferred taxes	25	22
Other assets	94	24
<b>Total non current assets</b>	<b>29,306</b>	<b>26,603</b>
<b>TOTAL ASSETS</b>	<b>47,465</b>	<b>40,716</b>
<b>Liabilities and shareholders' equity</b>		
<b>CURRENT LIABILITIES</b>		
Short-term debt	5,083	2,165
Trade accounts payable	1,458	1,060
Equity holdings in associated companies	0	51
Advance payments received	237	132
Accrued expenses	1,539	315
Income tax payable	2,385	1,110
Other current liabilities	2,855	1,673
<b>Total current liabilities</b>	<b>13,557</b>	<b>6,506</b>
<b>NON-CURRENT LIABILITIES</b>		
Long-term debt	4,615	6,299
Pension accrual	0	0
Provisions	135	65
Deferred tax liabilities	2,468	2,573
Deferred income	1,423	1,395
Contributions of silent partnerships	0	0
<b>Total non-current liabilities</b>	<b>8,641</b>	<b>10,332</b>
<b>MINORITY INTERESTS</b>	<b>56</b>	<b>1,245</b>
<b>EQUITY</b>		
Share capital	10,569	10,374
Reserves	9,545	10,727
Translation reserve	-200	-198
Retained earnings/loss	5,297	1,730
<b>Total Equity</b>	<b>25,211</b>	<b>22,633</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>47,465</b>	<b>40,716</b>

# CONSOLIDATED INCOME STATEMENTS

FOR THE FIRST THREE-MONTHS 2007 (IFRS)

	<i>Jan. 01. – March 31, 2007</i> € 1,000	<i>Jan. 01. – March 31, 2006</i> € 1,000
Revenues	9,767	7,475
Other operating income	274	5,726
Changes in inventories of finished goods and work in progress	850	80
Production of own fixed assets capitalized	1	24
Cost of purchased materials and services	-3,174	-2,815
Personnel expenses	-3,026	-2,340
Depreciation and amortization on intangible assets, and plant and equipment	-809	-524
Other operating expenses	-1,519	-6,327
<b>OPERATING INCOME</b>	<b>2,364</b>	<b>1,299</b>
Interest income and expense	-60	-92
<b>RESULT BEFORE INCOME TAXES AND MINORITY INTEREST</b>	<b>2,304</b>	<b>1,207</b>
Income tax	-971	-415
<b>RESULT BEFORE MINORITY INTEREST</b>	<b>1,333</b>	<b>792</b>
Minority interest	-20	-39
<b>NET INCOME/ LOSS</b>	<b>1,313</b>	<b>753</b>
Net income per share (basic)	0.37	0.22
Weighted average shares outstanding (basic)	3,523	3,458
Net income per share (diluted)	0.37	0.22
Weighted average shares outstanding (diluted)	3,523	3,458



# CONSOLIDATED CASH FLOW STATEMENT

FOR THE FIRST THREE-MONTHS 2007 (IFRS)

	<i>Jan. 01. – March 31, 2007</i> € 1,000	<i>Jan. 01. – March 31, 2006</i> € 1,000
<b>CONSOLIDATED PROFIT</b>	<b>2,364</b>	<b>1,299</b>
Depreciation of intangible assets and property, plant and equipment	809	524
Other expenditure/ income not affecting payments	-38	0
Income from investment grants	-14	-76
Earnings from allowance	0	0
Changes in provisions	-127	36
Changes in assets not allocable to investing- or financing activities	-2,426	-1,262
Changes in liabilities not allocable to investing or financing activities	196	532
Paid interest	-102	-108
Paid taxes	-205	-394
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>457</b>	<b>551</b>
Investments in intangible assets and property, plant and equipment	-849	-276
Proceeds from the disposal of intangible assets, property, plant and equipment	0	0
Payments for buying stocks and shares	0	-169
Payments made to associated companies	0	0
Payments for buying shares of subsidiaries	0	-401
Proceeds from government grants	14	76
Interest	49	21
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-786</b>	<b>-749</b>
Proceeds from issuance of share capital	0	0
Proceeds of loans	-798	-625
Payments from buying out the silent partner	0	0
Deposits from financial borrowing	687	0
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-111</b>	<b>-625</b>
<b>NET EFFECT OF CURRENCY TRANSLATION IN CASH AND CASH EQUIVALENTS</b>	<b>-13</b>	<b>-12</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>-453</b>	<b>-835</b>
Cash and cash equivalents at beginning of year	4,980	4,752
<b>CASH AND CASH EQUIVALENTS AT THE DATE OF MARCH 31</b>	<b>4,527</b>	<b>3,917</b>

## CHANGE IN EQUITY

FOR THE FIRST THREE-MONTHS 2007 (IFRS)

	Number of shares '000	Share Capital € 1,000	Reserves € 1,000	Translation Reserve € 1,000	Retained Earnings € 1,000	Minority Interests € 1,000	Total € 1,000
<b>December 31, 2005</b>	<b>3,458</b>	<b>10,374</b>	<b>10,899</b>	<b>977</b>	<b>-140</b>	<b>1,381</b>	<b>23,491</b>
Acquisition of minority holdings						-175	-175
Net effect of currency					-58		-58
Total of results registered directly in equity capital			-172				-172
Results for the period				753		39	792
<b>March 31, 2006</b>	<b>3,458</b>	<b>10,374</b>	<b>10,727</b>	<b>1,730</b>	<b>-198</b>	<b>1,245</b>	<b>23,878</b>

	Number of shares '000	Share Capital € 1,000	Reserves € 1,000	Translation Reserve € 1,000	Retained Earnings € 1,000	Minority Interests € 1,000	Total € 1,000
<b>December 31, 2006</b>	<b>3,523</b>	<b>10,569</b>	<b>9,497</b>	<b>3,984</b>	<b>-214</b>	<b>36</b>	<b>23,872</b>
Exercise of share options							0
Acquisition of minority holdings							0
Issue of registered capital							0
Currency translation differences					14		14
Total of results registered directly in equity capital			48				48
Results for the period				1,313		20	1,333
<b>March 31, 2007</b>	<b>3,523</b>	<b>10,569</b>	<b>9,545</b>	<b>5,297</b>	<b>-200</b>	<b>56</b>	<b>25,267</b>



# SILICON SENSOR INTERNATIONAL AG – GROUP NOTES TO BUSINESS REPORT

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FOR THE FIRST THREE MONTHS OF THE BUSINESS YEAR 2007

## *1. General*

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Silicon Sensor International AG, Berlin (hereinafter - SIS, the Company) and its subsidiaries are doing business at the sensor manufacturing and micro system technique industry. The business activities of the group are focused on developing, manufacturing and selling custom-designed optical and non-optical sensors-systems as well as the development and manufacturing of hybrid circuits. Within the SIS several subsidiaries operate as individual business units in the market.

The Pacific Silicon Sensor Inc. is mainly responsible for the selling of sensor chips and sensor systems in North America and Asia but is also involved in the development and the customized packaging of sensors.

The total headcount of the Silicon Sensor Group amounts to 268 by end of the first quarter 2007 (headcount by end of the first quarter 2006: 218).

The registered office address of the Group is 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*

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SIS group reports their consolidated financial statement for the first quarter of 2007 in correspondence with Section 315a German Commercial Law according International Financial Reporting Standards IFRS.

## *3. Summary of significant accounting policies*

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The principal accounting policies adopted in preparing the financial statements of SIS group for the first quarter of 2007 comply with the policies applied for the Annual Report of 2006.

## 4. Notes to cash flow statements

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SIS reports Cash Flow from Operating Activities in accordance with IAS 7 "Cash flow statement" using the indirect method, where profit or loss for the period under review is adjusted by transactions which had no cash effect.

## 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 leasing contracts are operating lease contracts. The contingent liabilities split up as follows:

*As of December 31, 2006*

	2007	2008 - 2012	as of 2013
	€ 1,000	€ 1,000	€ 1,000
Rent and lease	780	1,659	2,514
Premium-oriented pension plans	191	792	840
	<b>971</b>	<b>2,451</b>	<b>3,354</b>

*As of March 31, 2007*

	4 - 12/2007	2008 - 2012	as of 2013
	€ 1,000	€ 1,000	€ 1,000
Rent and lease	596	1,806	2,574
Premium-oriented pension plans	146	837	1,055
	<b>742</b>	<b>2,643</b>	<b>3,629</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 customer-specific silicon sensors. In addition, this segment also covers the assembling of chips 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, 2007	March 31, 2006	March 31, 2007	March 31, 2006	March 31, 2007	March 31, 2006
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Segment turnover	9,692	7,396	75	79	9,767	7,475
Segment result	1,295	733	18	20	1,313	753

## *Internal statement*

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Company's officers did not hold shares of the company on March 31, 2007.