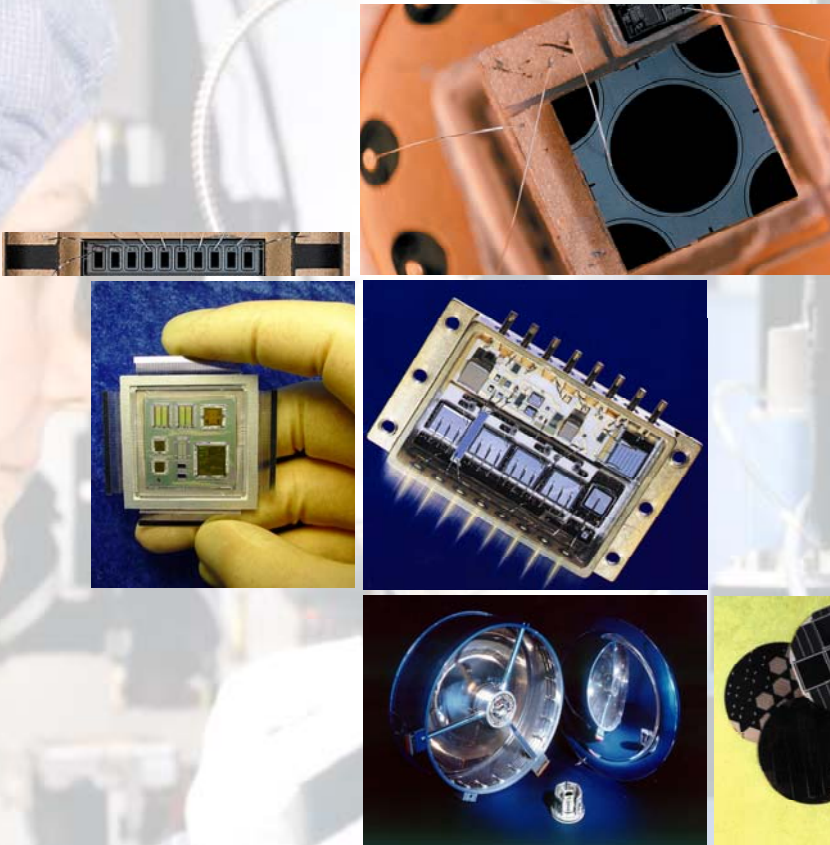


# SILICON SENSOR INTERNATIONAL AG



2002

## BUSINESS REPORT

for the first six months  
of the 2002 business year  
(unaudited)

# BUSINESS REPORT II/2002

## SILICON SENSOR GROUP

### Financial ratios April 01 – June 30, 2002 (second quarter 2002)

	<b>April 01, 2002 - June 30, 2002</b> TEuro	<b>April 01, 2001 - June 30, 2001</b> TEuro	<b>Change in</b> TEuro	<b>% Change</b>
Sales revenue	<b>3.194</b>	2.450	744	30
Back orders	<b>9.971</b>	8.020	1.951	24
EBITDA	<b>670</b>	546	124	23
EBIT	<b>266</b>	297	-31	-10
Six-month surplus	<b>182</b>	155	27	17
Six-month surplus €/individual share certificate	<b>0,09</b>	0,08	0,01	12
Share	<b>2.050.000</b>	1.869.999	180.001	10
R&D expenditure	<b>280</b>	220	60	27
Staff (June 30)	<b>111</b>	115	- 4	- 4

### Financial ratios Jan. 01 – June 30, 2002 (first half-year 2002)

	<b>Jan. 1, 2002 - June 30, 2002</b> TEuro	<b>Jan. 1, 2001 - June 30, 2001</b> TEuro	<b>Change in</b> TEuro	<b>% Change</b>
Sales revenue	<b>6.090</b>	5.005	1.085	22
Back orders	<b>9.971</b>	8.020	1.951	24
EBITDA	<b>1.253</b>	758	495	65
EBIT	<b>581</b>	215	366	170
Six-month surplus	<b>413</b>	- 132	545	
Six-month surplus €/individual share certificate	<b>0,20</b>	- 0,07	0,27	
Share	<b>2.050.000</b>	1.869.999	180.001	10
R&D expenditure	<b>530</b>	440	90	20
Staff (June 30)	<b>111</b>	115	- 4	- 4



## Forword

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

*Dear shareholders,  
Dear business partners,*

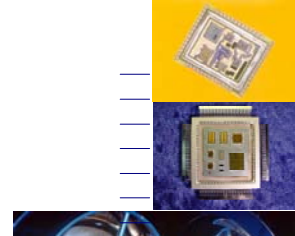
*The Silicon Sensor groups attained a solid growth tempo in the first six month of the 2002 business year, despite the fact that overall economic framework conditions have continued to worsen since the end of the business year. We are able to report positive business performance. As compared to the same time period in the previous year, turnover rose by 22 % from EUR 5.005 million to EUR 6.09 million.*

*The consolidated result was strengthening by additional growth in the application field (Silicon Instruments GmbH) and expansion in the U.S.A. (Pacific Silicon Sensor Inc.).*

*EBITDA rose by 65 % from 758 TEuro (June 30, 2001) to 1.253 TEuro (June 30, 2002). The operating result EBIT increased by 170 % from 215 TEuro (June 30, 2001) to 581 TEuro (June 30, 2002). Earnings after interest and taxes were improved by 545 TEuro in the past six month, from a loss of -132 TEuro (June 30, 2001) to a profit of 413 TEuro (June 30, 2002). Earnings per share totalled EUR 0.20 during the reporting period, improving by EUR 0.27 as compared to the same time period in the previous year (June 30, 2001: EUR -0.07).*

*Based on incoming orders in the U.S.A., it appears likely that the American subsidiary will be able to make a positive contribution to the consolidated result in the current business year.*

*Despite the perceptible difficulties several of our customers are having in riding out the currently weak market environment and dealing with declines in turnover of in some cases up to 40 %, the group's orders on hand increased by 24% from EUR 8.02 million to EUR 9.97 million. The wide range of sectors from which Silicon Sensor group's customers stem had a positive effect. At the same time, it is also evident that the current reluctance to invest among some of our customers is making it necessary to postpone the delivery of their products. For the Silicon Sensor group, this automatically also means a postponement in the delivery of their products in later quarters.*



*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 avalanche photodiodes, customer-specific sensor solutions and hybrid circuits.*

*The new procedure for through-connecting of photodiodes (thermomigration), developed by our group, was crowned by the construction of a second-generation thermomigration facility. The further developed facility satisfactorily passed additional tests in the reporting period. The positive results strengthen our confidence that it will be possible to provide the larger quantities of products demanded by the market within the current business year.*

*The necessary conditions for continued solid growth of the Silicon Sensor group were created in the reporting period. The Managing Board expects growth impetus from the optical communication, safety technology and medical technology sectors as a result of intensive new order negotiations with well-known customers. We expect negotiations to be concluded in the third quarter of the current business year.*

*Berlin, August 2002*

*The Managing Board  
Silicon Sensor International AG*

  
*Dr. Bernd Kriegel*

  
*Dr. Hans-Georg Giering*





## *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 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.

The company is active on the market for opto-electronic sensory products. These products 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 world's leading companies which develop and produce exceptional quality high-end sensors 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 in terms of quality and speed. Our customers use APDs, for example, in high-precision distance meters for an extremely wide variety of applications.

The securing of necessary liquidity for Silicon Sensor group's growth has played a key role since the foundation of the company. We have also made significant progress in this area. Operating cashflow has been further improved. In addition, continued efforts at improving the cost structure through the utilisation of synergies between the individual subsidiaries were made during the report period. Clear progress was achieved in this area in the first quarter and will be further pursued during the course of the business year.

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. In keeping with our expectations, the American subsidiary increased its turnover by 126 % as compared to the same time period in the previous year from 172.2 TEuro (June 30, 2001) to 390.5 TEuro (June 30, 2002), despite the difficult market environment. This organic growth is proof of increasing acceptance of the Silicon Sensor group's products on the American market. In keeping with planning, we continue to strive to attain the break-even point with the American subsidiary in 2002.

## *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 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 111 employees (115 persons were employed at the end of the first quarter of 2001) as a result of the full utilisation of synergies between the subsidiary companies.

## *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 growth in turnover and profits in all its subsidiaries. We expect the strongest increase in turnover and profits to be generated by Pacific Silicon Sensor Inc. and Silicon Instruments GmbH. Our other subsidiaries will also generate profits, however, so that we plan to end 2002 with an improved consolidated result as compared to 2001.





During this business year Silicon Sensor GmbH will create the necessary conditions to expand production capacity at its Berlin location.

Due to the future developments of our corporation as outlined here as well as the results attained in the first quarter of 2002, we expect another increase in overall turnover and result for 2002 as compared with 2001 despite the difficult general economic situation. The fourth quarter, traditionally the strongest, will be of decisive importance in attaining this objective.

The market significance of the Silicon Sensor group will be further reinforced in 2002 and the existing expertise used as a strategic success factor for achieving continual growth in turnover and profits.

The Silicon Sensor group's dependence on several main customers was significantly lessened through the broadening of the customer base in the past two business years. The expansion of our market presence in the U.S.A. and Asia will furthermore help compensate fluctuations in demand and dependencies on large customers on the European market in the mid-term future. Risks posed by overall economic development are to be minimised through the newly launched business divisions.

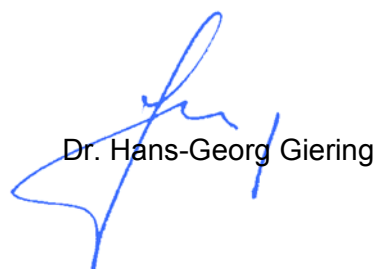
The emphasis of growth will remain on sensor technology in future as well due to its multifunctional industrial application. The company's development competence is the basis for the recognised high product quality in up-market opto-electronic problem solutions.

Berlin, August 2002

The Managing Board  
Silicon Sensor International AG



Dr. Bernd Kriegel



Dr. Hans-Georg Giering



## CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2002 (IAS)

<b>ASSETS</b>	<i>June 30, 2002</i> <i>TEuro</i>	<i>Dec. 31, 2001</i> <i>TEuro</i>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	749	372
Trade receivables	1.413	1.250
Inventories	4.560	4.222
Tax assets	214	218
Prepaid expenses and other current assets	260	369
<i>Total current assets</i>	<b>7.196</b>	<b>6.431</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	5.424	5.653
Intangible assets	301	339
Goodwill	2.064	2.141
Deferred tax assets	64	56
Other non-current assets	80	106
<i>Total non-current assets</i>	<b>7.933</b>	<b>8.295</b>
<b>TOTAL ASSETS</b>	<b>15.129</b>	<b>14.726</b>



CONSOLIDATED BALANCE SHEETS  
AS OF JUNE 30, 2002 (IAS)

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>June 30, 2002 TEuro</b>	<b>Dec. 31, 2001 TEuro</b>
<b>CURRENT LIABILITIES</b>		
Short-term loans and borrowings and current portion of long-term debt	1.387	1.316
Trade payables	882	779
Advance payments received	400	282
Provisions	624	565
Tax liabilities	0	0
Other accounts payable	716	899
<b>Total current liabilities</b>	<b>4.009</b>	<b>3.841</b>
<b>NON-CURRENT LIABILITIES</b>		
Long-term debt	2.889	3.093
Employee benefits obligations	465	435
Provisions	232	281
Deferred tax liabilities	279	285
Deferred income	181	206
Contributions of silent partnerships	383	383
<b>Total non-current liabilities</b>	<b>4.429</b>	<b>4.683</b>
<b>MINORITY INTERESTS</b>	<b>48</b>	<b>3</b>
<b>EQUITY</b>		
Share capital	6.150	6.150
Reserves	2.761	2.761
Retained earnings	-2.313	-2.726
Translation reserve	45	14
<b>Total Equity</b>	<b>6.643</b>	<b>6.199</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>15.129</b>	<b>14.726</b>

# CONSOLIDATED INCOME STATEMENTS (IAS)

FOR THE FIRST SIX-MONTHS 2002

	<i>April 01 - June 30, 2002 TEuro</i>	<i>April 01 - June 30, 2001 TEuro</i>	<i>Jan. 01 - June 30, 2002 TEuro</i>	<i>Jan. 01 - June 30, 2001 TEuro</i>
Sales	3.194	2.450	6.090	5.005
Other operating income	80	126	117	204
Increase / decrease in finished goods and work-in-process	266	511	369	592
Own work capitalised	13	95	47	137
Cost of raw materials, supplies and purchased services	-878	-763	-1.657	-1.586
Personnel expenses	-1.327	-1.210	-2.524	-2.318
Depreciation and amortisation costs on intangible assets, and plant and equipment	-404	-294	-672	-543
Other operating expenses	-678	-663	-1.189	-1.276
<b>Results of ordinary activities</b>	<b>266</b>	<b>297</b>	<b>581</b>	<b>215</b>
Interest income / expenses	-86	-113	-179	-235
Foreign currency exchange gains/losses	0	2	0	2
<b>Results before tax and minority interest</b>	<b>180</b>	<b>186</b>	<b>402</b>	<b>-18</b>
Income tax	37	-199	46	-115
<b>Results before minority interest</b>	<b>217</b>	<b>155</b>	<b>448</b>	<b>-133</b>
Minority interest	-35	0	-35	1
<b>Consolidated net profit / loss</b>	<b>182</b>	<b>155</b>	<b>413</b>	<b>-132</b>

# CONSOLIDATED CASH FLOW STATEMENTS (IAS)

FOR THE FIRST SIX-MONTHS 2002

	<i>January 01 – June 30, 2002 TEuro</i>	<i>January 01 – Dec. 31, 2001 TEuro</i>
<b>Consolidated profit</b>	<b>413</b>	<b>418</b>
Adjustments to reconcile the consolidated profit with cash flows from operating activities		
Depreciation of intangible assets and property, plant and equipment	672	1.100
Changes in provisions	40	239
Changes in assets not allocable to investing- or financing activities	-370	-1.373
Changes in liabilities not allocable to investing or financing activities	123	21
<b>Cash flow from operating activities</b>	<b>878</b>	<b>405</b>
Investments in intangible assets and property, plant and equipment	-328	-1.302
Proceeds from the disposal of intangible assets, property, plant and equipment	0	127
Proceeds from government grants	0	206
<b>Cash flow from investing activities</b>	<b>-328</b>	<b>-969</b>
Proceeds from issuance of share capital	0	1.711
Repayment of loans	0	0
Proceeds of loans	-204	-1.052
<b>Cash flow from financing activities</b>	<b>-204</b>	<b>659</b>
<b>Net effect of currency</b>	<b>31</b>	<b>10</b>
<b>Net increase in cash and cash equivalents</b>	<b>377</b>	<b>105</b>
Cash and cash equivalents at beginning of year	372	267
<b>Cash and cash equivalents at the date of March 31</b>	<b>749</b>	<b>372</b>
Interest paid	179	434
Income taxes paid	-46	-212

## Internal statement

Officers held the following (individual) shares in the company on the June 30, 2002:

Dr. Bernd Kriegel	555,000	(March 31, 2001: 655,000)
Dr. Hans-Georg Giering	8,000	(March 31, 2001: 7,000)
Dr. Rudolf Scheid	500	(March 31, 2001: 500)
Gerhard Hagenau	2,500	(March 31, 2001: 2,000)

## CHANGE IN EQUITY FOR THE FIRST SIX-MONTHS 2002

	Number of shares '000	Share capital TEuro	Reserves TEuro	Translation reserve TEuro	Retained earnings TEuro	Total TEuro
Dec. 31, 2001	2,050	6,150	2,761	-2,726	14	6,199
Six-month surplus				413	31	444
June 30, 2002	2,050	6,150	2,761	-2,313	45	6,643