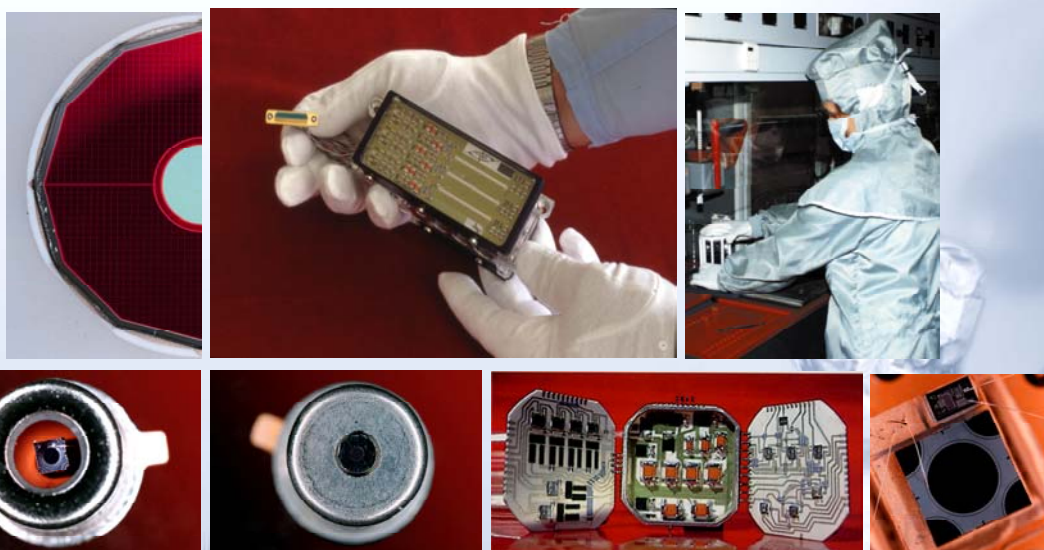


SILICON SENSOR INTERNATIONAL AG



BUSINESS REPORT

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

2004

BUSINESS REPORT II/2004

SILICON SENSOR GROUP

Financial ratios April 01 – June 30, 2004 (second quarter 2004)

	April 01, 2004 - June 30, 2004 TEuro	April 01, 2003 - June 30, 2003 TEuro	Change in TEuro	% Change
Sales revenue	3,798	3,061	737	24
Back orders	7,604	7,826	- 222	- 3
EBITDA	921	471	450	96
EBIT	638	189	449	238
Second quarter surplus	349	118	231	196
Second quarter surplus €/individual share certificate	0.16	0.05	0.11	220
Share	2,250,000	2,250,000	-	-
R&D expenditure	154	163	- 9	- 5
Staff (June 30)	102	103	- 1	- 1

Financial ratios January 01 – June 30, 2004 (first half-year 2004)

	Jan. 01, 2004 - June 30, 2004 TEuro	Jan. 01, 2003 - June 30, 2003 TEuro	Change in TEuro	% Change
Sales revenue	7,298	6,274	1,024	16
Back orders	7,604	7,826	- 222	- 3
EBITDA	1,785	1,130	655	58
EBIT	1,228	572	656	115
Six-month surplus	757	421	336	80
Six-month surplus €/individual share certificate	0.34	0.19	0.15	80
Share	2,250,000	2,250,000	-	-
R&D expenditure	316	320	- 4	- 1
Staff (June 30)	102	103	- 1	- 1

Forword

Silicon Sensor on solid growth course – Sales and Earnings increased

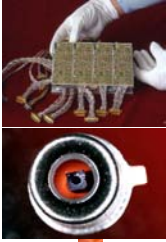
*Dear shareholders,
Dear business partners,*

The Silicon Sensor groups attained a solid growth tempo in the first six month 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 16 % from € 6.3 mn to € 7.3 mn and profits increased by 80 %. Only in the second quarter sales rose by 24 % and EBIT rose by 238 %.

EBITDA rose in the first six month of the business year by 58 % from € 1.13 mn (June 30, 2003) to € 1.785 mn (June 30, 2004). The operating result EBIT increased by € 656,000 from € 572,000 (June 30, 2003) to € 1,228 mn (June 30, 2004). Earnings after interest and taxes were improved by € 336,000 from € 421,000 (June 30, 2003) to € 757,000 (June 30, 2004). Earnings per share totalled € 0.34 during the reporting period, improving by € 0.15 as compared to the same time period in the previous year (June 30, 2003: € 0.19). These results are better than those from the previous business year. (Dez. 31, 2003: € 0.32). The encouraging growth tempo continues through the third quarter of the 2004 business year.

The group's orders on hand were stabilized on the same value like first quarter. We hope, that we can increase the orders on hand in the third quarter. The number of personnel employed by the Silicon Sensor group at the end of the quarter sank to a total of 102 employees (103 persons were employed at the end of the second 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 avalanche photodiodes, customer-specific sensor solutions and hybrid circuits.



Business development

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. The operating cashflow had quadruple from € 308,000 (June 30, 2003) to € 1.18 mn (June 30, 2004). The cash rose by 175 % from € 621,000 (June 30, 2003) to € 1.7 mn (June 30, 2004).

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

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 30 % as compared to the same time period in the previous year. The American subsidiary reached in the second quarter the break even. This organic growth is proof of increasing acceptance of the Silicon Sensor group's products on the American market.

Personnel

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 102 employees (103 persons were employed at the end of the second quarter of 2003) as a result of the full utilisation of synergies between the subsidiary companies.

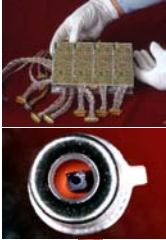
Prospects

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. We plan to end 2004 with an improved consolidated result as compared to 2003.

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 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 2004

The Managing Board
Silicon Sensor International AG

Dr. Bernd Kriegel

Dr. Hans-Georg Giering

Dr. Edmund Rickus



CONSOLIDATED BALANCE SHEETS

AS OF JUNE 30, 2004 (IAS)

ASSETS	June 30, 2004	June 30, 2003
	<i>TEuro</i>	<i>TEuro</i>
CURRENT ASSETS		
Cash and cash equivalents	1,708	621
Trade receivables	1,638	1,725
Inventories	3,629	4,109
Tax assets	0	216
Prepaid expenses and other current assets	470	251
Total current assets	7,445	6,922
NON-CURRENT ASSETS		
Property, plant and equipment	4,994	5,270
Intangible assets	156	193
Goodwill	1,768	1,923
Deferred tax assets	31	6
Other non-current assets	23	91
Total non-current assets	6,972	7,483
TOTAL ASSETS	14,417	14,405
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term loans and borrowings and current portion of long-term debt	544	693
Trade payables	314	566
Advance payments received	170	196
Provisions	165	228
Tax liabilities	546	0
Other accounts payable	1,360	1,239
Total current liabilities	3,099	2,922
NON-CURRENT LIABILITIES		
Long-term debt	1,415	2,471
Employee benefits obligations	251	202
Provisions	41	43
Deferred tax liabilities	255	266
Deferred income	307	328
Contributions of silent partnerships	383	383
Total non-current liabilities	2,652	3,693
MINORITY INTERESTS	0	19
EQUITY		
Share capital	6,750	6,750
Reserves	3,061	3,061
Retained earnings	-231	-70
Translation reserve	-914	-1,970
Total Equity	8,666	7,771
TOTAL LIABILITIES AND EQUITY	14,417	14,405

CONSOLIDATED INCOME STATEMENTS

FOR THE FIRST SIX-MONTHS 2004 (IAS)

	<i>April 01 - June 30, 2004 TEuro</i>	<i>April 01 - June 30, 2003 TEuro</i>	<i>Jan. 01 - June 30, 2004 TEuro</i>	<i>Jan. 01 - June 30, 2003 TEuro</i>
Sales	3,798	3,061	7,298	6,274
Other operating income	88	221	191	272
Increase / decrease in finished goods and work-in-process	-54	-25	-159	21
Own work capitalised	37	32	59	71
Cost of raw materials, supplies and purchased services	-1,001	-901	-1,748	-1,889
Personnel expenses	-1,199	-1,300	-2,505	-2,407
Depreciation and amortisation costs on intangible assets, and plant and equipment	-283	- 282	-557	-558
Other operating expenses	-748	-617	-1,351	-1,212
Results of ordinary activities	638	189	1,228	572
Interest income / expenses	-41	-69	-94	-147
Results before tax and minority interest	597	120	1,134	425
Income tax	-263	-2	-377	-4
Results before minority interest	334	118	757	421
Minority interest	15	0	0	0
Consolidated net profit / loss	349	118	757	421

Basic and diluted earnings per share	0.16	0.05	0.34	0.19
Number of shares used for the calculation of basic and diluted earnings per share (in thousand)	2,250	2,250	2,250	2,250

CONSOLIDATED CASH FLOW STATEMENTS

FOR THE FIRST SIX-MONTHS 2004 (IAS)

	<i>Jan. 01 - June 30, 2004</i>	<i>Jan. 01 - June 30, 2003</i>
	<i>TEuro</i>	<i>TEuro</i>
Consolidated profit	1,228	572
Depreciation of intangible assets and property, plant and Equipment	557	558
Depreciation of current assets	0	108
Earnings from allowance	-1	-37
Losses from fixed assets retirements	0	5
Changes in provisions	-40	44
Changes in assets not allocable to investing- or financing Activities	-205	-337
Changes in liabilities not allocable to investing or financing Activities	-218	-483
Paid Interest	-98	-120
Paid Taxes	-2	-2
Appreciation of current assets	-40	0
Cash flow from operating activities	1,181	308
Investments in intangible assets and property, plant and Equipment	-258	-352
Proceeds from the disposal of intangible assets, property, plant and equipment	25	0
Proceeds from government grants	1	44
Interest	5	4
Cash flow from investing activities	-227	-304
Proceeds from issuance of share capital	0	0
Repayment of loans	-282	-210
Cash flow from financing activities	-282	-210
Net effect of currency	-29	2
Net increase in cash and cash equivalents	643	-204
Cash and cash equivalents at beginning of year	1,065	825
Cash and cash equivalents at the date of June 30	1,708	621

CHANGE IN EQUITY

FOR THE FIRST SIX-MONTHS 2004

	Number of shares '000	Share capital <i>TEuro</i>	Reserves <i>TEuro</i>	Translation Reserve <i>TEuro</i>	Retained Earnings <i>TEuro</i>	Total <i>TEuro</i>
Dec. 31, 2002	2,250	6,750	3,061	-2,391	-105	7,315
Six-month surplus				421		421
Net effect of currency					35	35
June 30, 2003	2,250	6,750	3,061	-1,970	-70	7,771

	Number of shares '000	Share capital <i>TEuro</i>	Reserves <i>TEuro</i>	Translation Reserve <i>TEuro</i>	Retained Earnings <i>TEuro</i>	Total <i>TEuro</i>
Dec. 31, 2003	2,250	6,750	3,061	-1,671	-188	7,952
Six-month surplus				757		757
Net effect of currency					-43	-43
June 30, 2004	2,250	6,750	3,061	-914	-231	8,666

SILICON SENSOR INTERNATIONAL AG – GROUP NOTES TO BUSINESS REPORT

FOR THE FIRST SIX MONTH OF THE BUSINESS YEAR 2004

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 and the internet presentation of the group. The average number of employees in the Group in the first half-year 2004 reduced by 103 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

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

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

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 IAS 34.16

(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, 2003

	2004	2005 - 2007	as of 2008
Rent and lease	323	149	0
Premium-oriented pension plans	176	882	1.007
	499	1.031	1.007

As of June 30, 2004

	First half-year /2004	2005 - 2007	as of 2008
Rent and lease	159	149	0
Premium-oriented pension plans	88	882	1007
	247	1.031	1.007

6. Segment information 2004

Segment information is prepared on the following bases:

(1) Custom-designed optical semiconductor sensors and electronics

The Group in this segment essentially develops and manufactures high-end customized silicon sensors which are used in geodesy to survey the earth, and in space research to examine and monitor the blood data and circulatory functions of astronauts. In addition, chips are assembled into complex customer-specific hybrid circuits and packages.

(2) Other product lines

This segment basically deals with clinical sensor applications for the extra- and intra-operative detection of tumor cell clusters. More particularly, the segment is built around semiconductor radiation sensors for industrial and laboratory applications, and PC measuring systems for coating thickness measurement, PET radiochemistry and dosimetry.

	Custom-designed production		Other production		Company	
	June 30, 2004	June 30, 2003	June 30, 2004	30.06.2003	30.06.2004	30.06.2003
	TEuro	TEuro	TEuro	TEuro	TEuro	TEuro
Segment turnover	7,183	6,160	115	114	7,298	6,274
Segment result	756	486	1	-65	757	421

Internal statement

Officers held the following (individual) shares in the company on the June 30, 2004:

Dr. Hans-Georg Giering	11.000	(March 31, 2004: 11.000)
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