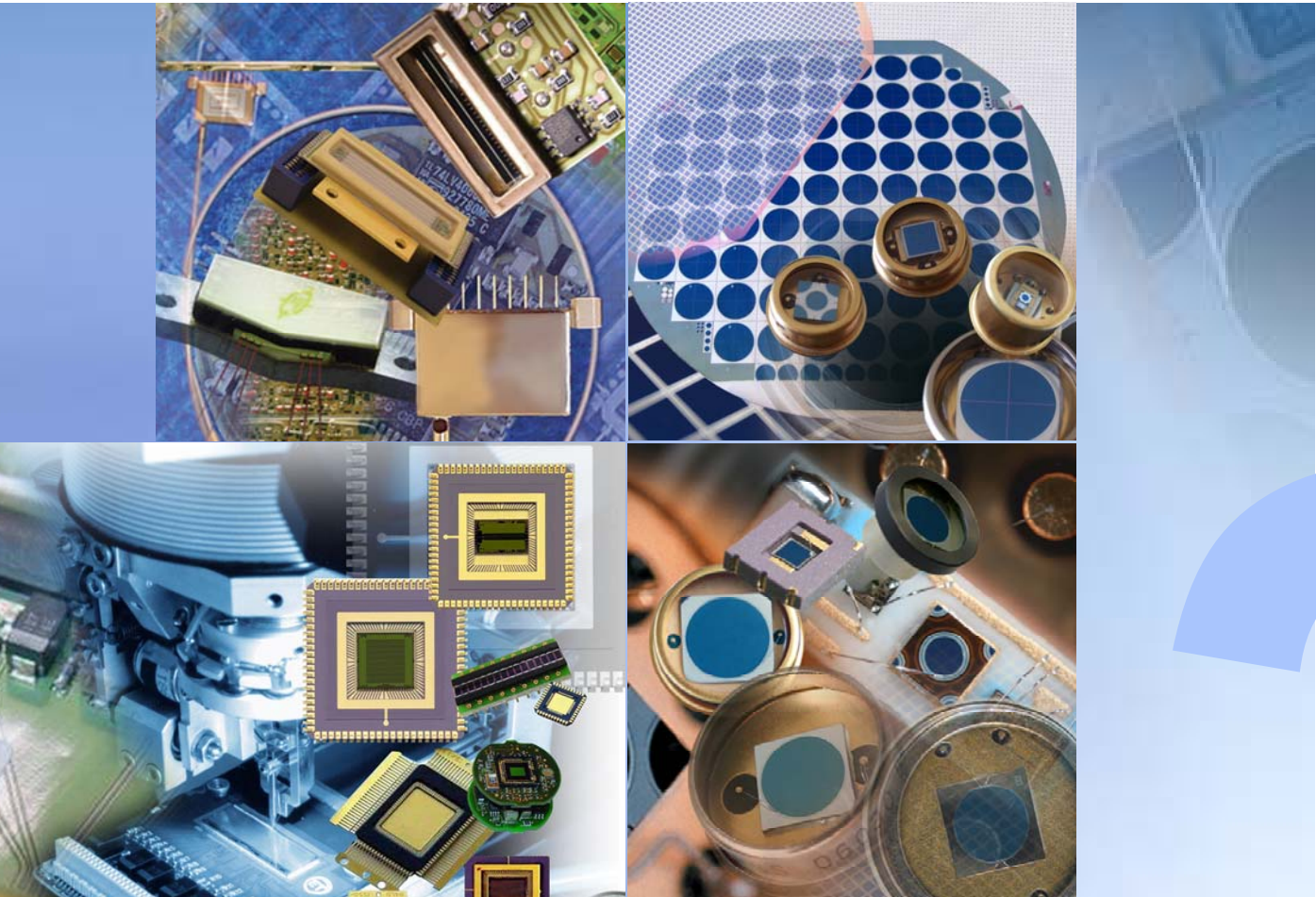


# **SILICON SENSOR INTERNATIONAL AG**



2009

## **INTERIM REPORT**

for the first nine months  
of the 2009 financial year  
(unaudited)

# QUARTERLY REPORT III/2009 FOR THE SILICON SENSOR GROUP

## Accounting ratios Jan. 1 – Sept. 30 (nine-month report 2009)

	<b>Jan. 1, 2009 - Sept. 30, 2009</b> € 1,000	<b>Jan. 1, 2008 - Sept. 30, 2008</b> € 1,000	<b>Change in</b> € 1,000	<b>Change in</b> %
Sales	20,905	29,482	-8,577	-29
Back orders	13,137	18,477	-5,340	-29
EBITDA	1,130	7,433	-6,303	-85
EBIT	-1,499	5,240	-6,739	-129
Nine-month result	-1,900	2,976	-4,876	-164
Result/share	-0.45	0.76	-1.19	-157
No. of shares (weighted)	4,265,497	3,896,150	521,116	13
R&D expenditure	2,240	3,328	-1,088	-33
Staff (Sept. 30, 2009)	268	330	-62	-19

## Accounting ratios July 1 – Sept. 30, 2009 (3rd quarter 2009)

	<b>July 1, 2009 - Sept. 30, 2009</b> € 1,000	<b>July 1, 2008 - Sept. 30, 2008</b> € 1,000	<b>Change in</b> € 1,000	<b>Change in</b> %
Sales	7,786	8,857	-1,071	-12
Back orders	13,137	18,477	-5,340	-29
EBITDA	197	2,033	-1,836	-90
EBIT	-678	1,288	-1,966	-153
Quarterly result	-900	405	-1,305	-322
Result/share	-0.20	0.10	-0.30	-300
No. of shares	4,417,266	3,896,150	521,116	13
R&D expenditure	1,133	1,420	-287	-20
Staff (Sept. 30, 2009)	268	330	-62	-19



### *Silicon Sensor: bottoming out and well prepared for the future*

*Dear Ladies and gentlemen, shareholders, business partners*

*Despite the current general crises there are two positive developments to be observed in the Silicon Sensor group:*

*One is that we seem to be bottoming out, with sales growing steadily since July of this year. The third-quarter result therefore was better than for the previous quarter, even though we haven't returned to profits yet, partly because last summer's staff cuts will not have an effect until the next quarter. While Q4 will show even better results, the year as a whole will not be profitable. Customers have signaled more demands for delivery and a growth in orders over the coming months. For example, an automotive company now increased its monthly order of steering angle sensors from 40,000 to 60,000 at our Dresden subsidiary MPD. Even more important, this order has been extended into a 5-year frame contract.*

*In addition, a capital increase in October/November and the issue of a total of 2.2 mn new individual share certificates at a subscription price of € 5.50 yielded total proceeds of € 12.1 mn, giving the Silicon sensor group sufficient finance for further growth even in times of crisis. The money will be invested prudently into technologically improving our production capacity, expanding our sales department and R&D and for complementing our product range by way of acquisition.*

*The capital increase will also enhance our equity ratio and further improve our balance sheet structure. The AG's share capital rose from € 22.1 mn to € 33.1 mn (not contained in the figures as per Sept. 30.9). This is an important criterion for our customers when choosing their service provider as development and production take several years and the financial stability of a partner is vital particularly during a period of macroeconomic crisis. Not only our shareholders but also our banks have signalled that they want to follow and finance our growth path. This gives the Silicon Sensor group, apart from its own funds, sufficient outside finance, e.g. unused credit lines.*

*Shareholder structure has essentially changed since last year. DAH Beteiligungs GmbH, Mannheim, which, after the recent capital increase, holds 29.9 % of the company, describes itself as a long-term investor willing to support proposed growth. In total, the share of institutional investors should now be over 50 % with better openings for further corporate development.*





*The period of lower capacity utilization in the last few months has been used to prepare the company for future growth by promoting the internal development of innovative solutions and products for future client projects and our own distribution. In Berlin, management and production staff has now completely moved into new facilities without any quantitative or qualitative impairment of manufacturing capacity. At the same time, the new organization, which has resulted from merging business units in Berlin with the AG has been further optimized. Our customers have positively reacted to the new structure which is to slim down and streamline processes.*

*Even though we can see the light at the end of the tunnel it is still impossible to forecast when the general crisis which has reduced our customers' sales by up to 60% will be over completely. The steps we have taken with regard to capital and investment, and proposed action, will prepare us for the major objective of becoming one of Europe's leading makers of customized sensors over the next few years.*

## **Business segments**

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*The Silicon Sensor group makes customized optoelectronic sensors (photodetectors) which detect and measure alpha, beta, gamma and X-rays, as well as UV radiation, visible light and near-infrared radiation. The company also develops and manufactures non-optical sensors, highly reliable customized hybrid circuits and microsystems and advanced packaging products. Customers include major industrial groups and research institutes who outsource specialist production processes on strategic and production engineering grounds.*

*The group's products perform basic functions in a wide variety of components and applications, which helps to make it largely independent of the business cycle in individual industries. Market conditions for these high-end products and future growth potential are generally seen as favorable. Products and solutions made by Silicon Sensor can be found in countless industrial applications such as electronic yardsticks, motor vehicles, air conditioning systems, blood sugar measuring instruments, X-ray units for baggage inspection, machine control systems, space research, cancer operations, toll systems for trucks, and measuring instruments in the pharmaceuticals industry, to name but a few.*

*Its high engineering standards make the group one of the world's leading developers and suppliers of optical and electronic high-end solutions for the most exacting requirements. Two top products worldwide designed and manufactured in the past are avalanche photodiodes (APDs) and avalanche photodiode arrays. Customers use APDs and laser modules for instance in high-precision distance measuring systems for a variety of applications.*







## Business development

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*Sales of € 7.8 mn during the past quarter were € 1.6 mn above Q2 in 2009 (€ 6.2 mn; +26 %). Since July, the group's monthly turnover has been rising, and it is assumed that the worst is over. Quarterly sales are € 1.1 mn below Q3 in 2008 (€ 8.9 mn). Total turnover for the first nine months of 2009 was € 20.9 mn, compared with € 29.5 mn for the previous year. This is partly due to the fact that some customers with whom we had frame contracts first ran down their stocks and delayed requests for delivery of our products.*

*Compared to Q2, EBIT improved by € 0.4 mn but was not yet in the black. It amounted to -€ 0.7 mn. Personnel cuts undertaken this May will not bring cost reductions until Q4. EBIT for Q3 2008 was € 1.3 mn and -€ 1.5 mn for the first nine months of 2009 (last year € 5.2 mn). The overall result for the first three quarters of 2009 was -€ 1.9 mn (last year: € 3 mn).*

*Compared to Q2, back orders increased by 7 % to €13.1 mn, while liquid assets rose by € 1.3 mn to € 5.9 mn over Dec. 31, 2008. The first 9 months of the year saw a positive cash flow of € 0.4 mn from current activities. The group's equity as per Sept. 30 and before the October/November capital increase was € 22.8 mn, which means an equity ratio of 46 %. The capital increase which was performed after the accounting date, will bring a further addition to equity of 12.1 mn Euro.*

*As of the end of the quarter, the Silicon Sensor group had a total of 268 staff (compared to 330 at the end of Q3 2008).*

## Prospect

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*An increase in orders and positive signals from customers suggest that sales will reach the level of previous years at least in mid-2010. A further improvement of sales and results is expected for Q4 2009. However, macroeconomic recovery has not yet set in to the extent expected, and the assumption in 2009 is for total annual sales of over € 28 mn and an operative loss of € 1.8 mn.*

*Funds from the capital increase will be used to finance the company's further growth, with the accent on such core divisions as photosensors, pressure sensors and camera systems. Annual growth rates in future are to reach at least an average of 15 % as a result of enhancing a technologically oriented sales department, opening up foreign markets, in-house product development and extending the technological base and the range of products.*



## *Supplementary report (developments after the accounting date)*

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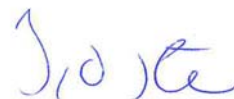
*On Nov. 5, 2009 the company increased its capital by a total of 2,208,633 individual share certificates at a subscription price of € 5.50 with profit payout rights from Jan. 1, 2009. Capital stock rose by € 11,043,165 to € 33,129,495.*

*Berlin, November 2009*

*Silicon Sensor International AG*



*Dr. Hans-Georg Glering*  
CEO



*Dr. Ingo Stein*  
CFO

# INTERIM BALANCE FOR THE GROUP

AS OF SEPTEMBER 30, 2009 (IFRS)

<b>Assets</b>	<b>Sept. 30, 2009</b> € 1,000	<b>Sept. 30, 2008</b> € 1,000
<b>SHORT-TERM ASSETS</b>		
Cash	5,908	6,876
Accounts receivable	4,932	5,175
Due from affiliated companies	52	34
Inventories	7,945	9,501
Tax claims	541	186
Prepayments, accrued income and other short-term assets	1,561	1,657
Interest hedges	0	73
<b>Short-term assets, total</b>	<b>20,939</b>	<b>23,502</b>
<b>LONG-TERM ASSETS</b>		
Tangible assets	26,386	25,565
Intangible assets	325	5,589
Investments	124	124
Goodwill	1,846	11,142
Deferred tax assets	16	16
Other long-term assets	19	30
<b>Long-term assets, total</b>	<b>28,716</b>	<b>42,466</b>
<b>SUM OF ASSETS</b>	<b>49,655</b>	<b>65,968</b>
<b>Liabilities and Equity</b>		
<b>SHORT-TERM LIABILITIES</b>		
Short-term loans	3,569	4,493
Accounts payable	2,499	1,887
Advances from customers	1,220	463
Accrued liabilities	447	498
Liabilities from income tax	0	3,864
Other short-term liabilities	2,069	2,385
<b>Short-term liabilities, total</b>	<b>9,804</b>	<b>13,590</b>
<b>LONG-TERM LIABILITIES</b>		
Long-term interest-bearing loans	11,011	10,589
Accrued liabilities	98	111
Deferred taxes	204	1,811
Prepayments and accrued income	5,728	2,830
<b>Long-term liabilities , total</b>	<b>17,041</b>	<b>15,341</b>
<b>MINORITY INTERESTS</b>	<b>50</b>	<b>101</b>
<b>EQUITY</b>		
Subscribed capital	22,086	11,689
Reserves	2,883	15,092
Exchange equalization items	-309	-326
Net earnings	-1,900	10,481
<b>Equity, total</b>	<b>22,760</b>	<b>36,936</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>49,655</b>	<b>65,968</b>

# CONSOLIDATE INCOME STATEMENT

JAN. 1 - SEPT. 30, 2009 (IFRS)

	<i>July 1 - Sept. 30, 2009 € 1,000</i>	<i>July 1 - Sept. 30, 2008 € 1,000</i>	<i>Jan. 1 - Sept. 30, 2009 € 1,000</i>	<i>Jan. 1 - Sept. 30, 2008 € 1,000</i>
Sales	7,786	8,857	20,905	29,482
Other operating income	401	357	1,109	990
Change in stocks of finished goods and work-in-progress	-489	868	193	2,142
Capitalized cost of self-constructed assets	0	8	0	63
Cost of materials/ cost of purchased services	-3,325	-3,020	-8,436	-10,265
Personnel expenses	-2,888	-3,555	-8,694	-10,537
Depreciation of tangible and intangible assets	-875	-745	-2,629	-2,193
Other operating expenses	-1,288	-1,482	-3,947	-4,442
<b>OPERATING RESULT</b>	<b>-678</b>	<b>1,288</b>	<b>-1,499</b>	<b>5,240</b>
Interest revenue/expense	-199	-184	-623	-361
Foreign Exchange gains/losses	-16	10	-28	-24
<b>RESULT BEFORE TAX AND MINORITY INTERESTS</b>	<b>-893</b>	<b>1,114</b>	<b>-2,150</b>	<b>4,855</b>
Taxes on income	-7	-724	250	-1,854
<b>PERIOD PROFIT/LOSS</b>	<b>-900</b>	<b>390</b>	<b>-1,900</b>	<b>3,001</b>
<b>Expense/income directly booked into equity</b>				
Differences from currency conversion (after tax)	-19	16	-48	9
Net profits/losses from cashflow hedges (after tax)	-101	-81	-140	-17
Conversion/capital charges (after tax)	0	-13	-27	-13
<b>TOTAL ITEMS BOOKED DIRECTLY INTO EQUITY</b>	<b>-120</b>	<b>-78</b>	<b>-215</b>	<b>-21</b>
<b>TOTAL RESULT FOR THE PERIOD</b>	<b>-1,020</b>	<b>312</b>	<b>-2,115</b>	<b>2,980</b>
Result of the period attributable to Silicon Sensor AG shareholders	-900	405	-1,900	2,976
Result of the period attributable to minorities	0	-15	0	25
Total result of the period attributable to Silicon Sensor AG shareholders	-1,020	327	-2,115	2,955
Total result of the period attributable to minorities	0	-15	0	25
<b>Net earnings per share (undiluted)</b>	<b>-0.20</b>	<b>0.10</b>	<b>-0.45</b>	<b>0.76</b>
Average no. of shares in circulation (undiluted)	4,417	3,896	4,265	3,896
<b>Net earnings per share (diluted)</b>	<b>-0.20</b>	<b>0.10</b>	<b>-0.45</b>	<b>0.76</b>
Average no. of shares in circulation (diluted)	4,417	3,896	4,265	3,896



# CASH FLOW STATEMENT FOR THE GROUP

JAN. 1 - SEPT. 30, 2009 (IFRS)

	<i>Jan. 1 - Sept. 30, 2009 € 1,000</i>	<i>Jan. 1 - Sept. 30, 2008 € 1,000</i>
<b>RESULT BEFORE TAX</b>	<b>-2,150</b>	<b>4,855</b>
Adjustments for transferring operating result to operating cash flow from current activities:		
Depreciation of intangible and tangible assets	2,629	2,193
Other non cash relevant expenses/revenues	-347	187
Revenue from investment grants	-162	-398
Interest revenue	-36	-248
Interest expense	659	609
Proceeds from fixed asset retirement	-2	0
Increase/reduction in accrued liabilities	-55	23
Increase/reduction in inventories, accounts receivable and other assets not allocable to investment/financing	1,880	-1,272
Increase/reduction of liabilities from accounts payable and other liabilities not allocable to investment/financing	-1,340	-94
Interest paid	-424	-590
Income tax paid	-182	-1,203
Other profits/losses	-28	24
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>442</b>	<b>4,086</b>
Payouts for investments into fixed and intangible assets	-1,451	-13,205
Receipts from fixed/intangible asset retirement	2	0
Receipts from investment grants and subsidies	1,792	1,455
Interest received	36	248
<b>CASH FLOW FROM INVESTMENT</b>	<b>379</b>	<b>-11,502</b>
Payments into equity	2,467	0
Amortization of loans	-3,540	-2,365
Dividend paid	0	-390
Transaction cost for issuing shares	-38	0
Receipts from borrowing of funds	1,392	6,885
<b>CASHFLOW FROM FINANCING</b>	<b>281</b>	<b>4,130</b>
<b>CURRENCY DIFFERENCES FROM CONVERTING FUNDS</b>	<b>48</b>	<b>-15</b>
<b>CHANGE IN FUNDS AFFECTING PAYMENT</b>	<b>1,054</b>	<b>-3,301</b>
Funds at the beginning of the business year	4,173	10,177
Funds as per Sept. 30, 2009	5,227	6,876

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

JAN. 1 - SEPT. 30, 2009 (IFRS)

	No. of shares,  '000	Subscribed capital  €1,000	Reserves  €1,000	Group balance loss/ profit €1,000	Exchange equalization items €1,000	Minority interests €1,000	Total equity €1,000
<b>As of Jan. 1, 2008</b>	<b>3,896</b>	<b>11,689</b>	<b>14,935</b>	<b>7,895</b>	<b>-335</b>	<b>76</b>	<b>34,260</b>
Differences from currency conversion					9		9
Sum of result directly booked into equity			-30				-30
Result of the period				2,976		25	3,001
Dividend				-390			-390
Share-based remuneration			187				187
<b>As per Sept. 30, 2008</b>	<b>3,896</b>	<b>11,689</b>	<b>15,092</b>	<b>10,481</b>	<b>-326</b>	<b>101</b>	<b>37,037</b>

	No. of shares,  '000	Subscribed capital  €1,000	Reserves  €1,000	Group balance loss/ profit €1,000	Exchange equalization items €1,000	Minority interests €1,000	Total equity €1,000
<b>As of Jan. 1, 2009</b>	<b>3,903</b>	<b>11,710</b>	<b>15,167</b>	<b>-4,208</b>	<b>-261</b>	<b>50</b>	<b>22,458</b>
Total period result			-167	-1,900	-48		-2,115
Capital increase	514	1,542	925				2,467
Capital stock increase without issuance of new shares		8,834	-8,834				0
Use of balance sheet loss			-4,208	4,208			0
<b>As per Sept. 30, 2009</b>	<b>4,417</b>	<b>22,086</b>	<b>2,883</b>	<b>-1,900</b>	<b>-309</b>	<b>50</b>	<b>22,810</b>

# SILICON SENSOR INTERNATIONAL AG GROUP

## NOTES TO THE INTERIM STATEMENT OF THE GROUP

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JAN. 1 - SEPT. 30, 2009

(all amounts in €1,000 unless indicated otherwise)

### 1. General

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Silicon Sensor International AG, Berlin (hereafter 'SIS', 'the company' or 'Silicon Sensor group') and its subsidiaries are engaged in sensor production and microsystems technology. The company's core business is to develop, manufacture and market customized optical semiconductor sensor systems. It also makes non-optical sensors and designs and produces highly reliable customized hybrid circuits and products of microsystem technology and advanced packaging.

A number of SIS subsidiaries are active in the market as independent business units. At the heart of the group is Silicon Sensor International AG which focuses on the development, manufacture and marketing of sensor chips, components and systems. Microelectronic Packaging Dresden GmbH (hereafter 'MPD') and Lewicki micro-electronic GmbH (hereafter 'LME') are leading contract suppliers of customized electronic sensor systems, advanced packaging solutions and highly reliable hybrid circuits. Silicon Micro Sensors GmbH (hereafter 'SMS') started trading on Jan. 1, 2007 and has since then designed and marketed sensor-based products, and particularly pressure sensors and industrial cameras. Pacific Silicon Sensor Inc. (hereafter 'PSS') not only develops and packages optical sensors to customer specifications but also focuses on distributing all types of sensor chips and systems in the North American market.

At the end of the quarter the group had a total workforce of 268 staff (compared to 330 at the end of Q3 in 2008).

The registered office of SIS is at Wilhelminenhofstraße 76/77, 12459 Berlin.

### 2. Group statement pursuant to § 315a HGB

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The consolidated financial statements of SIS are prepared in accordance with § 315a HGB and IFRS (*International Financial Reporting Standards*).

### 3. Accounting and valuation practices

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These are basically the same as used for the 2008 annual statement. New standards and interpretations which are mandatory for business years starting on or after Jan. 1, 2009 have been applied throughout. Under the standards, adjustments have been made to elements of the group's interim statement (particularly as regards the statements of earnings and capital stock changes). Comparisons with previous year's



figures were adapted accordingly. The first-time application of IFRS 8 provisions on segment reporting did not lead to a modification of the definition of our business segments shown and their results.

In April 2009, IASB published another collective standard to amend several IFRS. The primary aim was to iron out inconsistencies and clarify formulations, with interim arrangements for each standard. The Silicon Sensor expects no major changes from initial use.

#### *4. Notes on cash flow*

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Pursuant to IAS 7, "cash flow statement", SIS uses the indirect method to show cash flow from current activity.

#### *5. Changes in shareholder's equity*

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On March 18, 2009 Silicon Sensor International AG increased its subscribed capital by € 1,542,000 and its capital reserve by € 925,000 by issuing 514,116 shares against cash investment. At the same time, the executive board decided to offset the group's balance sheet loss of € 4,208,000 against the capital reserve as of Dec. 31, 2008.

On June 9, 2009 the General Meeting resolved to increase the company's subscribed capital by € 8,834,000 without issuing new shares.

#### *6. Value of long-term assets*

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The value of long term assets is continuously monitored by comparing projected and actually achieved operating results. In the first nine months of 2009 there were no indications of losses in the value of long-term assets below their book value. The premises underlying the value test as per Dec. 31, 2008 basically materialized in Q3 2009.

#### *7. Contingent liabilities*

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(1) In future, subsidiaries could face litigation and claims from disputes which arise in the normal course of business. The probability of related risks is under investigation. Even though the outcome of such disputes is not always known, the executive board sees no essential obligations arising therefrom.

(2) Financial commitments result from renting office space, car leases and contracts with pension and welfare funds. In keeping with the economic content of leasing agreements, the latter should be classified as operating leases.

Financial commitments can be shown as follows:



As per Dec. 31, 2008

	2009	2010 - 2014	from 2015
	€ 1,000	€ 1,000	€ 1,000
Rents, leases	1,103	3,658	4,680
Contribution-oriented pension plans	174	868	1,272
	<b>1,277</b>	<b>4,526</b>	<b>5,952</b>

As per Sept. 30, 2009

	2009	2010 - 2014	from 2015
	€ 1,000	€ 1,000	€ 1,000
Rents, leases	388	3,502	4,648
Contribution-oriented pension plans	31	986	1,656
	<b>419</b>	<b>4,488</b>	<b>6,304</b>

## 8. Segment reporting

Segment information is shown on the following basis:

### (1) Contract manufacture of chips and components

Here the group mainly develops and produces high-quality customized silicon sensors which are used, for example, in geodesy to survey the earth and in space travel to study and monitor the blood counts and circulatory functions of astronauts. Chips are also combined to give complex customized hybrid circuits and assemblies.

### (2) Other products

This segment basically comprises clinical sensor applications for the extra and intra-operative detection of tumor cell combinations and, more particularly, semiconductor radiation sensors for everyday industrial and laboratory applications along with PC measuring systems for layer thickness, PET, radiochemistry and dosimetry.

Q 1 2009

	Contract production of chips and components		Other products		Total	
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Segment turnover	<b>6,863</b>	10,075	<b>76</b>	94	<b>6,939</b>	10,169
Segment result	<b>64</b>	1,034	<b>-5</b>	19	<b>59</b>	1,053



1<sup>st</sup> half year 2009

	Contract production of chips and components		Other products		Total	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Segment turnover	13,008	20,465	111	160	13,119	20,625
Segment result	-950	2,553	-50	18	-1,000	2,571

Q1-3, 2009

	Contract production of chips and components		Other products		Total	
	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Segment turnover	20,738	29,273	167	209	20,905	29,482
Segment result	-1,857	2,967	-43	9	-1,900	2,976


## 9. Assurance given by legal representatives

This is to assure, to the best of our knowledge, that in keeping with applicable accounting principles for intermediate statements the report reflects the actual assets, liabilities and financial position of the group. The interim report gives a realistic picture of the course and results of business, the situation of the group and the opportunities and risks of its prospective development in the remaining part of the business year.

Berlin, November 2009

Silicon Sensor International AG

  
Dr. Hans-Georg Giering  
CEO

  
Dr. Ingo Stein  
CFO