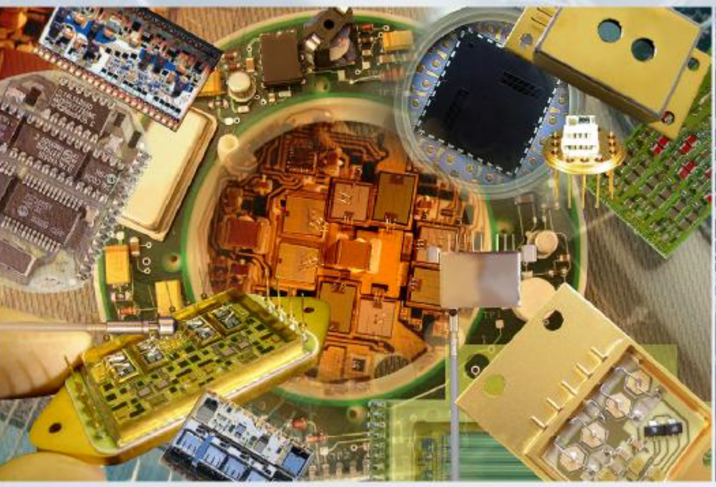
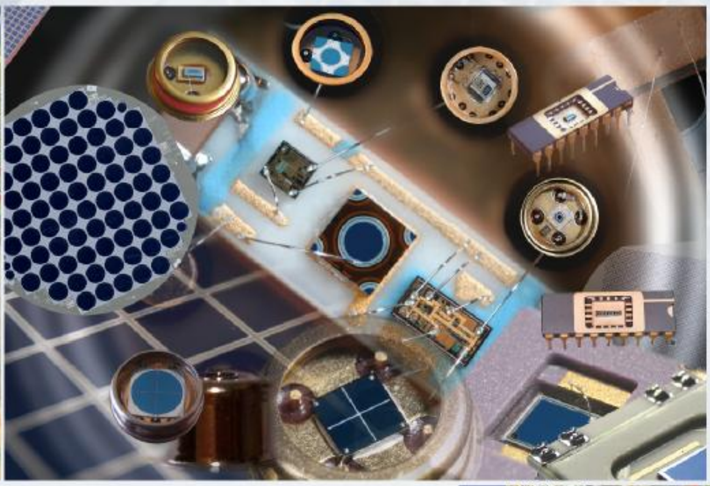


BUSINESS REPORT
for the year 2008

SILICON SENSOR INTERNATIONAL AG

Silicon Sensor International AG

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WKN: 720190

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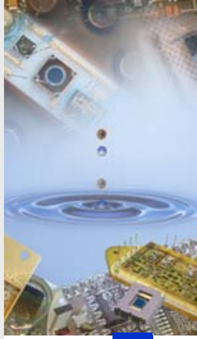
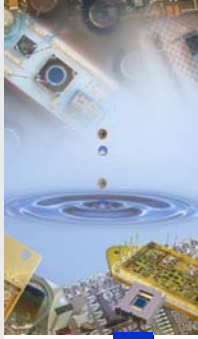




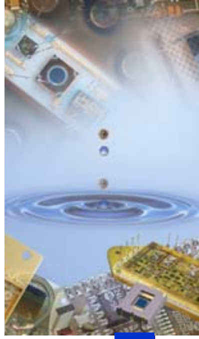
Financial statement 2008 for the Silicon Sensor group

Financial ratios Jan. 1 – Dec. 31, 2008 (Financial statement 2008)

	Jan. 1, 2008- Dec. 31, 2008 *€1,000*	***Jan. 1, 2007 - Dec. 31, 2007*** *€1,000*	***Change*** *€1,000*	***Change*** *%*
Sales revenue	**38,470**	37,014	1,456	4
Back orders	**16,000**	22,885	-6,885	-30
EBITDA	**6,730**	9,060	-2,330	-26
EBIT	**-10,947**	6,201	-17,148	n.a.
Net income	**-11,286**	3,836	-15,122	n.a.
Earnings per share	**-2.90**	1.15	-4.05	n.a.
No. of shares, weighted	**3,896,150**	3,706,759	189,391	5
R&D expenditure	**4,679**	4,730	-51	-1
Staff (Dec. 31)	**322**	303	19	6

Financial ratios Oct. 1 – Dec. 31, 2008 (Q 4, 2008)

	Oct. 1, 2008 - Dec. 31, 2008 *€1,000*	***Oct. 1, 2007 –Dec. 31, 2007*** *€1,000*	***Change*** *€1,000*	***Change*** *%*
Sales revenue	**8,988**	9,542	-554	-6
Back orders	**16,000**	22,885	-6,885	-30
EBITDA	**-703**	1.563	-2.226	n.a.
EBIT	**-16,187**	850	-17,037	n.a.
Quarterly surplus	**-14,262**	385	-14,647	n.a.
Earnings per share	**-3.65**	0.10	-3.75	n.a.
No. of shares	**3,903,150**	3,896,150	7,000	0
R&D expenditure	**1,351**	1,395	-44	-3
Staff (Dec. 31)	**322**	303	19	6



Foreword

from the Management Board

Silicon Sensor reports good year-end results before erratic effects

Ladies and gentlemen, shareholders, business partners,

Due to one-time erratic effects such as new construction, an audit, changes in the Management Board, and the adjustment of goodwill shown in the balance sheet, the Silicon Sensor group did not quite repeat the excellent results of the 2007 business year in 2008. These effects were reinforced by the financial crisis and the related drop in economic activity.

Despite the temporary shutdown of production in the fourth quarter when we moved to a new site, sales in 2008 reached € 38.5 mn, some 4 % above the previous year (2007: € 37.014 mn). Happily, this increase was due to organic growth only.

The prime concern during the last business year was to prepare for further growth. As early as March 21, 2007 the foundation stone was ceremonially laid for the new sensor plant in Berlin. The building permit was delayed by a variety of authority requirements until Nov. 5, 2007. Then work on the foundation started, followed by the topping out ceremony on March 28. Construction was completed after only 10 months in August. In mid-September production shut down at the old site and staff and machinery moved in record time from rented space to the new site where production resumed as early as Dec. 2008. The first sensors made exclusively at the new plant passed final inspection on March 18, 2009.

The operating result EBIT was € 5.0 mn before one-time erratic effects and goodwill depreciation (2007: € 6.6 mn), giving Silicon Sensor an acceptable core business margin of approx. 13 %. In particular, an unexpected dramatic drop in sales of Microelectronic Packaging Dresden GmbH (MPD) to Infineon, one of our customers, prevented a result at the level of the previous year. After reassessing the market for construction and connection technologies, and on the basis of planning adjustments for further business development, the Board has amortized MPD's goodwill and related intangible assets, without an effect on liquidity, bringing EBIT down to -€ 10.9 mn after one-time erratic effects and goodwill depreciation.

The development of back orders is under close observation. Toward the end of 2008, the slump in general economic activity and the uncertain effects of the financial crisis on various industries caused growing insecurity among our customers regarding the future of their own businesses. As a result, agreed collection dates were shifted from Q1 to the second half of the year or purchases for Q1 canceled altogether. The Board has therefore studied risks facing the Silicon Sensor group under a worst case scenario and found that the liquidity reserve of € 43 mn would be sufficient to successfully implement the business model and complete 2009 with a positive operating result even if sales were 25 % less than planned for the year. This will be contingent on using all potentials already identified, and implemented in part, under a cost cutting program which seeks to prevent operational dismissal as sales are expected to pick up again from late 2009 onwards.

Compared with the previous year (Dec. 31, 2007: € 22.9 mn), back orders throughout the group dropped by 30 % as per Dec. 31, 2008 (€ 16.0 mn). The workforce grew from 303 as per Dec. 31, 2007 to now 322.

Even before dealing with the worst case scenario, the Board began in Q4 to draft a conclusive, purposeful and realistic program for continuing the group's growth and enhancing its value based on new production capacity created during the 2008 business year. This has led to a strategic reorientation, the aim being to make Silicon Sensor International AG Europe's leading sensor manufacturer with the accent on such core products as photo and pressure sensors, and camera systems. The annual organic growth proposed for the next six years is 15 % on average so that 2015 would bring sales of over € 100 mn. To ensure lasting competitive advantages and systematic and efficient distribution in the market, the company will be transformed from a holding to a focused and strategically oriented industrial concern active throughout the value chain in making intelligent sensors.

Business development

The Silicon Sensor group makes customized opto-electronic sensors (photo detectors) which detect and measure alpha/beta/amma/X-rays, UV radiation, visible light and near-infrared radiation, along with non-opital sensors. It also develops and manufactures highly reliable custom-designed hybrid ICs and products for microsystem technology and advanced packaging. Customers include leading groups and research establishments who, as part of their manufacturing and strategic orientation, outsource highly specialized production jobs.

These sensors etc. perform key functions in a variety of engineering products so that the company is largely independent of cyclical patterns in particular industries. The market for such high end products is attractive and has growth potential also in future.

Silicon Sensor GmbH is one of few companies in the world who develop and make optical high end sensors to the highest standards. Thus, its avalanche photodiodes (APD) and avalanche photodiode arrays are world leaders when it comes to quality and speed. For example, customers use APDs for high-precision distance measuring in a wide range of applications.

MPD GmbH has over 35 years of construction and connection experience in making semiconductor devices and sensors. As a contract manufacturer, it has been known to supply several million customized electronic components and modules per year, enabling Silicon Sensor to open up entirely new market segments for mass production. Hopes for sales growth did not materialize in 2008, and turnover remained at the level of the previous year. The reason was that one customer, Infineon, had trouble finding a market position for silicon microphones and another, who makes medical equipment, could not properly launch a new product. Based on planning adjustments, single-digit sales growth is expected in construction and connection technology over the next few years.

The founding of Silicon Micro Sensors GmbH toward the end of the 2006 business year was a logical step in the group's effort to be active throughout the value chain and enhanced MPD's role as a service provider for construction and connection *technologies. Established jointly by Silicon Sensor International AG and Mr Wilhelm Prinz von Hessen and headquartered in Dresden, the company develops, produces and markets sensor-based products. With 85 % of the shares held by Silicon Sensor International AG, the new subsidiary will start out by concentrating on automotive pressure sensors and camera systems for security and automotive applications. It was gratifying to see that Silicon Micro Sensors GmbH made a profit also in its second full business year.*

Lewicki microelectronic GmbH again reported optimal results for its business division, the development and manufacture of highly reliable hybrid ICs and microsystem applications. Since 1967, the company has grown continuously and provided solutions that made it possible for customers to improve their own products. At this point, thanks go to the management and staff for the contribution they have made.

Foreign development

Apart from expanding the group's market share in €pe, the greatest future growth potential will be in the Americas and Asia. Pacific Silicon Sensor Inc., a company established to boost market penetration 10 years ago, has not met every expectation. Even though our U.S. subsidiary reported a positive annual result for 2008 with sales of U.S.$ 1.7 mn, it failed to obtain the growth rates necessary to win a significant market share. The stable economic situation which has now been achieved can be seen as proof that products made by the Silicon Sensor group have been accepted on the U.S. market. In the current business year, a number of steps will be taken to give Pacific Silicon Sensor Inc. a better profile as a center of market activities, including greater responsibility for distributing the ranges of such subsidiaries as MPD and SMS. This is expected to increase the positive contribution our U.S. subsidiary will make to results in 2009. In parallel, Silicon Sensor GmbH will step up marketing efforts in the Asian region by attending tradeshows and widening cooperation with the three Chinese sales partners.

Personnel

Group success derives from the extensive know-how of a workforce with over 30 years experience. Apart from staff motivation, fresh skilled recruits will be a decisive factor in ensuring future economic success.

At the end of 2008 the Silicon Sensor group had a workforce of 322, up from 303 at the end of 2007. Staff additions result mainly from an expected business upturn at SSO and SMS and are an investment into future growth.

Prospects

The Silicon Sensor group is an established player and specialist supplier high-quality customized products in the market for optical and none optical sensors, hybrid technology and construction and connection solutions.

Under the strategic reorientation adopted by the Board and Supervisory Board at the beginning of the year, 2009 will be devoted to strengthening distribution and making it more international and technically advanced. At the same time, application skills will *be enhanced and the group's structure streamlined in order to efficiently and fully implement reorientation. This will lay the groundwork for continued successful business in 2009 in a very difficult market, and for making the Silicon Sensor group €pe's leading sensor manufacturer over the next few years.*

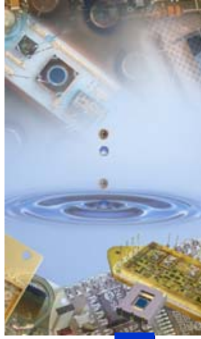
In past business years the client base has widened, making the group much less dependent on a small circle of main customers. In addition, greater market penetration in the U.S. and Asia can in the medium term help compensate demand fluctuations and the dependence on main customers in €pe. The new strategic orientation is designed to minimize risks from general economic development.

On the occasion of presenting these figures, the Board would like to thank all staff for their ideas, suggestions and consistent work to ensure the group's prosperity. Thanks also go to the Supervisory Board for the constructive approach to business transactions and advice on strategic decisions aimed at ensuring the group's future success and, last but not least, to the group's shareholders. Their commitment is worth mentioning at the end of a successful business year in which far-reaching decisions were made for the future of the company.

Berlin, March 2009

Silicon Sensor International AG

Dr. Hans-Georg Giering
CEO



2008 Business Year Management Report

for the group and Silicon Sensor International AG

- ***Construction of the new sensor factory in Berlin in record time***
- ***Successful production startup on the new site***
- ***Sales grow 4 % from € 37.01 mn to € 38.47 mn***
- ***Considerable depreciation not affecting liquidity of the goodwill of Microelectronic Packaging Dresden GmbH get the Silicon Sensor group into the red***
- ***In a difficult economic environment, back orders drop 30 % from € 22.9 to € 16.0 mn***
- ***Strategic reorientation paves way to becoming Europe's leading sensor group***

Accounting procedures

Silicon Sensor International AG (hereafter „SIS“) has prepared the group's financial statement pursuant to IFRS (International Financial Reporting Standards).

General economic environment

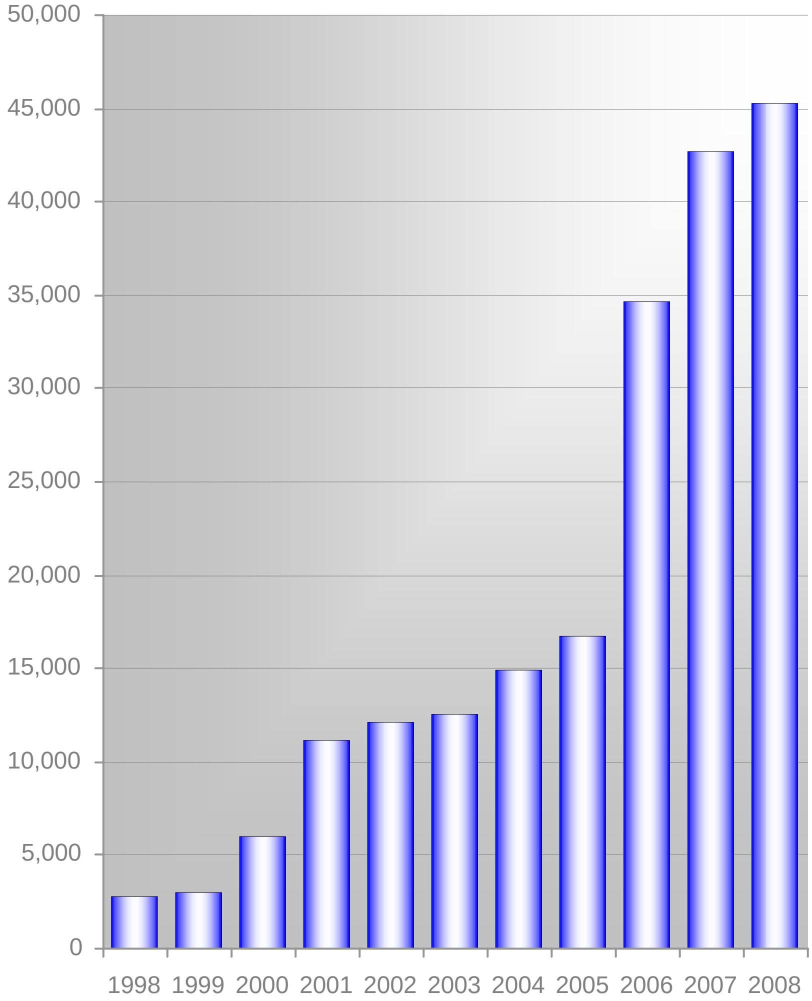
As a result of the financial crisis, general market developments were consistently negative in 2008. As the current year unfolds, many customers are more and more skeptical as regards expected business success. As part of worst case planning, steps have been discussed and taken which should make it possible to achieve a positive operating result EBIT and sufficient liquidity from operating business even if sales drop dramatically in 2009. SIS's business with customized high end sensors should contrast positively with market trends also in future as it provides buyers with innovative applications which they can use to meet market requirements.

Sales

Sound growth

Throughout the group, sales rose 4 % from € 37.01 mn (2007) to € 38.47 mn (2008), a sound trend which contrasts with the downturn in the general economic setting observed in the 2008 business year. It is gratifying to note that growth in 2008 was solely organic. Lewicki microelectronic GmbH reported good results and exceeded the high levels of the previous year, which was impossible for Silicon Sensor GmbH due to one-time burdens from the new construction project. However, the groundwork was laid for further positive development when production was successfully started up during the fourth quarter.

Total sales of Silicon Sensor group before consolidation, € 1,000



Results

Structure of consolidated profit and loss statement

	2008	Aggregate results	2007	Aggregate results
	€1,000	*in %*	*€1,000*	*in %*
Sales	38,470	93 %	37,014	92 %
Total output	**41,361**	100 %	**40,340**	100 %
Cost of materials	- 12,653	31 %	- 12,077	30 %
Gross margin	**28,708**	69 %	**28,263**	70 %
Personnel expenses	- 14,711	36 %	- 13,759	34 %
Depreciation & Amortization	- 17,677	43 %	- 2,859	7 %
Other expenses	- 7,267	18 %	- 5,444	13 %
Operating income	**- 10,947**	n.a.	**6,201**	16 %
Financial and investment result	- 599	- 1.5 %	- 474	- 1 %
Consolidated income before tax	**- 11,546**	n.a.	**5,727**	15 %
Income taxes	260	- 0.6 %	- 1,851	5 %
Profits from minority interests	1	0 %	- 40	0 %
Consolidated results	**- 11,287**	n.a.	**3,836**	10 %

Due to one-time erratic effects such as new construction, an audit, changes in the Management Board, and the adjustment of goodwill shown in the balance sheet, the Silicon Sensor group did not quite repeat the excellent results of the 2007 business year in 2008. These effects were reinforced by the financial crisis and the related drop in economic activity. Despite the temporary shutdown of production in Q 4, sales in 2008 reached € 38.47 mn, or 4 % above the previous year (2007: € 37.014 mn). Happily, this increase was due to organic growth only. The a.m. erratic effects hardly make the group's profit and loss statement comparable with that of the previous year. Without these one-time burdens, the operating result EBIT for 2008 would have been € 5.0 mn.

Investment

This totaled some € 16.6 mn throughout the group in 2008, bringing the investment quota to about 44 %, a multiple of what is common in a normal business year. The total investment planned for 2009 is approx. € 3 mn.
Now as before, investment will go into improving the productive base, quality assurance and, particularly, proposed growth so as to become more competitive in difficult market conditions and make the group capable of innovation also in future.

Acquisitions

There were essentially none in 2008, except for purchasing the outstanding share of two times 15 % in the case of the partnership interests in Silicon Instruments GmbH thus making it fully owned subsidiary of Silicon Sensor International AG. In terms of operating profitability, the Silicon Sensor group nevertheless searched for companies that were synergetically compatible so as to strengthen its market position in the long run.

The state of Silicon Sensor International AG

The year 2008 not only brought several changes for the company but also a number of erratic effects as reflected in company results.

In a thoroughly different economic environment which required a new market assessment particularly in the field of construction and connection technology and the North American investment, extra costs resulted from depreciation of the book value of investments in Microelectronic Packaging Dresden GmbH and Pacific Silicon Sensor Inc. worth € 11.136 mn. For the same reason, receivables from PSS amounting to € 0.3 mn were value-adjusted.

Board changes and the strategic reorientation of Silicon Sensor International AG in view of a new general economic setting required one-off total expenditures of about € 1 mn. Another erratic effect in 2008 was the payment of tax arrears worth €0.861 mn plus interest after an audit for the years 2001 - 2004 due to non-allowed write-offs of inventories and depreciation of stakes and receivables.

Without these factors, the result of normal activities in 2008 was about €3.6 mn, less than the € 4.29 mn reported for the previous year, which reflects the tense economic situation toward the end of the 2008 business year.

With allowance made for the erratic effects, there was a rise in personnel expenditure from € 2.1 mn (Dec. 31, 2007) to € 2.3 mn (Dec. 31, 2008) and in other operating expenditure from € 1.4 mn (Dec. 31, 2007) to € 2.4 mn (Dec. 31, 2008). The net loss will be carried forward to new account. Allowing for the annual deficit, the equity of Silicon Sensor International AG went down from € 36.8 mn to € 25.8 mn. The company's equity ration then stands at about 78 %.

The Board and Supervisory Board will propose at the general meeting to offset the net loss of € 4,589,019.82 for 2008 against the share premium account of the same amount.

The Board expects sound developments for Silicon Sensor International AG during the 2009 business year.

The Silicon Sensor share

This experienced considerable price fluctuations in 2008. A downward trend emerged as early as the end of the previous business year when trade volume was high and the mood of the capital market dimmed, which affected Small Caps in particular, leading to a share price of € 5.58 at year's end. Price collapse was probably encouraged by outflows of cash which caused investment companies to withdraw positions, and a related almost unlimited sale of Silicon Sensor shares in large numbers, along with uncertainties deriving from new construction and the removal of facilities. The share's market capitalization has thus moved clearly away from the € 100 mn mark which has been sought so that, unfortunately, institutional investors who often are not allowed to invest in low-capitalization stock became less interested in the share.

Notifiable interests underwent many changes in 2008. Investors holding more than 3 % of Silicon Sensor International AG currently include Lupus alpha Investment S.A. (3.22 %) and Highclere International Investors Ltd. (4.97 %). Among the investors holding a notifiable proportion of shares in Silicon Sensor International AG who withdrew in 2008 were Kairos Investment Management Ltd., DWS Investment GmbH and Universal-Investment-Gesellschaft mbH.

Since Feb. 24, 2009 Herr Daniel Hopp has held 5.267 % of the shares of Silicon Sensor International AG. Of this, 5.219 % is held by DAH Beteiligungs GmbH of Mannheim controlled by Herr Daniel Hopp and allocated to him under § 22 para. 1 subclause 1 no. 1 WpHG. The Board is pleased to welcome Herr Daniel Hopp as a new strong shareholder of Silicon Sensor International AG who has indicated a medium to long-term interest.

Financial ratios for shares (Xetra)

	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Share price (€)	5.58	16.18	13.75	10.19
No. of shares	3,903,150	3,896,150	3,522,900	3,457,900
Net earnings per share (€)	- 2.90	1.15	0.87	0.52
P/E	n.a.	14	16	20
Price/sales ratio	0.57	1.7	1.4	2.21
Freefloat	3,903,150	3,896,150	3,140,531	3,077,531

As regards data pursuant to § 315 (4) HGB, reference is made to the consolidated notes. In addition, the following legal provisions apply with reference to § 315 (4) no. 6 HGB:

The Supervisory Board appoints Management Board members for a max. of five years. Reappointment or an extension of term for no more than five years is possible in each case and requires a new resolution of the Supervisory Board which, at the earliest, may be adopted one year before the curren term expires. Where an appointment lasts less than five years, the term may be extended without a new Supervisory Board resolution if the total resulting term is no more than five years. The Supervisory Board may revoke an appointment to the Management Board for serious reasons.
Changes of statutes require a resolution adopted by the general meeting.

Group financing

Consolidated cash flow statement

Compared with the previous year, cash flow developed as follows:

€ 1,000	**2008**	**2007**	**Change**
Operative cash flow	2,551	3,947	-1,395
Cash flow from investment	-13,694	-5,375	-8,319
Cash flow from financing	5,564	6,168	-604
Currency differences	60	-29	89
Change in cash	-5,518	4,711	-10,229
Cash at beginning of business year	9,691	4,980	4,711
Cash at end of business year	**4,173**	**9,691**	**-5,518**

Operative cash flow was positive again in 2008 whereas cash flow as a whole was clearly negative due to the financing of new projects, a high investment ratio and the consistent repayment of bank liabilities. The Board expects a rise in the operative cash flow during this business year.

Liquidity

Compared with the end of the previous year, financial means were reduced by € 5.5 mn. Under planning for the following years, further business operations appear guaranteed. The group's liquidity planning for the worst case assumes a drop of up to 25 % from the € 43 mn planned for the 2009 business year. Exponential strategic growth in future would require more steps with regard to equity and outside capital.
The Board currently sees liquidity as sufficient to overcome the serious challenges of an economic crises.

Balance sheet structure in 2008

Authorized capital shown as subscribed capital on the accounting date, Dec. 31, 2008, grew by € 21,000 from € 11.689 mn (Dec. 31, 2007) to € 11.710 mn and consists of 3,903,150 individual share certificates with a calculated par value of € 3.00.

The balance sheet total on the accounting date dropped by € 4.25 mn to € 52.78 mn, while equity was reduced by € 11.802 mn to € 22.458 mn. The resulting equity ratio is approx. 43 % (60 % in 2007). On the accounting date, the Silicon Sensor group had liquid and near-liquid means amounting to € 4.63 mn (10.18 mn in 2007).

Staff

On Dec. 31, 2008 Silicon Sensor had a total workforce of 322 worldwide, as against 303 on the same date in 2007. Of these 6 worked abroad and 316 at home.

Product development

The group's basic philosophy is to supply customized products, making it a provider of technological services in a high-tech environment.

Apart from developing customized solutions, Silicon Sensor GmbH continued to improve its process for NIR epitaxial avalanche photodiodes (APD) in 2008. These will contribute most to future growth. Other improvements were made in array technology.

Apart from a variety of custom-designed medical and aerospace projects, Lewicki microelectronic GmbH is pressing ahead with developments in security and medical equipment.

Microelectronic Packaging Dresden GmbH and Silicon Micro Sensors GmbH stepped up R&D on pressure sensors and optical systems with digital image acquisition. The new systems are mainly designed for automotive, IT and security applications.

Pacific Silicon Sensor Inc. developed user-friendly system modules for avalanche and position and wavelength-sensitive photodiodes while developing customized products in California.

Silicon Instruments GmbH makes a Handheld Gamma Finder for a cooperation partner, W.O.M. World of Medicine AG, and is pushing the development of a novel positron probe for cancer detection while dong research into other sensor applications.

The group spent some € 4.7 mn on R&D in 2008, keeping costs at 2007 levels. These expenditures serve to strengthen market positions one the one hand and, on the other, help make the transition from supplying basic components to offering complete systems or system components.

Risk management

Nationally and internationally, Silicon Sensor faces a variety of risks which are inherent in entrepreneurial work. Its worldwide activities are continuously monitored and controlled.

The Board has established these guidelines for risk management:

- Consistently improve company goodwill and the return on assets by value-oriented management.

- Use decentralized management to organize in-house procedures while observing generally accepted rules on internal monitoring systems. Hold subsidiaries, divisions and departments responsible for their own specific business routines with allowance made for defined guidelines and targets set by the Board. Base your in-house action on related procedures as shown in the documents describing process standardization acc. to ISO.

- Use Silicon Sensor's standard strategy, planning and budgeting process as applicable in 2008 to register, assess, monitor and control business procedures. Assistance is provided in the form of ongoing market and competition analysis and monthly reporting of data relating to orders, employment, revenue and assets.

- Quarterly discussions of risks involving the Board and managing directors of subsidiaries were held in 2008 with the aim of assessing and monitoring cumulative and individual risks for a variety of processes and companies.

- The group's comprehensive reporting and monitoring system ensures prompt and factual information for decision-makers. Business success is indicated at all times and changes in the commercial environment can be detected early so that remedial action may be taken.

Risks regarding the group's future development

As part of international competition, the Silicon Sensor group faces the risk of being unable to provide the personnel required for proposed growth, or of having to pay more than the budgeted costs for such personnel. In particular, this risk relates to highly skilled staff.

Planned growth calls for permanent liquidity, and there are cash reserves for unforeseeable events. Budgeted liquidity for the 2009 business year will in particular be ensured by the group's existing and presently unused credit lines in the amount of € 3.3 mn (without surety credits and short-term current account credits).

The risk for Silicon Instruments GmbH is that main customers fail to achieve targets they have set themselves for distribution through existing and enlarged channels, which would affect the company's profitability.

The negative trends in worldwide stock markets in late 2008 which intensified particularly for Small Caps during the current business year, have also affected the stock exchange price of Silicon Sensor shares. There is presently a greater risk of price movements due to general market trends causing further undervaluation of these shares, which could severely restrict Silicon Sensor's future financing flexibility deriving from equity action taken, or expose the group to takeover.

Prospects

Trends in the market environment are very difficult to assess

In the course of the financial crisis, economic developments in the sensor market have clearly taken a downturn. The group's future sales will hinge on its orientation toward custom design, and on the time when markets will pick up again. Apart from new products, a reorientation of the market presence in the U.S. may also bring potential growth. This will, however, require a major extra effort.

Due to considerable uncertainties in 2009, the Board expects sales within a wide range between € 32.0 mn and € 43.0 mn, and an operating result EBIT between € 1.0 mn and € 6.0 mn.

Back orders

Unfortunately, these fell by 30 % to € 16.0 mn as per Dec. 31, 2008 compared with the previous year. There is generally a trend for clients to place orders at ever shorter notice, particularly in hybrid manufacture and advanced packaging.

The future

To the extent currently foreseeable, planning for 2009 has made allowance for economic uncertainties such as changes in the business environment, trends in competition, the acceptance of products, processes and the group's image in the market, partial dependence on customers and suppliers, and variations in currency parity.

Developments after the accounting date

Pursuant to § 21 para.1 WpHG, Highclere International Investors Limited of London, United Kingdom, informed us on Feb. 5, 2009 that their voting rights by shares in Silicon Sensor International AG of Berlin/Germany, ISIN: DE0007201907, WKN: 720190 fell short of the threshold of 5 % of voting rights on Feb. 4, 2009 and now stood at 4.71 % (183,748 voting rights).

Herr Daniel Hopp, Germany, informed us on Feb. 26, 2009 pursuant to § 21 para. 1 WpHG that his voting rights by shares in Silicon Sensor International AG of Berlin/Germany, ISIN: DE0007201907, WKN: 720190 exceeded the threshold of 5 % of voting rights on Feb. 24, 2009 and stood at 5.267 % (205,602 voting rights) on that date. Of these, 5.219 % (203,732 voting rights) are held by DAH Beteiligungs GmbH of Mannheim/Germany which is controlled by Herr Daniel Hopp/Germany who has been allocated these rights pursuant to § 22 para. 1 clause 1 no. 1 WpHG.

Under a capital increase in March 2009, Silicon Sensor International AG successfully issued 514,116 new shares at an offering price of € 4.80 to existing shareholders and institutional investors. The revenue of just under € 2.5 mn will pay for the company's strategic reorientation aimed at making Silicon Sensor Europe's leading sensor manufacturer.

Berlin, March 2009

Silicon Sensor International AG

Dr. Hans-Georg Giering
CEO

Consolidated balance sheet

as of Dec. 31, 2008 and 2007 (IFRS)

ASSETS	Notes	Dec. 31, 2008 € 1,000	Dec. 31, 2007 € 1,000
Net assets			
Short-term investments			
Cash	3	4,631	10,177
Accounts receivable	4	4,504	6,503
Due from affiliated companies		22	33
Inventories	5	9,136	7,366
Other current assets	6	3,521	1,379
Claims for tax repayments		1,070	37
Interest rate hedging instruments	31	1	89
Total current assets		**22,885**	**25,584**
Non-current asets			
Tangible assets	7	27,319	14,303
Intangible assets	8	570	5,839
Goodwill	8	1,846	11,142
Equity holdings in affiliated companies	9	124	124
Deferred tax assets	24	21	16
Other non-current assets		20	26
Total non-current assets		**29,900**	**31,450**
Total assets		**52,785**	**57,034**

Consolidated balance sheet

as of Dec. 31, 2008 and 2007 (IFRS)

LIABILITIES	Notes	Dec. 31, 2008 €1,000	Dec. 31, 2007 (adjusted*) €1,000
Capital stock, liabilities			
Current liabilities			
Short-term loans	12	3,639	3,035
Trade payables		2,220	1,721
Accounts payable to affiliated companies		6	6
Advances from customers		980	283
Accrued liabilities	10	494	480
Liabilities from income tax		1,153	3,075
Other current liabilities	11	2,701	2,894
Total current liabilities		**11,187**	**11,494**
Non-current liabilities			
Long-term interest-bearing loans	13	12,866	7,527
Provisions	10	106	106
Deferred tax liabilities	24	278	1,874
Deferred income	15	5,890	1,773
Total non-current liabilities		**19,140**	**11,280**
Equity			
Subscribed capital	16	11,710	11,689
Reserves	17	15,167	15,362*
Monetary compensation		-261	-335
Net earnings		-4,208	7,468*
Equity falling upon SIS AG shareholders		**22,408**	**34,184**
Minority interests		50	76
Total equity		**22,458**	**34,260**
Total equity and liabilities		**52,785**	**57,034**

* Adjusted by correcting errors in registering personnel expenses from share options – see Note 14

Consolidated income statement

for the business years ending Dec. 31, 2008 and 2007 (IFRS)

	Q 4 01.10.2008 - Dec. 31, 2008 € 1,000	**Q 4** Oct. 1, 2007 - Dec. 31, 2007 (adjusted**) € 1,000	Notes	**Annual statement** Jan. 1, 2008 - Dec. 31, 2008 € 1,000	**Annual statement** Jan. 1, 2007 - Dec. 31, 2007 (adjusted**) € 1,000
	*	*			
Ordinary activities					
Sales revenue	8,988	9,542	18	38,470	37,014
Other operating income	556	906	19	1,546	2,032
Increase/decrease in finished/ unfinished goods	-866	-550	20	1,276	1,268
Capitalized cost of self-constructed assets	6	10		69	26
Cost of materials/ purchased services	-2,388	-2,567	21	-12,653	-12,077
Personnel expenses	-4,215	-4,130*	23	-14,711	-13,759*
Depreciation of tangible and intangible assets	-15,484	-732	7; 8	-17,677	-2,859
Other operating expenses	-2,784	-1,597	24	-7,267	-5,444
Operating result	**-16,187**	**882***		**-10,946**	**6,201***
Interest income	98	93		389	222
Interest expenditures	-380	-138		-1,032	-642
Income from current asset investments	0	5		0	9
Loss from current asset investments	0	-1		0	-1
Currency profits	231	0		231	40
Currency loss	-163	-81		-187	-102
Results before tax	**-16,401**	**760***		**-11,545**	**5,727***
Income and earnings taxes	2,114	-337	25	260	-1,851
Results for the period	**-14,287**	**423**		**-11,286**	**3,876***
Net earnings attributable to minority interests	26	6		1	40
Net earnings attributable to SIS AG shareholders	**-14,261**	**417**		**-11,287**	**3,836***
Simple earnings per share	**-3.65**	**0.11**	26	**-2.90**	**1.03***
No. of shares used to calculate simple earnings per share (1,000)	3,903	3,896		3,896	3,707
Diluted earnings per share	**-3.65**	**0.11**	26	**-2.90**	**1.02***
No. of shares used to calculate diluted earnings per share (1,000)	3,896	3,896		3,896	3,766

* Quarterly figures are given in keeping with the rules of Deutsche Börse AG and do not form part of the audited consolidated accounts pursuant to IFRS.
** Adjusted by correcting errors in registering personnel expenses from share options – see Note 14

Consolidated cash flow statement

for business years ending Dec. 31, 2008 and 2007 (IFRS)

	Jan. 1 - Dec. 31, 2008 €1,000	*Jan. 1 - Dec. 31, 2007 (adjusted*) €1,000*
Pre-tax income	-11,545	5,727*
Adjustment to reconcile net income/loss with cash flow from current activities		
Amortization of intangible and tangible assets	17,677	2,859
Other expenditure/income	-118	680*
Loss from investment disposal	467	0
Income from investment grants	-579	-465
Interest income	-389	-221
Interest expenses	1,032	642
Other income/losses	-44	53
Changes in provisions	14	74
Changes in inventories, accounts receivable and other assets not attributable to investment/financing	-725	-4,292
Changes in accounts payable and other liabilities not attributable to investment/financing	1,923	260
Interest paid	-1,018	-623
Income tax paid	-4,143	-747
Cash flow from current activities	**2,552**	**3,947**
Payments fo investment into tangible and intangible assets	-16,589	-6,488
Payments for acquiring shares of affiliated companies		-25
Payments for acquiring minority interests	-100	0
Receipts from sales of securities	0	143
Receipts from investment grants	2,606	764
Interest income	389	231
Cash flow from investment	**-13,694**	**-5,375**
Dividends	-390	-352
Receipts from new equity injection	25	6,284
Conversion charges for issuing shares	-13	-31
Payments for redeeming financial credits	-1,707	-2,733
Receipts from taking out financial credits	7,649	3,000
Cash flow from financing	**5,564**	**6,168**
Currency disparities from the conversion of funds	**60**	**-29**
Payment-effective changes in funds	**-5,518**	**4,711**
Funds at the beginning of the business year	9,691	4,980
Funds at the end of the business year *	**4,173**	**9,691**

For the composition and development of funds see Note 2.
* Adjusted by correcting errors in registering personnel expenses from share options – see Note 14

Consolidated statement of equity changes

for business years 2008 and 2007 (IFRS)

	Equity falling on SIS AG shareholders						
	No. of shares in '000	**Sub-scribed capital** €1,000	**Reserves** (adjusted*) (Note 18) €1,000	**Consolidated balance sheet loss/ profit** (adjusted*) €1,000	**Exchange adjusting item** €1,000	**Minority interests** €1,000	**Total** (adjusted*) €1,000
As of Jan. 1, 2007	**3,523**	**10,569**	**9,497**	**3,984**	**-214**	**36**	**23,872**
Foreign currency conversion					-121		-121
Net loss from securities available for sale			26				26
Net profits from cash flow hedges			40				40
Total of results registered directly in equity (Note 18)			66		-121		-55
Net income				3,836*		40	3,876*
Total results for the period			66	3,836*	-121	40	3,821*
Transaction costs			-19				-19
Capital increase for cash	352	1,057	5,108				6,165
Exercise of share options (Notes 15, 17)	21	63	56				119
Dividends				-352			-352
Share-based remuneration (Note 18)			654*				654*
As of Dec. 31, 2007	**3,896**	**11,689**	**15,362***	**7,468***	**-335**	**76**	**34,260**
As of Jan. 1, 2008	**3,896**	**11,689**	**15,362***	**7,468***	**-335**	**76**	**34,260**
Foreign currency conversion					74		74
Net loss from cash flow hedges			-198				-198
Total of results registered directly in equity (Note 18)			-198		74		-124
Net income				-11,286		1	-11,285
Total results for the period			-198	-11,286	74	1	-11,409
Transaction costs			-9				-9
Exercise of share options (Notes 15, 17)	7	21	4				25
Acquisition of minority interests			-73			-27	-100
Dividends				-390			-390
Share-based remuneration (Note 18)			81				81
As of Dec. 31, 2008	**3,903**	**11,710**	**15,167**	**-4,208**	**-261**	**50**	**22,458**

* Adjusted by correcting errors in registering personnel expenses from share options – see Note 14

Notes to consolidated accounts

as per Dec. 31, 2008 (IFRS)

1. General

Silicon Sensor International AG, Berlin, (hereafter „SIS“ or „the company“ or „Silicon Sensor group“) and its subsidiares are active in sensor manufacture and microsystem technology. Company business focuses on the development, production and marketing of customized optical semiconductor sensor systems. In addition, the company makes non-optical sensors. The Silicon Sensor group also develops and manufactures highly reliable customized hybric Ics and microsystem and advanced packaging products.

Several subsidiaries of the SIS group participate in the market as independent business units. Its core, Silicon Sensor GmbH (hereafter „SSO“), was founded in 1991 and has since concentrated on developing, producing and marketing sensor chips, sensor components and sensor systems. Microelectronic Packaging Dresden GmbH (hereafter „MPD“) and Lewicki microelectronic GmbH (hereafter „LME“) are leading contract manufacturers of custom-designed electronic sensor systems, advanced packaging applications and highly reliable hybrid ICs. Silicon Micro Sensors GmbH (hereafter „SMS“) commenced business on Jan. 1, 2007 and has since then developed and distributed sensor-based products, particularly pressure sensors and industrial cameras. Pacific Silicon Sensor Inc. (hereafter „PSS“) essentially markets all types of sensor chips and systems in the north American market, apart from the customized development and packaging of optical sensors.

During the 2008 business year, the average workforce grew from 286 to 318. The registered office of SIS is at Charlottenstraße 57 in Berlin/Germany.

2. Accounting and valuation methods

Accounting principles

The consolidated accounts have been based on historical costs, except for financial derivatives and securities available for sale which were assessed at current value. The consolidated financial statement was drawn up in € and all amounts are given in €1,000 unless stated otherwise.

Declaration of conformity with IFRS

Consolidated financial statements of the SIS-Group conform to International Financial Reporting Standards (IFRS) as applicable in the EU, and to the provisions of § 315a HGB.

Changes in accounting and valuation methods

The applied accounting policies correspond generally with those applied in the previous year except for the following:

The SIS Group has identified nonconformance in the treatment of personnel expenses resulting from stock option programs. The amendment of this nonconformance required a restatement of previous year's figures (see note 14).

The application of new IFRS Standards and Interpretations did not have impact on the asset, financial or profit situation of the group. Partially they lead to additional notes and in certain cases to changes in the accounting policies.

Standards released, but not yet entered into force

The SIS-Group has standards and IFRICs, which has been released already but not yet entered into force, not adopted. The SIS AG generally plans to adopt all standards at their compulsory application date.

IAS 1 Presentation of financial statement (revised)

The revised Standard, published in Sept. 2007 for first use in business years beginning on or after Jan. 1, 2009, requires separate representation of equity changes resulting from transactions with shareholders in their capacity as equity suppliers, and of other changes in equity. Equity change accounting applies to all details of transactions with shareholders, whereas all other equity changes are shown in a single line. The Standard also introduces a representation of overall income for a period in which all registered income components are shown either as a single list or in two connected lists. The group has not yet decided whether to show the overall income for a period as one list or two.

IFRS 8 Operative segments

IFRS 8 was published by IASB in Nov. 2006 for first use in business years beginning on or after Jan. 1, 2009. It replaces IAS 14 „Segment reporting" and adapts IASB Standards to the provisions of the Statement of Financial Accounting Standards (SFAS) 131. IFRS 8 requires financial and descriptive information on what are known as „segments subject to reporting requirements". These are either operative segments or summaries thereof which meet specific criteria. Operative segments are components of a company which give access to financial information that is regularly checked by the top operating manager to decide on resource allocation and performance rating. In general, financial reporting has to be based on the internal control concept used to assess operative segments (management approach). The Standard is to be used fo business years starting on or after Jan. 1, 2009 and may be applied ahead of schedule. The group assumes that the use of IFRS 8 will bring no major changes in segment reporting.

IAS 23 Cost of Debt (revised)

In April 2007, IASB published a modification of IAS 23 which requires the capitalization of cost of debt which are attributable to the acquisition, construction or manufacturre of a qualified asset. The company now registers cost of debt as affecting the current result during the period where they occur. The Standard is to be used prospectively for business years beginning on or after Jan. 1, 2009. Accordingly, cost of debt are capitalized which relate to qualified assets the capitalization of which began on or after Jan. 1, 2009 liegt.

Amendments to IFRS 2 – exercise conditions and cancellation

The amendment to IFRS 2 was released in January 2008 and becomes effective for reporting periods starting on or after January 2009. The amendment clarifies the term ‘exercise condition’ and in addition the accounting for cancellation of share based remuneration plans. The transition regulations envisage a retrospective application of the new regulations. For the existing stock option programs of SIS-Group these amendments have no impact.

Amendments to IAS 32 and IAS 1 – redeemable financial instruments and obligations in case of liquidation

The amendments to IAS 32 and IAS 1 were released in February 2008 and are effective for reporting periods starting on or after January 1, 2009. An exception rule will be introduced accordingly redeemable financial instruments are classified as equity, if certain criteria are met. In addition reporting obligations are defined. In the SIS-Group such financial instruments do not exist.

Improvements to IFRS 8

The amendments resulting from the improvement project 2008 were released in May 2008 and become effective – except for IFRS 5 (effective from July 1, 2009) – in reporting periods commencing on or after January 1, 2009. In the course of the improvement project 2008 a multiplicity of material amendments, having impact on recognition and valuation, and those just having editorial character, were released. The last mentioned concern for instance the revision of certain definitions and wordings in order to conform to other IFRS standards. These amendments were not applied yet by SIS-Group and are expected to have no material impact on the financial statement of SIS-Group.

IFRIC 13 – customer retention programme

The IFRIC interpretation 13 was released in June 2007 and becomes effective for reporting periods starting on or after July 1, 2008. According this interpretation customer incentives have to be recorded as turnover separated from the underlying transaction. Therefore a portion of the fair value of the received equivalent will be allocated to the incentive and accrued for. The revenue recognition is in the period the incentive is executed or expires. SIS Group does not run customer retention programs.

IFRIC 14, IAS 19 – Limitation of a performance orientated asset, minimum remuneration obligation and their interdependency

The IFRIC interpretation 14 was released on July 14 and becomes effective on December 31, 2008. This interpretation gives guidance for the designation of the maximum surplus amount from a performance orientated remuneration plan, which can be recognized as an asset according to IAS 19. The SIS-Group did not pass such remuneration plans.

IFRS 3 Mergers and Acquisitions(not yet EU law)

Te revised IFRS 3 standard was released in January 2008 and becomes effective for reporting periods commencing on or after July 1, 2009. The standard was completely revised in the course of the convergence project between IASB and

FASB. The major changes concern the suffrage for the valuation of minority stakes with on the one hand the ‘purchased goodwill method’ or on the other the ‘full goodwill method’, which requires the recognition of the full goodwill including the minority parts. To be highlighted in addition is the net income affecting re-evaluation of already existing shares when reaching a control position (step up purchase), the recognition of a consideration on purchase date, depending on the occurring of future events and the net income affecting treatment of transaction costs. The transition regulations consider a prospective implementation of the new regulation. For assets and liabilities resulting from mergers and acquisitions prior to the first implementation of this standard there will be no changes.

IAS 27 R IFRS conform financial statements for Groups and single Entities

The revised standard was released in January 2008 and becomes effective for business years commencing on or after July 1, 2009. The standard introduces accounting changes for mergers and acquisitions after that date in respect to recognition and valuation of goodwill, net income in the reporting period in which a merger or acquisition took place. IAS 27 R administer, that changes in the share quota in a group company (without loss of control) will be accounted for as equity transaction. Therefore this kind of transaction will not create Goodwill nor profit or loss.

In addition accounting regulations for allocation of losses to parent companies, shares without control and accounting regulations for loss of control situations were changed. Consequently the following standards were changed: IAS 7 Cash Flow Statement, IAS 12 Tax on income, IAS 21 Impact of Exchange Rate Fluctuations, IAS 28 Subsidiaries, IAS 31 Joint Ventures. The amendments of IFRS 3 R and IAS 27 R will affect future mergers and acquisitions, loss of control situations and transactions with minority shares. An early adoption of these standards is possible but not arranged for by SIS-Group.

IAS 39 Financial Instruments: Recognition and Valuation – Qualifying underlying transactions (not yet EU law)

These modifications published in August 2008 for first use in business years starting on or after July 1, 2009 define details of how to use IAS 39 principles for representing security relations in designating a unilateral risk in an underlying transaction, and inflation risks as an underlying transaction. It is made clear that only part of the changes in the attributable current value or the cashflow fluctuations of a financial instrument may be designated as an underlying transaction. The group assumes that the modification will not affect its assets, finance and earnings as it has not engaged in this type of business so far.

IFRIC 12 Service concession agreements (not yet EU law)

The IFRIC Interpretation 12 was released in November 2006 and becomes effective for the first time in reporting periods commencing on or after January 1, 2008. The interpretation was not yet adopted in EU law. The interpretation governs the accounting for obligations and rights from service concession agreements. No such concession agreements exist in SIS-Group.

IFRIC 15 Agreements on the erection of property

IFRIC 15 was released in July 2008 and becomes effective in reporting periods commencing on or after January 2009. The interpretation gives guidance for earnings recognition in property erection projects. No such transactions exist in SIS-Group.

IFRIC 16 Hedging of net investments in a foreign business (not yet EU law)

IFRIC 16, published in July 2008 for first use in business years starting on or after Oct. 1, 2008, should be prospectively interpreted and contains guidelines for showing net investment safeguards in a balance sheet. Interpretation also involves the identification of foreign currency risks which may be handled by safeguarding net investment, the identification of group companies which may hold net investment safeguarding instruments, and requirements for determining foreign currency profits or losses from the net investment and the safeguarding instrument, which have to be reclassified when the net investment is sold.

The group is currently assessing which accounting and valuation method to use for reclassification if a net investment is sold.

IFRIC 17 Asset dividend to shareholders (not yet EU law)

The IFRIC Interpretation 17 was released in November 2008 and will be effective for the first time in reporting periods commencing on or after July 1, 2009. This interpretation gives guidance for recognition and valuation of obligations to shareholders with asset dividend.
This kind of obligation must be recognized and valued at their fair value, when the company cannot elude this obligation. The recognition of the obligation and changes in valuation has to be recorded in an equity position. A possible net income effect resulting from the difference between the book value of the assets and the fair value will occur in time of the assignment. This interpretation need to be adopted prospectively. The SIS-Group does not distribute asset dividends.

IFRIC 18 Assignment of assets by customers (not yet EU law)

The IFRIC Interpretation 18 was released in January 2009 and will become effective in reporting periods starting on or after July 1, 2009. This interpretation gives guidance for accounting of agreements where a company receives assets, cash or cash equivalents from a customer, which the company for instance uses to give the customer access to a distribution net or to supply the customer with commodities or services. The interpretation mainly refers to the recognition of customer contributions and the timing and extent of earnings recognition resulting from these transactions. This interpretation shall be applied prospectively. The SIS-Group does not receive such customer contributions.

Major discretionary decisions and uncertainties when making estimates

In preparing the consolidated financial statement, a number of assumptions and estimates have been made which affected the amount/report of assets, debts, revenues and expenditures shown in the balance sheet. The actual values may eventually differ from these assumptions and estimates in individual cases. Related modifications would affect the current result once better insights are possible.

Loss in value of goodwill and long-term assets (note 8)

The Silicon Sensor group annually verifies the value of goodwill and other long-term assets as required by IAS 36 based on the future money surplus generated for individual assets or groups of assets combined into money-generating units. Essential long-term assets tested every year include goodwill as shown for the Silicon Sensor group, and intangible assets acquired through mergers.

Share-based remuneration (note 14)

This has been granted to staff and officers. The valuation of related personnel expenses contains estimates of how requirements for these options have been met, and of market parameters.

Principles of consolidation

Subsidiaries

The consolidated group accounts show SIS and the companies it controls by the group's holding, directly or indirectly, of more than 50 % of a company's subscribed capital voting rights and/or controlling the financial and business policy of a company to such an extent that it may profit from its activities. As per Dec. 31, 2008 the minority interests correspond to that part of the results for the period and the net assets of Silicon Micro Sensors GmbH („SMS") which falls on shares not held by the group. The consolidated accounts show minority interests separately in the profit and loss statement and as part of equity. The report in the consolidated statement is part of equity and separate from equity falling upon parent company shareholders. The acquisition of minority interests is shown in the balance sheet following what is known as the Equity Concept method which registers the difference between the purchase price and the book value of proportionally acquired net assets under reserves as not affecting the operating result.

The acquisition method has been used for buying up firms. Companies acquired over the last few years were included in the consolidated accounts from the date of acquisition.

The following companies were included in the group's financial statement as fully consolidated subsidiaries (SIS interest shares are identical with existing voting rights):

Company	Registered office	Main business activity	Investment quota
Silicon Sensor GmbH	Berlin	Development/production/marketing of semiconductor sensors	100 %
Lewicki microelectronic GmbH	Ober-dischingen	Manufacture/distribution of microelectronic components/assemblies	100 %
Microelectronic Packaging Dresden GmbH	Dresden	Manufacture/distribution of microelectronic components/assemblies	100 %
Pacific Silicon Sensor, Inc.	Westlake Village, USA	Development/production/marketing of sensor systems, distribution of sensor chips	100 %
Silicon Micro Sensors GmbH	Dresden	Development/manufacture/distribution of microelectronic/mechanical sensor systems/components/modules/micro-systems	85 %
Silicon Projects GmbH	Berlin	Development/manufacture/distribution of soft/hardware, Internet services	100 %
Silicon Instruments GmbH	Berlin	Development/manufacture/distribution of radiation sensor modules/devices	100 %

During the 2008 business year, the remaining minority interests in Silicon Instruments GmbH were acquired, see Note 17.

Consolidation steps and uniform valuation throughout the group

The annual accounts of subsidiaries and affiliated companies included in the consolidated financial statement are based on uniform accounting standards, periods under review and closing dates.

Internal account balances for the group, transactions and resulting internal profits, and profits/losses not realized among consolidated companies were fully eliminated.

Foreign currencies

The reporting currency of the Silicon Sensor group is €, which is also the parent company's functional currency.

(a) Foreign currency transactions

Within the group, each company chooses its own functional currency, and items in the company's financial statement are valued using this currency. As a first steip, foreign currency transactions are converted into the functional currency using the spot rate applicable on the transaction date. Monetary assets and debts in foreign currency are converted into the functional currency on any reference date at the exchange rate applicable on that day. All currency differences will be registered and affect the current result. Non-monetary items which have been valued at historical initial/manufacturing costs in a foreign currency will be converted using the exchange rate prevailing on the day of the transaction. Non-monetary items valued at their attributable current value in a foreign currency will be converted at the rate prevailing at the time of determining the attributable current value.

(b) Foreign subsidiaries

Consolidated foreign subsidiaries of SIS are seen as economically independent foreign entities because they independent in financial, economic and organizational respects. Their functional currencies are the same as the national currency. The balance sheets of foreign subsidiaries are converted at the rate prevailing on the reference date. The profit and loss statement is converted at the average rate. Conversion differences are registered as a separate equity component.

Cash and funds

Cash includes cash on hand and time and call deposits.

Funds are defined to suit the company's cash equivalents and, apart from cash and short-term current account liabilities vis-à-vis banks. The composition of funds can therefore be shown as follows:

	2008	2007
	€ 1,000	*€ 1,000*
Cash	4,631	10,177
Current account liabilities	-458	-486
	4,173	**9,691**

Financial assets

These are basically subdivided into the following categories:

- company-extended credits and receivables,
- Derivatives for which the requirements for hedge accounting are meet.

In the first-time registration of financial assets, these are assessed at the initial costs of the current value paid in return, with transaction costs included. Financial assets purchased and sold as usual are shown in the balance sheet on the trading day.

Credits and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After first-time registration, they are valued at continued initial costs using the effective interest method less value adjustment for loss of value. Continued initial costs are calculated making allowance for all disagios and agios on acquisition and include all charges which are an integral part of the effective interest rate and transaction costs. Profits and losses are shown in the result for the period if the credits and receivables have been written off, lost value or been amortized.

Financial assets are checked for loss of value on each accounting date. If the company may not collect all due contractual contributions deriving from loans and receivables where financial assets are shown in the balance at continued initial costs, a loss or adjustment of the value or receivables will be shown as affecting the current result. A loss of value earlier shown as affecting the current result will be corrected and affect the current result if a subsequent partial restoration (or reduced loss) of value can objectively be attributed to a situation which occurred after the original loss of value. However, a value increase will only be shown to the extent that the amount of continued initial costs which would have resulted without the loss of value, is not exceeded.

Financial assets or parts thereof will be written off if the Silicon Sensor group loses the powere of disposal over the contractual rights making up the financial asset.

Inventories

Raw materials and supplies used to manufacture inventories will not be written down to a value below their initial or manufacturing costs if the finished products into which they are incorporated can presumably sold at or above production costs, with allowance made for sales costs incurred. If, however, a drop in the prices of these materials suggests that the production costs of finished goods will be above the net sales value, the materials will be devalued to their net sales value.

Work in progress and finished goods will be valued at production costs or the lower market value. Production costs include direct personnel costs, material costs and the attributable share of production overheads. Interest on borrowed capital will not be activated. Obsolete and slow-moving articles will be reasonably devalued.

Tangible assets

These are shown at historical and production costs less accumulated depreciation.

Interest on borrowed capital will not be activated. Where tangible assets are retired, the historical costs and accumulated depreciation are written off and resulting profits or losses recorded as affecting the current result.

Depreciation systematically uses the linear method over the useful life as follows:

Buildings	25 – 33 yrs.
Technical equipment, machinery, other fixtures and fittings	3 – 19 yrs.

Periods of useful life and depreciation methods are regularly checked to ensure agreement between economic utility and depreciation periods.

Construction in progress is capitalized at initial and production costs and written off from the date of completion and commissioning. Production costs include full production-related costs with prime costs and overheads incurred by company staff in connection with the erection of facilities.

Intangible assets

The SIS group activates intangible assets if

(a) the asset is the company's equitable property due to historical events,

(b) the asset is assumed to yield a future economic benefit for the company, and

(c) asset costs can be reliably determined.

This applies where an intangible asset has been acquired externally. Internally generated intangibles will be assessed at directly attributable development costs incurred if all requirements as per IAS 38.57 have been met. Overheads necessarily incurred in generating the asset and directly attributable to it will also be activated. Cost capitalization ends when the product has been finished and generally released. Under IAS 38.57, development costs may be activated if the following six requirements have been met, which is the case here entirely:

1. technical feasibility of completing the asset to make it available for internal use and/or sale;
2. the intention to complete the intangible asset for use or sale;
3. the capacity to use/sell the intangible asset;
4. proof of the future economic benefit expected;
5. availability of adequate technical, financial and other resources to complete development and use/sell the intangible asset; and
6. the company's ability to reliably assess development costs attributable to the asset.

In addition, acquired development work (manufacturing know-how) has been classified as an intangible where this could be reliably assessed and there was control of the utilization of development project results.

Wasting intangible assets are shown at initial costs less accumulated depreciation and value losses. Non-wasting intangible assets (goodwill) are shown at initial costs less accumulated costs of value loss. Under IAS 38, wasting intangible assets are evenly written off over their estimated useful life, from the date of utilization. The depreciation period and schedule are reviewed at the end of each business year.

(a) Software

New software is activated at its initial cost and shown as an intangible asset provided this cost is not an integral part of the related hardware. Software is written off over three/four years using the linear method.

(b) Goodwill

This is the surplus of the initial cost of shares in a company over the acquiring company's share of attributable current values of related assets on the transaction date, less debts and contingent debts and is shown as an asset in the balance sheet. Regardless of any indication of a loss of value, the achievable amount for the cash-generating unit to which goodwill belongs is calculated every year. If the book value exceeds the realizable amount, value is adjusted.

(c) R&D costs

These are shown as affecting the current result for the period when they were incurred. No development costs were activated in 2008 or 2007 as requirements were not met. R&D costs shown as expenses amounted to €4,679,000 in 2008 and €4,730,000 in 2007.

(d) Development

As part of a company acquisition, the SIS group acquired development projects which will be systematically written off over 20 years beginning at the time when the development is marketed.

(e) Loss of value of long-term assets

Tangible and intangible assets are reviewed for possible depreciation whenever events or changes of external conditions suggest that the value realizable for the asset on the closing date of the accounts will be permanently below its book value or an annual review for loss of value is necessary (goodwill and intangible assets not yet utilized). Where the book value of an asset exceeds the lower attributable value, depreciation is shown for tangible and intangible assets classified at initial or production costs. The realizable amount is the greater amount from the attributable current value, less sales costs and utility value. The attributable current value less sales costs corresponds to the amount realizable by selling the asset in a normal transaction involving two competent parties. The utility value is equal to the cash value of estimated future cash flows expected from the long-time use of an asset and its sale at the end of its useful life. The amount that can be realized should be estimated for each individual asset or, where this is impossible, for the smallest identifiable cash generating unit.

Reserves

Pursuant to IAS 37, these are shown for liabilities with uncertain due dates or amounts and should be shown only if

(a) a current liability (in law or fact) has resulted for the company from a past event,

(b) it is probable (with more speaking in favor than against) that meeting the obligation will require an outflow of economically useful resources, and

(c) the amount of the obligation can be reliably estimated.

The amount shown as a reserve is the best possible estimate of the outlay required to meeet the obligation on the accounting date, i.e. the amount the company would have to pay on that date on closer examination to meet its obligation or transfer it to a third party.

Long-term reserves are discounted at an interest rate before tax if the resulting effect is considerable. In the event of discounting the increase in reserves over time is shown as financial expenditure.

Contingent liabilities shown in the Notes have resulted from past events and depend on the (non-) occurrence of one or more uncertain future events that are not fully controlled by the company. They may also result from a present obligation deriving from past events but not shown because

(a) the outflow of economically useful resources is unlikely if the obligation is met, or

(b) the amount of the obligation can not be estimated with sufficient reliability.

A contingent liability will not be disclosed if the company is unlikely to experience an outflow of economically useful resources.

Financial liabilities

These are subdivided into the following categories:

- liabilities held for commercial purposes, and
- other financial liabilities.

The ones shown in the consolidated accounts of the SIS group have been classified as other financial liabilities.

Financial liabilities are first registered at initial costs corresponding to the current value of the serice in return, with transaction costs included.

They are no longer shown after redemption, i.e. when the contractual obligations have been met, canceled or expired.

Employee benefits

Contribution-oriented plans

These exist for Board members, managing directors and executive staff in the form of pension commitments from an industry-wide pension fund, with the company paying fixed monthly contributions. Group outlays for contribution-oriented plans are allocated as affecting the current result in the year to which they relate. The same applies to expenditure arising from public pension schemes.

Share options

In recognition of their efforts, group staff (incl. executives) are given share-based remuneration in the form of equity instruments (known as transaction with equity tal-instrument).

The cost of these instruments introduced after Nov. 7, 2002 is assessed at their attributable current value at the time they are granted, which is determined using a suitable option price model (for details see Note 14).

Expenditure incurred in granting the instruments and the corresponding equity increase is shown over a period during which requirements for exercise and/or performance have to be met (known as the qualifying period), which ends on the date when an option may first be exercised, giving the employee an irrevocable subscription right. The accumulated expenditure for granting equity instruments shown on each accounting date until the first exercise option reflect the expired part of the qualifying period and the number of instruments which, in the group's best possible estimate, actually become exercisable with the expiry of the period. The amount debited or credited to the profit and loss statement reflects the development of accumulated expenditures at the beginning and end of the period under review.

No expenditure is shown for payment options which do not become exercisable, with the exception of options requiring specific market conditions. These will be considered exercisable, regardless of whether the market conditions have occurred or not, provided all other performance requirements have been met.

The extra dilutive effect of outstanding share options is taken into account when calculating net earnings per share (for details see Note 25).

Partial retirement

Liabilities from existing agreements for partial retirement were calculated and reserves made affecting expenditure.

Payments from public funds

These are shown if there is sufficient certainty that they are forthcoming and the company meets related requirements. Expense-related payments are systematically shown as revenue for the period necessary to offset them against the expenditure they are meant to compensate. Payments for an asset are shown on the liabilities side as adjusting items to be dissolved affecting the current result over the asset's expected useful life in equal annual installments.

Sales realization and profit booking

Sales of goods and products

Sales are realized in keeping with IAS 18 if these conditions have been met cumulatively:

(a) The SIS group has transferred to the buyer all important risks and opportunities related to ownership of the goods and services sold.

(b) The SIS group retains no lasting right of disposal as is usually associated with commercial ownership and no effective control of the goods and rights sold.

(c) The amount of revenue can be reliably determined.

(d) It is sufficiently probable that the commercial benefit from the sale will accrue to the company.

(e) The costs incurred or still to be incurred in the sale may be reliably determined.

In keeping with the principle of deferred items as described in IAS 18, revenues and expenditures relating to the same transaction or other event are booked simultaneously.

Interest income

Interest is booked in proportion to time, making allowance for effective interest on the asset.

Dividends

Returns are shown as the legal entitlement to payment arises.

Taxes

Actual tax refund claims and tax liabilites for current and earlier periods are to be valued at the amount expected to be refunded by tax authorities or paid to them, calculated on the basis of tax rates and laws applying on the accounting date.

Actual taxes relating to items shown directly as equity are not shown in the profit and loss statement but under equity.

Deferred tax is accrued by applying the balance sheet-oriented asset and liability method to all temporary differences existing on the accounting date between the valuation of an asset or liability in the balance sheet and the fiscal value. Deferred tax liabilities are recorded for all taxable temporary differences, with these exceptions:

- No deferred tax claims may be shown from the first-time entry of a goodwill, asset or debt in a business transaction that is not a company merger and at the time affects neither the peeriod result, in terms of commercial law, nor the taxable result.

- No deferred tax claim may be shown from taxable temporary differences related to interests in subsidiaries and affiliated companies if the process of reversing the differences over time can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax claims are shown for all deductible temporary differences, losses brought forward but not used as yet, and unused tax credits to the extent that taxable income will probably be available, against which the deductible temporary differences, unused losses brought forward and tax credits may be offset. The following exceptions apply:

- Deferred tax claims from deductible differences arising from an asset which is assessed for the first time, or a debt resulting from a business transaction that is not a company merger and which, at the time of the business transaction, affects neither the period result in terms of commercial law nor the taxable result may not be shown in the balance sheet.

- Deferred tax claims from deductible temporary differences related to interests in subsidiaries, associated companies and holdings in joint ventures may only be shown to the extent that reversal of the temporary differences is probable within a reasonable time so that sufficient taxable profit is available against which the temporary differences may be offset.

The book value of deferred tax claims is verified on each accounting date and written off to the extent that it is no longer probable for a sufficient taxable result to be available against which the deferred tax claim may be offset at least in part. Deferred tax claims not shown are verified on each balance day and shown to the extent that there is a probability of a future taxable result allowing the deferred tax claim to be met.

Deferred tax claims and tax liabilities are shown in terms of the tax rates expected to apply during the period in which an asset is sold or a liability discharged, based on tax rates (and laws) applying on the accounting date. Deferred taxes relating to items shown directly as equity are registered under equity and not as part of the profit and loss statement.

Deferred tax claims and deferred tax liabilities are set off against each other when an enforceable claim exists for setting off its actual tax refund claims against actual tax liabilities and these relate to income taxes of the same taxpayer that are raised by one and the same tax authority.

Sales tax

Sales revenue, expenses and assets are shown after deducting sales tax, with these exceptions:

- Sales tax from the purchase of assets or services which may not be claimed by the tax authority may be shown as part of the production costs of the asset and/or as part of expenses.

- Receivables and debts are shown with sales tax included.

Sales tax refunded by, or paid to, the tax authority is shown in the consolidated balance sheet as receivables/debts.

Leasing agreements

Whether an agreement is, or contains, a lease is determined on the basis of its economic content and requires an assessment whether contract execution depends on the utilization of (a) certain asset(s) and whether the agreement grants a right to use the asset.

Financing Lease contracts, where all significant property-related risks and benefits of the leasing object are transferred to the group, result in the latter's capitalization at the time the leasing contract expires. The leasing object is capitalized at its attributable value or the current value of the minimum leasing payments if this amount is less. Leasing payments are split into an interest and an amortization portion to give a constant interest rate on the remaining lease liability for the term of the lease. The interest portion will be recorded as affecting the current result.

If the passage of title to the Group at the end of the lease term is not adequately assured, the capitalized leasing objects are depreciated over the expected lifetime or over the term of the leasing contract, whichever is shorter

Payments for operating leases are shown on a linear basis over the term of the lease, as expenditure in the profit and loss statement.

Risk management, derivative financial instruments and hedging

Risk of default and liquidity exposure

The group aims to provide sufficient liquidity and irrevocable credit lines to meet its financial obligations in the years to come. For this, the company has credit lines worth € 5,545,000 (2007: € 2,864,000), of this € 2,000,000 (current account / surety credit from Commerzbank) only until June 2009, and € 250,000 as a pure surety credit. In addition, the group has authorized capital worth € 4,228,000 (2007: € 4,228,000) for further capital increases.

Risks of default and/or a contractual partner defaulting on payments are controlled by way of loan commitments, credit lines and monitoring. Where appropriate the company provides collateral in the form of rights in securities or enters into skeleton compensation agreements. The max. default risk equals the activated amounts of financial items in the balance sheet.

Foreign exchange risks

These are negligible since the affiliated companies mainly do business in € so that no particular hedging has been undertaken. Foreign exchange risks are reduced by the independent operations of PSS.

Interest rate risks, hedging

The group faces the risk of interest rate fluctuations mainly from long term loans with variable interest rates and has responded by drawing loans with fixed interest rates or, in case of variable interest rates, by using derivative financial instruments (interest swaps).

Derivative financial instruments are valued at the time of contract conclusion and, subsequently, at their attributable current value. They will be recorded as assets if that value is positive and as liabilities if it is negative.

Profits or losses from fluctuations of the attributable current value of derivative financial instruments which do not hedging requirements are shown as affecting the current result at once.

The current value of interest swap contracts is determined with reference to the market values of similar instruments.

As per Dec. 31, 2008 and Dec. 31, 2007 the SIS group only used cash flow hedges which have been recorded according the strict regulations for hedge accounting as follows:

The effective portion of profits or losses from a hedging instrument is shown directly under equity, the ineffective portion is shown at once as affecting the current result.

Amounts shown under equity are rebooked to the profit and loss statement during the period in which the hedged transaction affects the period result, for example when hedged financial incomes/expenditures are registered or an expected sale is made. Where a safeguard results from assessing a non-financial asset or debt, the amounts shown under equity become part of the initial costs at the time of adding the non-financial asset and/or debt.

If a proposed transaction or firm commitment is no longer expected, the amounts previously shown under equity will be rebooked to the profit and loss statement. If the hedging instrument expires or is sold, terminated or exercised without being replaced or rolled over into another hedging instrument, the amounts previously shown under equity will remain there as separate items until the proposed transaction or firm commitment have occurred. The same applies if it is found that the security instrument no longer meets the criteria for being shown in the balance sheet.

Segments

Business segments: For better control and similar to the previous year, the group was divided into two main operating areas for worldwide activities during the 2008 business year. These provide the background for presenting vital information. Financial data on business and geographic segments is provided in Note 29.

Transactions between segments: Incomes, expenses and results given for segments involve transfers between divisions and geographic segments which are shown at general market prices as charged to non-affiliated customers for similar services. These transfers have been eliminated for consolidation.

Release for publication

On March 19, 2009 the SIS management board decided that the consolidated financial statement for SIS was to be passed on to the Supervisory Board by Dec. 31, 2008.

3. Liquid funds

	2008	2007
	€1,000	*€1,000*
Cash on hand	5	7
Bank deposits	4,626	10,170
	4,631	**10,177**

Bank deposits subject to call bear variable interest rates. The attributable current value of liquid funds is € 4.631 mn (2007: € 10.177 mn).

As per December 31, 2008 the group had unused credit lines, which met all requirements for utilization, worth € 5.545 mn (2007: € 2.864 mn), of this k€ 250 as a pure surety credit and € 2.0 mn as a combined current account/surety credit. The current account credit line utilized as per Dec. 31, 2008 amounted to k€ 458 (2007: k€ 486).

4. Accounts receivable

	2008	2007
	€1,000	*€1,000*
Trade receivables	4,835	6,614
Less value adjustments on delinquent receivables	-331	-111
	4,504	**6,503**

Except for an amount of k€ 85 which bears approx. 9 % interest per year, trade receivables are interest-free and normally due within 30 – 90 days.

Doubtful accounts from the sale of goods were value adjusted to the tune of k€ 331 (2007: k€ 111) (profit and loss effect: expenses of k€ 236) (2007: k€ 42). The amount of value adjustment was determined on the basis of past debt losses.

The value adjustment account developed as follows:

	Adjusted
	€1,000
As per Jan. 1, 2007	**146**
Allocation	63
Utilization	-77
Withdrawal	-21
As of Dec. 31, 2007	**111**
Allocation	290
Utilization	-16
Withdrawal	-54
As of Dec. 31, 2008	**331**

As per Dec. 31, 2008 (Dec. 31, 2007) the age structure of trade receivables was as follows:

	Summe	Not overdue or value-reduced	Overdue but not value-reduced				
			< 30 Days	30 – 60 Days	60 – 90 Days	90 – 120 Days	> 120 Days
	€1,000	€1,000	€1,000	€1,000	€1,000	€1,000	€1,000
2008	4,504	2,300	1,226	426	159	86	**307**
2007	6,503	3,730	1,682	621	51	32	**387**

5. Inventories

	2008	2007
	€1,000	€1,000
Finished goods and goods at sales value, net	0	107
at initial/production costs	2,177	1,254
Subtotal	**2,177**	**1,361**
Work in progress at sales value, net	0	174
at production costs	3,411	2,753
Subtotal	**3,411**	**2,927**
Raw materials and supplies at initial costs	3,548	3,078
Total	**9,136**	**7,366**

The loss in value of inventories shown as expenditure amounts to k€ 50 (2007: k€ 62). This cost was shown as materials expenditure in the previous year.

6. Accrued income and other short-term assets

	2008	2007
	€ 1,000	€ 1,000
Investment grant receivables	2,090	0
Accruals	955	745
VAT Receivables	197	306
Claims from reinsurance coverage	169	139
other	110	189
	3,521	**1,379**

7. Tangible assets

	Land and buildings	Plant and machinery	Fixtures, fittings, tools, equipment	Payments on account and construction in progress	2007 Total
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Initial costs					
Jan, 1, 2007	**4,727**	**13,095**	**3,892**	**1,011**	**22,725**
Additions	123	1,724	641	2,665	5,153
Disposals	0	154	188	4	346
Rebookings	47	1,030	4	-1,088	-7
Monetary differences	0	-16	-20	0	-36
December 31, 2007	**4,897**	**15,679**	**4,329**	**2,584**	**27,489**
Accumulated depreciation					
Jan, 1, 2007	**1,545**	**6,501**	**2,893**	**0**	**10,939**
Depreciation*	110	2,016	401	0	2,527
Disposals	0	153	99	0	252
Rebookings	0	-1	+1	0	0
Monetary differences	0	-14	-14	0	-28
Dec, 31, 2007	**1,655**	**8,349**	**3,182**	**0**	**13,186**
Net book value Jan, 1, 2007	**3,182**	**6,594**	**999**	**1,011**	**11,786**
Net book value Dec, 31, 2007	**3,242**	**7,330**	**1,147**	**2,584**	**14,303**

	Land and buildings	Plant and machinery	Fixtures, fittings, tools, equipment	Payments on account and construction in progress	2008 Total
	€1,000	€1,000	€1,000	€1,000	€1,000
Initial costs					
Jan, 1, 2008	**4,897**	**15,679**	**4,329**	**2,584**	**27,489**
Additions		1,761	774	13,956	16,491
Disposals	127	9,399	1,109	68	2,853
Rebookings	9,399	5,957	40	-15,400	-4
Monetary differences	0	9	7	0	16
December 31, 2008	**14,169**	**21,857**	**4,041**	**1,072**	**41,139**
Accumulated depreciation					
Jan, 1, 2008	**1,655**	**8,349**	**3,182**	**0**	**13,186**
Depreciation*	186	2,265	559	0	3,010
Disposals	0	1,396	991	0	2,387
Monetary differences	0	5	7	0	12
Dec, 31, 2008	**1,841**	**9,223**	**2,757**	**0**	**13,821**
Net book value Jan, 1, 2008	**3,242**	**7,330**	**1,147**	**2,584**	**14,303**
Net book value Dec, 31, 2008	**12,328**	**12,634**	**1,284**	**1,072**	**27,319**

The book value of the group's plant and machinery includes assets held under financing leases worth € 1.459 mn (2007: € 3.317 mn).

8. Intangible assets and goodwill

	Software	Goodwill	Develop-ment	Payments on account	2007 Total
	€1,000	*€1,000*	*€1,000*	*€1,000*	***€1,000***
Initial costs					
Jan. 1, 2007	**955**	**11,142**	**6,000**	**15**	**18,112**
Additions	45	0	0	0	45
Rebooking	8	0	0	-1	7
Monetary differences	-3	0	0	0	-3
December 31, 2007	**1.005**	**11,142**	**6,000**	**14**	**18,161**
Accumulated depreciation					
Jan. 1, 2007	**800**	**0**	**50**	**0**	**850**
Depreciation	82	0	250	0	332
Monetary differences	-2	0	0	0	-2
Dec. 31, 2007	**880**	**0**	**300**	**0**	**1,180**
Net book value Jan. 1, 2007	**155**	**11,142**	**5,950**	**15**	**17,262**
Net book value Dec. 31, 2007	**125**	**11,142**	**5,700**	**14**	**16,981**

	Software	Goodwill	Develop-ment	Payments on account	2008 Total
	€1,000	*€1,000*	*€1,000*	*€1,000*	***€1,000***
Initial costs					
Jan. 1, 2008	**1,005**	**11,142**	**6,000**	**14**	**18,161**
Additions	98	0	0	0	98
Disposals	14	0	0	0	14
Rebooking	4	0	0	0	4
Monetary differences	1	0	0	0	1
December 31, 2008	**1,094**	**11,142**	**6,000**	**14**	**18,250**
Accumulated depreciation					
Jan. 1, 2008	**880**	**0**	**300**	**0**	**1,180**
Amortization	82	0	0	0	82
Depreciation	0	9,296	5,288	0	14,584
Disposals	14	0	0	0	14
Monetary differences	2	0	0	0	2
Dec. 31, 2008	**950**	**9,296**	**5,588**	**0**	**15,834**
Net book value Jan. 1, 2008	**125**	**11,142**	**5,700**	**14**	**16,981**
Net book value Dec. 31, 2008	**145**	**1,846**	**412**	**14**	**2,417**

Goodwill as per Dec. 31, 2008 relates exclusively to Lewicki microelectronic GmbH, Oberdischingen (hereafter „LME“).

MPD goodwill

In business year 2005, SIS acquired 84.03 % of the shares of MPD, resulting in goodwill of € 9.297 mn.

In keeping with IAS 36, MPD goodwill was examined for possible loss of value as per Dec. 31, 2008 based on utility value. Due to changes in the market assessment for construction and connection technologies MPD’s corporte planning was revised and adjusted. The essential planning parameters below were used to determine the current utility value:

- The planning period under review is from 2009 - 2012.
- No growth rates were assumed for the 2012 (terminal) values.

- As seen today, company sales in the long run will not exceed 2008 figures and even drop by about 17 % in 2009 as the economic environment is expected to worsen. Between 2010 and 2012 sales will slowly return to 2008 levels.
- Annual personnel expenditure will in the long run stand at about 25 % of total annual sales.
- In the long run, the company will have constant annual investment needs of about 8 % of total sales at the level of annual depreciation.
- Discount factor after tax of 10.84 % (2007: 6.99 %) using the WACC method and before tax 15.27% (2007: 12.00 %)

The impairment charge recorded for the fiscal year 2008 includes the goodwill of k€ 9,296 related to the acquisition of MPD as well as other intangible assets of k€ 5,288 and is disclosed within the segment "production of order-related chips and similar elemts" in the segment reporting. There was no loss of value in 2007.

LME goodwill

SIS shows goodwill of € 1.846 mn from the acquisition of all LME shares in the 2000 business year.

In keeping with IAS 36, LME goodwill was examined for possible loss of value as per Dec. 31, 2008 based on utility value making allowance for these assumptions:

- Sales drop of 10 % in business year 2009 compared with 2008, followed by slight 3 % increase in sales revenue until 2011 which is retained in 2012.
- A five-year outlook assumed that slightly higher personnel costs and depreciation would cause a minor drop in EBIT margins. No additional cost increases are expected.
- Investment over the entire planning period will be in the depreciation range. No growth rates were assumed for 2012planning parameters (terminal value).
- Discount factor of 10.84 (2007: 6.99 %) based on the WACC method.

A necessary loss of value did not result from these assumptions for 2008. There was also no unscheduled loss of value for FLME in 2007.

Development efforts

These were shown as part of the acquisition of MPD and will be systematically written off over 20 from the start of marketing. As part of determining the utility value of the goodwill shown, the value of development work as per Dec. 31, 2008 already reduced by depreciation acc. to plan was also examined. As a result, there were unscheduled write-offs of €4,988,000. The rest of €412,000 will be depreciated acc. to plan over the remaining useful life until 2026.

9. Shares in affiliated companies

As in 2007, interests in Heimann Sensor GmbH, an affiliated company, were valued ‚at equity' in 2008:

	Share	2008	2007
	%	*€ 1,000*	*€1,000*
Heimann Sensor GmbH	24,9 %	124	124
		124	**124**

Interests in the company as per Dec. 31, 2008 remained unchanged at 24.9 % (Dec. 31, 2007: 24.9 %). The average workforce in 2008 was 27 (2007: 18).

	2008	2007
	€ 1,000	*€1,000*
Balance-sheet share of affiliated companies		
- Short-term assets	360	361
- Long-term assets	110	125
- Short-term liabilities	208	227
- Long-term liabilities	125	125
- Equity	138	135
Sales and result share of affiliated companies		
- Sales revenue	694	878
- Result	0	24
Book value of interests in affiliated companies	124	124

Data for the previous year was adjusted to the audited Financial statement for 2007 as final values were not yet available at the time of preparing the 2007 consolidated accounts.

10. Provisions

	Warranty	Other	Total
	€ 1,000	*€ 1,000*	*€ 1,000*
December 31, 2007	**534**	**52**	**586**
Additions	47	71	117
Consumption	51	53	103
December 31, 2008	**530**	**70**	**600**
Short-term	424	70	494
Medium/long-term	106	0	106

A provision was shown as a liability to cover warranty obligations for products sold in the past two years. Valuation is based on empirical values for repairs and complaints, and the bulk of these costs is expected for the next business year so that the entire liability shown will arise within two years from the accounting date. The assumptions behind the warranty provision derive from the current sales level and available information on complaints regarding sold products over the two-year warranty period.

11. Other short-term liabilities

	2008	2007
	€ 1,000	*€ 1,000*
Wages, salaries	1.024	955
Accruals	500	500
Wage/church tax	241	176
Sales tax	5	170
Other	931	1,093
	2,701	**2,894**

Other short-term liabilities are interest-free and normally fall due within 60 days.

12. Short-term loans

	2008	2007
	€ 1,000	*€ 1,000*
Collaterated		
Debts from finance leasing and hire-purchase agreements (Note 28)	786	332
Bank loans	2,853	2,703
Total short-term loans	**3,639**	**3,035**

The short-term loans fall due in 2009 and include the short-term portions of long-term loans.

13. Long-term interest-bearing loans

	2008	2007
	€1,000	*€1,000*
Collaterated		
Debts from finance leasing and hire-purchase agreements (Note 28)		
due in 2009	0	247
due in 2010	16	29
due in 2010 – 2011	573	1,138
due in 2010 – 2012	224	82
due in 2010 - 2013	957	0
Bank loans		
due in 2009	0	956
due in 2010	2,000	2,000
due in 2010 - 2011	800	1,200
due in 2010 - 2013	1,500	1,875
due in 2010 - 2015	3,946	0
due in 2010 -2019	2,850	0
	12,866	**7,527**

Long/short-term bank loans at 5.0 % and 5.6 %

These loans are collaterated by pledging shares held in LME and a registered land charge. The net book value of LME assets and liabilities in the consolidated financial statement is € 4,595,000 (previous year: € 4,403,000). The land charge is € 1,380,000 (previous year: € 1,380,000). Constant semi-annual repayment of loans has been agreed at the end of Q 1 and Q 4, respectively. The current value of fixed-interest long and short-term bank loans as per Dec. 31, 2008 is € 190,000 (book value € 167,000) and, as per Dec. 31, 2007, € 614,000 (book value € 657,000).

Long and short-term loans at 3-month-Euribor

To finance the acquisition of MPD shares, SIS had loans granted as per Sept. 30, 2005 whose status as per Dec. 31, 2008 is as follows:

1. Tranche for €0.375 mn, variable interest (3-month-Euribor + spread), term until 2009
2. Tranche for €0.375 mn, variabler interest (3-month-Euribor + spread), term until 2009
3. Tranche for €0.938 mn, variable interest (3-month-Euribor + spread), term until 2013
4. Tranche for €0.938 mn, variable interest (3-month-Euribor + spread), term until 2013

Quarterly repayment on the end of a quarter has been agreed for long-term bank credits. Loans are collatered by pledging shares held in MPD.

Some loan agreements have supplementary stipulations binding SIS to observe these Financial Covenants:

Min. equity ratio	(at least 30 % of the balance sheet total)
Debt service cover	(ratio of EBITDA to debt service at least 1.75)

If the above obligations are not observed, lenders reserve the right to obtain/extend collateral.

SIS has undertaken to agree on interest hedges for Tranches 2, 3 and 4 of the long-term bank credits in the form of an interest swap based on the skeleton agreement with the bank for financial futures transactions in the amount of the loan for the period ending Dec. 31, 2009 or Dec. 31, 2013 and to sell or otherwise use the interest hedging instrument during the a.m. period only with the bank's consent. The interest hedging instruments are shown in Note 31.

Bank loan at Euribor + spread (MPD)

This five-year instalment redeeming loan is to be repaid quarterly in equal instalments beginning on March 30, 2007 and is not collaterated. The loan agreement has a supplementary stipulation in which MPD undertakes to observe the min. equity ratio of 35 % of the balance sheet total. If the above obligations are not observed, lenders reserve the right to obtain/extend collateral.

MPD has undertaken to adopt a cap on interest for interest rate hedging. The hedging instrument is shown in Note 31.

Private loan at Euribor + spread

To finance Silicon Sensor GmbH's new construction project, SIS subscribed to a private loan worth €2 mn and with a 3-year term in Dec. 2007. The loan has final maturity, variable interest based on 3-month EURIBOR plus spread, and is not collaterated. As an interest hedging instrument, SIS has negotiated an interest swap for the private loan. The hedging instrument is shown in Note 31.

SSO investment loan

As part of financing the construction of the new sensor factory in Berlin, a loan agreement worth €3,000,000 with a term ending Dec. 31, 2015 was concluded on Dec. 8, 2008. Even quarterly repayment was agreed. Interest is based on EURIBOR for a specific lock-down period for interest rates plus the usual margin. As security there is a land charge worth €3.000,000 and the maintenance of the profit and loss transfer agreement between SSO and SSI AG for the term of the credit agreement. If the above obligations are not observed, lenders reserve the right to obtain/extend collateral.

The loans financed under the ERP regional development program have terms until June 30, 2019 and March 31, 2015 with the usual interest rates and have been taken up as another element of financing the construction of the new sensor factory in Berlin. Repayment in two identical half-yearly instalments starts in 2009. Security is provided in the form of another land charge in the amount of €3,000,000, and compliance with the profit and loss transfer agreement between SSO and SSI AG during the term of the credit agreement. In addition, SSO is obliged to show an equity ratio of at least 25 % which, in terms of commercial law, is close to the

Financial statement. If the above obligations are not observed, lenders reserve the right to obtain/extend collateral.

14. Obligations from benefits to employees

Pension plans

Apart from contributions to the public pension scheme of approx. € 879,000 (2007: approx. € 761,000), the company pays into contribution-oriented for SIS board members, managing directors of subsidiaries and executives in the amount of € 266,000 (2007: € 270,000).

Stock option plan

Stock option plans drawn up in 2001 (SOP 2001), 2002 (SOP 2002) and 2006 (SOP 2006) provide for granting options on capital stock to employees and members of the SIS Executive board. In this connection, the exercise price per share equals the market price of these shares at the Frankfurt stock exchange for a 5-day period prior to granting the options. The max. period of validity (waiting time plus exercise period) of an option is 7 years.

Shares bought after exercising an option have full voting and dividend rights.

Stock options may only be exercised after a waiting period of two years from the date of issue, and subject to these conditions:

(a) As a condition for exercising option rights, the exercise hurdle must have been reached at least once over a period of 6 weeks prior to exercise ("exercise window"). The hurdle is reached if the closing price of the company's share in XETRA trading (or a comparable follow-up system) exceeds the exercise price by more than 10 % on five successive trading days (SOP 2001, SOP 2002) or by more than 20 % (SOP 2006) and if the performance of the company's share over a period from granting the stock option until the date on which an exercise window opens exceeds the average performance of all shares in the NEMAX ALL SHARE Index (or a comparable follow-up index - the NEMAX ALL SHARE was discontinued in March 2003) by at least 5 % over the same period. Exercise ceilings for share options issued in business years 2001 - 2003 were reached during business year 2004.

(b) Option rights may not be exercised in the two weeks preceding the announcement of quarterly results, and in the period from the end of the financial year until the announcement of annual results (retention periods). This also applies if an exercise window should open during retention periods (SOP 2001, SOP 2002). For SOP 2006: Option rights may not be exercised in the two weeks preceding the announcement of quarterly results, and in the period from the end of the financial year until the general meeting of the company, which decides on the appropriation of net income **(retention period)**. This also applies if an exercise window should open during the retention period

During the 5-year period of stock option plans SOP 2001 and SOP 2002, no more than 205,000 (SOP 2001: 120,000; SOP 2002: 85,000) option rights may be issued. These may be called in annual portions of no more than 33 1/3 % (SOP

2001) or 50 % (SOP 2002). During financial year 2001, 40,000 options were granted to employees and managers, the figures for 2002 were 82,500 and for 2003 82,500. Issue prices are equal to market prices of SIS shares at the time of issuing the options.

SOP 2006 runs for 3 years. Over this period, a max. of 233,000 subscription rights from the plan's overall volume may be issued in annual tranches to all entitled persons. These rights may only be issued in the 9 months following publication of results at the end of a business year by the Board. During 2006, 130,000 subscription rights were granted to staff, executives and the Board (100,00 in 2007). The issue price corresponds to the company's average share price in XETRA trading (or a comparable follow-up system) over the five trading days preceding the date of issue of the subscription right, and at least to the pro-rata amount of capital stock falling on one share of the company. The average price of options issued as per June 29, 2006 was €9.33. The average price of options issued on July 11, 2007 was €18.68.

(c) Options expire when the exercise period is over, i. e. 5 years after the end of the 2-year waiting period. Option rights are not transferable, except in cases where the beneficiary dies after acquiring the options. His heirs may then take up the options once at the same conditions. If the employment contract/group relationship is terminated by the company or the beneficiary, or otherwise terminated for whatever reason, then any options which may not be exercised before the date of termination of the employment contract/group relationship become invalid. Beneficiaries may use option rights which may be exercised before the termination date only during the exercise window following the termination date.

The table illustrates the number and weighted average prices (GDAP) of share options granted during the financial year:

	2008 No.	2008 GDAP	2007 No.	2007 GDAP
Outstanding at the start of the reporting period	253,500[4]	€ 12.65	174,500[5]	€ 8.20
Granted during the reporting period	0	€ 0	100,000	€ 18.68
Expired during the reporting period	2000	€ 5.27	0	
Exercised during the reporting period	7,000	€ 3.55[2]	21,000	€ 5.69[3]
Outstanding at the end of the reporting period	**244,500[1]**	**€ 12.97**	**253,500[4]**	**€ 12.65**
Exercisable at the end of the reporting period	144,500	€ 9.03	23,500	€ 4.18

1 Includes options for the purchase of 8,000 shares that were not recorded in keeping with IFRS 2 as the options were granted on or before November 7, 2002. The contract provisions for these options were not amended retroactively so that they need not be shown in the balance sheet in keeping with IFRS 2.

2 The average share price at the time the option is exercised is €5.47.

3 The average share price at the time the option is exercised is €17.93.

4 Includes options for the purchase of 10,000 shares that were not recorded in keeping with IFRS 2 as the options were granted on or before November 7, 2002. The contract provisions for these options were not amended retroactively so that they need not be shown in the balance sheet in keeping with IFRS 2.

5 Includes options for the purchase of 30,000 shares that were not recorded in keeping with IFRS 2 as the options were granted on or before November 7, 2002. The contract provisions for these options werer not amended retroactively so that they need not be shown in the blance sheet in keeping with IFRS 2.

The weighted remaining average contract term for the options outstanding on Dec. 31, 2008 is 4.28 years (2007: 4.96 years).

The exercise prices for options outstanding at the end of the reporting period are between € 3.55 and € 18.68 (2007: € 3.55 – € 18.68).

Present stock option plans involve compensation by equity instruments so that current value is determined at the time the option is granted. The table shows the parameters underlying issues under SOP 2006 in 2007, and an adjustment made during the previous year due to the introduction of IFRS 2 for SOP 2001/ 2002 in a Black-Scholes model:

	SOP 2006 – Issue 2007	SOP 2006 –Issue 2006	SOP 2001/2002
Dividend return (%)	0.51	0.00	0.00
Expected volatility (%)	34.36	37.24	74.63
Risk-free interest rate (%)	4.75	4.00	3.65
Anticipated option term (yrs.)	2	2 - 4	7
Weighted average share price (€)	18.68	9.20	3.45

The company found in 2008 that the following errors had occurred as regards the valuation of share options granted in 2007 and their registration affecting expenditure:

	Adjusted	Original
Dividend return (%)	0.51	5.92
Anticipated option term (yrs.)	2	0.5 and 1.5
Qualifying period	none	2 yrs.

Errors were corrected by adjusting comparative amounts for 2007. The items concerned, personnel expenses and share premium account, can be shown as follows for 2007:

	Adjusted	Original
Personnel expenditure	13,759	13,332
Period result	3,876	4,303
Share premium account	15,362	14,935
Balance sheet profit	7,468	7,895
Basic net earnings per share	1.03	1.15
Diluted net earnings per share	1.02	1.13

15. Accruals

Accruals relate to public allowances. They were granted as subsidies for investments regarding the new production site in Berlin. The subsidies were granted under the conditions that there is evidence for the investments, the investments remain within a defined geographical area and that future employment capacities are secured. The income deferred for the subsidies granted will be released in future periods as the related investments are depreciated.

	2008	2007
	€ 1,000	*€ 1,000*
1. January	**1.773**	**1.474**
During the business received	4.696	764
Ammortized affecting the net income	579	465
December 31,	**5.890**	**1.773**

In addition the company has raised bank loans bearing favourable interest rates, due to publicly aided refinancing terms for the bank.

16. Subscribed capital

The capital stock, disclosed in the balance Sheet as subscribed capital, measured €1,000 11,710 on the balance sheet date December 31, 2008 and is made up of 3,903,150 no-par shares at a nominal value of € 3. The change in the capital stock of SIS is as follows:

	Nominal shares (issued and paid up) *(€ 1,000)*		Amount of capital stock *(€ 1,000)*	
	2008	2007	2008	2007
January, 1	**3.896**	**3.523**	**11.689**	**10.569**
Issue of new shares from the stock option plan	7	21	21	63
Issue of new shares through cash capital increase	0	352	0	1.057
December 31,	**3.903**	**3.896**	**11.710**	**11.689**

Authorized capital

By decision of the General Meeting at May 29, 2007 the Executive Board was empowered to increase the registered capital by € 5,284,350.00 (authorized capital 2007/I). The empowerment expires at May 28, 2012. For this reason ceased the remaining authorized capital of December 31, 2006 in the amount of € 37,800.

After the 2007 capital increase for cash out of authorized capital the authorized capital amounts to 4,227,600 at December 31, 2008

The Executive Board is authorized to decide, with the consent of the Supervisory Board, to exclude the subscription right for shareholders. Such exclusion of subscription right is possible only in the following cases:

- as compensation for peak amounts;

- so that shares can be issued to employees of the company;
- to acquire deposits in kind, specifically in the form of companies or shares in companies; if for the deposit in kind not more than 20% of the authorized capital are issued;
- when the capital increase against cash deposits does not exceed 10 % of the capital stock and the issue price of the no-par shares is not significantly below the market price.

Contingent capital

Fractures as following:

	2008	2007
	€ 1,000	*€1,000*
Contingent capital I	29	29
Contingent capital II	21	42
Contingent capital IV	699	699
	749	**770**

Contingent capital I + II

As per Dec. 31, 2008, contingent capital I + II of € 49,500 (2007: € 70,500) was available for issuing 16,500 (2007: 23,500) new individual share certificates made out to bearer and entitled to a profit share from the beginning of the business year in which they were issued. The capital increase takes place only to the extent that those with subscription rights exercise them under the stock option plans for 2001 and 2002.

During the business year 0 (2007: 19,000) option rights from contingent capital I and 7,000 (2006: 2,000) option rights from contingent capital II were exercised under the stock option program for staff. A total of 7,000 (2007: 21,000) new individual share certificates were subscribed so that the capital stock grew by € 21,000 (2007: € 63,000). The fully deposited registered capital as entered in the commercial register amounts to € 11,709,450 as per Dec. 31, 2008 (2007: € 11,688,450).

Contingent capital IV

The General Meeting on June 15, 2006 conditionally increased the capital stock by up to a nominal € 699,000 by issuing 233,000 new individual share certificates made out to bearer and entitled to a profit share from the beginning of the business year in which they were issued (contingent capital IV). The conditional capital increase takes place only to the extent that those holding subscription rights issued under the 2006 stock option plan under authorization given on June 15, 2006 exercise these rights.

17. Reserves

The reserves developed in financial year 2007 and 2008 as follows.

	Share premiums	Retained Earnings	unrealized earnings / losses	total
	€ 1,000	€ 1,000	€ 1,000	€ 1,000
January 1, 2007	**10.971**	**-1.497**	**23**	**9.497**
Transaction costs of capital increase	0	-19	0	-19
Agio from the issue of new shares through cash capital increase	5.108	0	0	5.108
Agio from the issue of new shares through the exercise of share options	56	0	0	56
Share-based remuneration	0	227	0	227
Realized losses from the securities available for sale	0	0	26	26
Net profit from Cash Flow Hedge	0	0	40	40
December 31, 2007	**16.135**	**-1.289**	**89**	**14.935**
Amendmend for share based remuneration		427		427
December 31, 2007 (restated)	**16.135**	**-862**	**89**	**15.362**
Purchase of minority claims		-73		-73
Agio from the issue of new shares through the exercise of share options	4			4
Transaction costs of capital increase		-9		-9
Share based remuneration		81		81
Net loss from cash Flow hedge			-198	-198
December 31, 2008	**16.139**	**-863**	**-109**	**15.167**

* all after tax

Share premiums

In 2008, 7,000 (2007: 21,000) new shares were subscribed under the stock option program for staff. The premium exceeding the nominal value, € 4,000 (2007: € 56,000) was appropriated to reserves for share premiums.

Retained income

a) Transaction costs

Retained income showed the costs incurred in the issue of new shares for official charges, legal advisors, CPAs and other consultants as a deduction from equity (less related earnings tax benefits) (€ 9,000, Previous year € 19,000).

b) Stock options

The expenses resulting from running stock option programmes were distributed over the vesting period affecting the current result as part of personnel costs and appropriated to retained income.in the amount of € 81.000 (2007 restated: € 654.000)

c) Minority acquisition

On November 7, 2008, the company purchased respectively 15% of shares of Silicon Instruments GmbH from Dr. Göbel and Dr. Kriegel. The total holding of the company in Silicon Instruments GmbH increased from 70% to 100%. The total purchase price was € 100.000. According to IAS 27R.30 the transaction was recorded as purchase between Group companies.

d) Reserve for non-realized profits/losses

This shows that portion of profits or losses from a cash flow security instrument which is determined as an effective hedge. In the previouse year this position also covered changes in the fair value of financial assets available for sale.

e) *Monetary compensatory amounts*

The consolidated financial statement also has a reserve, under equity, for foreign exchange differences (monetary compensatory amounts), which shows differences from the conversion of the financial statement of a foreign subsidiary.

18. Sales revenue

	2008		2007	
	€1,000	**%**	***€1,000***	%
Germany	26,685	69,36	24,445	66,04
Europe	8,877	23,08	10,782	29,13
USA	1,529	3,97	1,085	2,93
Others	1,379	3,59	702	1,90
	38,470	**100,00**	**37,014**	**100,00**

19. Other Operating Income

The other operating income is composed as following:

	2008	2007
	€1,000	*€1,000*
Subsidies for Research and Development	409	828
Revenue from Grants		
• Investment allowances	397	272
• Investment grants	183	193
Income from other payment in kind	177	384
Income related to former periods	61	48
Insurance recoveries	18	19
others	301	288
	1,546	**2,032**

20. Changes in inventory of finished goods and work in progress

	2008	2007
	€ 1,000	*€ 1,000*
Work in progress	325	1.017
Finished goods	951	251
	1,276	**1,268**

21. Cost of raw materials, supplies and purchased services

Expenses for material and purchased services are composed as follows:

	2008	2007
	€1,000	€1,000
Raw materials and supplies	11,074	10,833
Purchased services	1,579	1,244
	12,653	12,077

22. Personnel expenses

These are composed as following:

	2008	2007* (restat.)	2007
	€ 1,000	€ 1,000	€ 1,000
Wages, salaries	12,463	11,802	11,375
Social insurance contributions including old-age provision	2,248	1,957	1,957
	14,711	13,759	13,332

The personnel expenses include expenses for granted stock option programs in the amount of k€ 81 (2007* (restated): k€ 654; 2007: k€ 227). For details of the restatement we refer to note 14.

23. Other Operating Costs

These include the following items:

	2008	2007
	€ 1,000	€ 1,000
Rentals, space costs	1,288	978
Maintenance expenses	515	438
Advertizing expenses	778	434
Warranty	97	228
Packaging	246	253
Travel/ entertainment expenses	238	263
Insurance	286	251
Motor vehicle costs	529	424
Goods delivery costs	184	207
Legal/ consulting expenses	500	125
Auditing, preparation of annual/interim accounts, bookkeeping costs	172	165
Costs of investor / public relations	164	149
Outgoing freights	101	105
Communication costs	143	93
Losses due to the disposal of fixed/current assets	358	20
Costs of General Meeting	290	63
Incidental costs of money transactions	87	54
Transaction costs payments	51	43
Supervisory Board fees	85	76
Patent costs	17	16
Others	1,138	1,059
	7,267	5,444

24. Tax on Income

The general elements of income tax expenditure for financial years 2008 and 2007 are made up as follows:

	2008	2007
	€1,000	*€1,000*
Actual tax expense	760	2,455
Adjustments for non-period actual income taxes recorded in the period	576	55
Deferred tax expense / (income) from the reversal of temporary differences	-1,600	-671
Taxes on transaction costs	4	12
Income tax expenditure disclosed in the consolidated Income Statement	**-260**	**1,851**

The transition between income tax expense and the product of balance sheet period result and the group's applicable tax rate for business years 2008 and 2007 comprises the following:

	2008	2007
	€1,000	*€1,000*
Profit before income taxes	**-11,545**	**6,154**
Tax expenses at booked tax rate 30% (Prev. year 38,9%)	**-3,464**	**2,394**
Reconciliation at disclosed income tax expenditure		
Adjustment for non-period actual income taxes	576	55
Not deductible impairement to Goodwill	2,696	0
Adjustment for tax rate change	0	-548
Use of tax loss carryforwards	0	-23
Steuern auf Transaktionskosten	4	12
Übrige	-72	-39
Steueraufwand	**-260**	**1,851**

The deferred income taxes consist of the following at the balance sheet date:

	Consolidated Balance Sheet		**Consolidated Income Statement**	
	2008	2007	**2008**	2007
	€1,000	*€1,000*	***€1,000***	*€1,000*
Other provision	21	16	5	-4
Deferred income tax receivable	**21**	**16**	5	-4
Valuation of financial instruments available for sale at their fair value	0	0	0	10
Adjustment to fair value (developments)	123	1,709	1,586	605
Land LME	155	164	9	61
Deferred income tax liability	**278**	**1,873**	1,595	676
Deferred income tax income			**1,600**	**672**

The income taxes comprise the income taxes and all deferred taxes that were or are to be paid in the different countries.

Income taxes for 2008 and 2007 comprise corporate tax, trade earnings tax, solidarity surcharge tax and relevant foreign taxes. According the tax law reform in 2008 the applicable corporate tax rate in the Federal Republic of Germany on distributed and retained results was a standard rate of 15 %. A solidarity surcharge tax is furthermore raised on corporate tax at a rate of 5.5 %. The trade tax is charged, depending on the municipality, at rates between 11.55 % and 14.35 %. In 2007 the applicable corporate tax rate in the Federal Republic of Germany on distributed and retained results was a standard rate of 25 %. A solidarity surcharge tax is furthermore raised on corporate tax at a rate of 5.5 %. The trade tax is charged, depending on the municipality, at rates between 15.25 % and 17.01 %.

The group's current tax planning assumes that no major earnings effects causing an earnings tax burden may be expected from foreign subsidiaries in the short/medium run so that a possible effect from differing foreign tax rates has been neglected. Correspondingly, the full losses of foreign subsidiaries brought forward are not capitalized. PSS tax losses brought forward amount to k€ 401 (2007: k€ 391). These carryovers have been estimated in the absence of tax bills. Losses brought forward by PSS lapse after 20 years. There are no tax losses brought forward by domestic subsidiaries for business years 2008 and 2007.

25. Net earnings per share

When calculating the undiluted result per share, the result to be allocated to bearers of ordinary shares of the parent company is divided by the weighted average number of ordinary shares circulating during the year.

When calculating the diluted result per share, the result to be allocated to bearers of ordinary shares of the parent company is divided by the weighted average number of ordinary shares circulating during the year, plus the weighted average number of ordinary shares that would result from converting all potential ordinary shares with dilutive effects into ordinary shares. Since the diluted earnings per share cannot be higher than the non-diluted earnings per share both, diluted and non-diluted earnings per share, show corresponding amounts for 2008.

The following table shows the amounts assumed for calculating undiluted and diluted results per share:

	2008	2007
	€ 1,000	*€ 1,000*
Results to be allocated to bearers of ordinary shares of the parent company	-11,287	3,836

	2008	2007
	In Thousand	*In Thousand*
Weighted average number of ordinary shares for calculating the undiluted result per share	3,897	3,707
Dilutive effect: share options	237	59
Weighted average number of ordinary shares adjusted by the dilutive effect	4,134	3,766

No transactions involving (potential) ordinary shares took place between the balance sheet day and the preparation of the consolidated financial statement.

26. Notes to cash flow statement

SIS shows cash flow from current trading in keeping with IAS 7 'Cash flow statement' using the indirect method where the effects of transactions which do not affect payments, accruals and deferrals of the inflow and outflow of funds from current trading in the past or future, and revenue and expense items in connection with cash flow from investment or financing activities serve to adjust profit or loss for the period. Translation is based on the operating result so that interest and tax payments are shown separately as part of the operating cash flow.

For the composition of funds please refer to Note 3.

27. Note to Changes in Equity

The Company has paid a dividend of k€ 390 (2007: k€ 352) in 2008. This equals a dividend per share of € 0.10 for 2007 (for 2006: € 0.10).

28. Contingent liabilities and other financial obligations

(1) In future, court proceedings and claims resulting from legal disputes in the normal course of business could be enforced vis-à-vis companies in the group. Related risks are analyzed with a view to probability. Even though the outcome of such disputes is difficult to ascertain, the Executive Board believes that no major obligations will result.

(2) Financial obligations also result from renting office space and equipment, leasing cars, office systems and buildings, and from payments made under contributory pension plans. Leasing agreements have average terms between 3 and 20 years, with renewal/purchase options only for buildings. Lessees incur no obligations when concluding leases.

The resulting contingent liabilities are as follows:

	2009	2010 - 2013	as of 2014
	€ 1,000	*€ 1,000*	*€ 1,000*
Rental, leasing	1,103	3,107	5,635
Contribution-oriented pension plans	174	696	1,497
	1,277	**3,804**	**7,131**

Rental and leasing expenditure incurred over the entire contract period were k€ 9,845 (previous year: k€ 10,097). Total rental and leasing liabilities affecting net income amount to k€ 971 in 2008 (previous year: k€ 918).

(3) The group has entered into finance leasing agreements and hire-purchase agreements for various technical plant and operating and business equipment. The future minimum leasing payments from finance leasing agreements and hire-purchase agreements can be reconciled with the cash value as follows:

2007		
	Minimum leasing payments	**Present value of minimum leasing payments**
	€ 1,000	*€ 1,000*
Within one year	632	592
Between one and five years	1,593	1,369
Total minimum leasing payments	**2,225**	**1,961**
Less interest expense due To discounted cash flows	-264	0
Cash value of minimum leasing payments	**1,961**	**1,961**

2008		
	Minimum leasing payments	**Present value of minimum leasing payments**
	€ 1,000	*€ 1,000*
Within one year	836	784
Between one and five years	1,497	1,196
Total minimum leasing Payments	**2,333**	**1,980**
Less interest expense due to discounted cash flows	-353	
Cash value of minimum leasing Payments	**1,980**	**1,980**

The total net book value of all technical equipment and machines financed by finance lease amount to k€ 1,459 as of December 31, 2008.

29. Segment Reporting

(1) Business divisions

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.

Other products

These include clinical sensor applications for the extra/intra-operative detection of tumour 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.

Business Segment Data

	Custom-designed production		other production		Elimination		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	€ 1,000	*€ 1,000*	*€ 1,000*	*€ 1,000*	*€ 1,000*	*€ 1,000*	*€ 1,000*	*€ 1,000*
Sales								
External sales	38,202	36,654	268	360	0		38,470	37,014
Intercompany turnover	4,920	5,711	0	0	-4,920	-5,711		0
Total	**43,122**	**42,365**	**268**	**360**	**-4,920**	**-5,711**	**38,470**	**37,014**
Result								
Segment result	-11,847	6,322	-17	108	917	-229	-10,947	6,201
Interest revenue/ expense							-643	-411
Currency earnings/ losses							43	-63
Income tax							260	-1,851
Loss/Profit							**-11,287**	**3,876**
Assets								
Segment assets	80,353	76,706	441	461	-29,100	-20,186	51,694	56,981
Latent tax claims							21	16
Tax refund claims							1,070	37
Sum of assets							**52,785**	**57,034**
Debts								
Segment debts	38,651	22,851	31	35	-9,796	-5,061	28,896	17,825
Latent tax liabilities							278	1,874
Tax liabilities							1,153	3,075
Sum of debts							**30,327**	**22,774**
Other information								
Investments	16,581	5,197	6	1	0	0	16,587	5,198
Depreciation	17,667	2,328	10	9	0	0	17,677	2,337

* For the business year 2008 the segment earnings included k€ 14,585 extraordinary depreciation. Without that the segment earnings would k€ 2,738 (profit).

(2) Geographical Segments

Sales	**2008**	2007
	€ 1,000	*€ 1,000*
Germany	26,685	24,445
Europe	8,877	10,782
USA	1,529	1,085
Others	1,379	702
	38,470	**37,014**

Assets	**2008**	2007
	€ 1,000	*€ 1,000*
Germany	50,736	56,134
USA	958	900
Segment assets	**51,694**	**57,034**

Investments	**2008**	2007
	€ 1,000	*€ 1,000*
Germany	16,467	5,176
USA	120	22
	16,587	**5,198**

30. Transactions between affiliated companies and persons

Transactions involving persons or companies on whom the reporting company might exert influence or who might exert influence on the reporting company should be disclosed unless these transactions have already been covered by including consolidated companies in the consolidated financial statement.

The following transactions involved persons and companies deemed to be close to the SIS group:

Executive Board of SIS AG

Dr. Hans-Georg Giering, Deuben

Dr. Bernd Kriegel, Zeuthen (bis 18. September 2008)

Current payments to Executive Board members for the 2008 business year amounted to:

	Dr. Giering	Dr. Kriegel	Total	2006
	€ 1,000	*€ 1,000*	***€ 1,000***	*€ 1,000*
Non-Profit-related pay	356	350	706	667
Profit-related pay	0	0	0	576
Payments in course of termination of the employment	0	700	700	0
Total	356	1.050	**1,406**	**1,243**

Non-Profit-related pay includes payments to contribution-oriented pension plans (see Note 14) as well as the monetary benefit for company car use.

In 2008 additional stock options were not granted to the Executive Board. In 2007 the two members of the Executive Board were each granted 50,000 stock options under the 2006 stock option plan with a strike price per share of 18,68 Euro. The fair value of stock options granted to members of the Executive Board is k€ 491. In 2008 expenses were not recognized for stock options granted to members of the Executive Board (previous year adjusted k€ 491 – see note 15 and 23)- These expenses are not included in the table above. In total the members of the Executive Board hold 160.000 subscription rights for stock options by end of 2008(2007: 160.000).

The SIS AG did purchase 15% of Silicon Instruments GmbH shares for k€ 50 from Dr. Kriegel.

Supervisory Board of SIS AG

Supervisory Board members remuneration in 2008 including attendance fees amount to k€ 86 (2007: k€ 75). The Supervisory Board remuneration not paid out until closing date amount to k€ 44. For previous members of the Management and bereaved no payments were made in 2008.

	Remuneration		Attendance fee		Total	
	2008	2007	2008	2007	2008	2007
	kEuro	*kEuro*	*kEuro*	*kEuro*	*kEuro*	*kTEuro*
Ernst Hofmann	16	10	4	0	20	10
Dr. Dietmar Roth	13	5	3	0	16	5
Kurt Ochner	10	10	4	0	14	10
Dr. Robert Hock	10	5	4	0	14	5
Dr. Harald Rieger	5	0	3	0	8	0
Dr. Edgar Most	8	20	0	0	8	20
Dr. Michael Altwein	6	15	0	0	6	15
Dr. Rudolf Scheid	0	5	0	0	0	5
Prof. Dr. Hans Richter	0	5	0	0	0	5
Summe	**68**	**75**	**18**	**0**	**86**	**75**

Non member of the Supervisory Board were granted stock options in 2008.

Between SIS AG and Ernst Hofmann exists beyond his position as chairman of the supervisory board a consulting contract. Based on this contract the company has accrued for services and consulting k€ 80 on December 31, 2008. No payments were mad until that date.

Other close persons/companies:

Heimann Sensor GmbH, Dresden (associated, 24.9 % share)

	2008	2007
	TEuro	*TEuro*
MPD sales revenue with Heimann Sensor GmbH	200	162
Total	**200**	**162**

	2008	2007
	TEuro	*TEuro*
Receivable from Heimann Sensor GmbH	22	33
Total	**22**	**33**

31. Financial Risk Management

Risk management for financial instruments

The group has activities at international level and thus is exposed to market risks from fluctuating exchange rates. In addition, company financing is partly from bank loans, which involves interest risks. The company has entered into hedging contracts to cover interest risks. Foreign exchange risks are reduced by the independent operative activity of PSS. Apart from trade debtors, the company's essential financial instruments are cash, cash equivalents and bank liabilities. These are aimed at financing operating business. The major exposure derives from non-payment, liquidity, exchange rate, interest and current value risks.

The main financial instruments used by the group – except for the derivative type – include bank loans, current account credits, financing leases, hire purchase contracts, currencies and short-term deposits. Their principal purpose is to finance the business activity of the group which also has other financial assets and debts such as receivables and debts from accounts payable which result directly from its business activity.

The group also carries out derivative transactions. This include above all interest-rate swaps for risk management of interest-rate risks.

Interest-rate swaps

The group uses interest-rate swaps for hedging of interest rate exposure deriving from its bank liabilities. For liabilities with a nominal value of k€ 375 (2007: k€ 750), payment with a fixed interest rate of on average 3.41 % up to 2009 and variable interest income of 1.75 % plus EURIBOR is agreed. For further liabilities with a nominal value of k€ 1,875 (2007: k€ 2,250), payment with a fixed interest of on average 3.63 % up to 2013 and variable interest income of 1.75 % plus EURIBOR is agreed. For liabilities with a nominal value of k€ 2,000 (2007: k€ 0), payment with a fixed interest of 5.43 % up to 2010 and variable interest income of 3-months-EURIBOR is agreed.

The current value of the swaps on December 31, 2008 is estimated at k€ -110 (2007: k€ 71). These amounts are based on the market values of equivalent financial instruments on the balance sheet date. All interest-rate swaps were provided as cash flow hedges and are classified as effective. The relevant current values were therefore included in equity capital.

Interest rate cap

The group uses a cap on interest to protect itself against the risk of interest rate fluctuation from bank liabilities. A ceiling of 4.0 % p. a. has been fixed for liabilities with nominal values of k€ 1,200 (2006: k€ 1,600).

The current value of the cap on Dec. 31, 2008 has been estimated at € 1 (2007: k€ 18), based on the market values of equivalent financial instruments on the reporting date. The cap has been introduced to hedge the cash flow and found efficient.

Interest Rate exposure

Thus, the interest rate exposure of the Group results mainly from long-term loans with variable interest rates. The following table shows the sensitivity of the group income before taxes against a reasonably possible change of interest rates (due to the impact on loans with variable interest rates). All other variables are fixed. There are no impacts on group equity.

	increase/decrease	Impact on income before taxes
	basis points	*€ 1,000*
2008	+15	-5
	-10	+3
2007	+15	-3
	-10	+2

Liquidity exposure

The Group monitors continuously the risk of a cash-out situation by means of a planning tool. This planning tool considers the terms of financial investments and assets (e.g. receivables or other assets) as well as expected operating cash flows.

As per December 31, 2008 the liabilities of the Group show the following maturities. The information is based on contractual not discounted amounts.

As per Dec., 31 2007	*Maturity within 1 Yearr*	*Between 1 and 5 years*	*More than 5 years*	*Total*
	€ 1,000	*€ 1,000*	*€ 1,000*	***€ 1,000***
Interest bearing loans	3,035	7,152	375	**10,562**
Trade liabilities	1,721	0	0	**1,721**
Other short term liabilities	2,894	0	0	**2,894**
Liabilities against associated companies	7	0	0	**7**
Total	**7,657**	**7,152**	**375**	**15,184**

As per Dec., 31 2008	*Maturity within 1 Yearr*	*Between 1 and 5 years*	*More than 5 years*	*Total*
	TEuro	*TEuro*	*TEuro*	***TEuro***
Interest bearing loans	3,639	10,259	2,607	**16,505**
Trade liabilities	2,220	0	0	**2,220**
Other short term liabilities	2,701	0	0	**2,701**
Liabilities against associated companies	0	0	0	**0**
Total	**8,560**	**10,259**	**2,607**	**21,426**

Debt / Equity control

Major target of the debt/equity control of the group is to assure a high credit rating and a high equity ratio to support operating activities as well as to maximize shareholder value. The group monitors its equity by means of the debt-equity ratio*:*

	2008	**2007**
	€ 1,000	*€ 1,000*
Interest bearing loans	16,505	10,562
Trade liabilities and other liabilities	4,921	4,622
Less cash and cash aquivalents	4,631	10,177
Net – liabilities	16,795	5,007
Equity	22,458	34,260
Equity and Net-liabilities	39,253	39,267
Debt-Equity ratio	43%	13%

For equity ratio hedging the company has authorized capital in the amount of k€ 4,228 (2007: k€ 4,228) for further capital increase available.

32. Financial Instruments

The SIS Group has only derivative financial instruments valued at their current value. (see details for Interest swaps, caps in note 2). In case of all other financial instruments the book value equals the current value or current value information is given in the notes. If current value accounting is recorded at equity, details are given in note 17. All other current value accounting is recorded in the Income Statement.

33. Other notes as provided for by HGB

Following is additional information which is mandatory within the meaning of HGB provisions.

Members of the Executive Board

Dr. Hans-Georg Giering, Deuben	*CEO*
Dr. Bernd Kriegel, Zeuthen	*until September 18, 2008*

By resolution of the Supervisory Board as of September 18, 2008 Dr. Kriegel was withdrawn as Executive Board member of the SIS AG with immediate effect.

Members of the Supervisory Board

Ernst Hofmann, Wiesbaden *Business consultant*	Chairman since May 27, 2008 *(acting since May 22, 2008)*
Dr. Dietmar Roth, Hohenstein-Ernstthal *Chairman/ CEO der Roth & Rau AG*	Deputy Chairman since May 27, 2008

Kurt Ochner, Stuttgart
Graduate in Business Administration,
Member of Executive Board KST Beteiligungs AG

Other Supervisory Board mandate:

- HumanOptics AG, Erlangen (as of February 18, 2008)
- Sinosol AG, Stuttgart
- Blättchen & Partner AG, Leonberg
- Wietler & Partner AG, Mannheim

Dr. Robert Hock, Frankfurt am Main
Independent Investment banker

Dr. Harald Rieger, Bad Homburg
Lawyer

Other Supervisory Board mandate:

- Zapf Creation AG, Rodental

Former members of the Supervisory Board

Dr. Edgar Most, Berlin *Former Bank Manager*	since August 12, 1998 until May 14, 2008
Dr. Michael Altwein, Darmstadt *Master of Physics*	since June 24, 2004 until May 22, 2008

Data pursuant to § 160 para. 1 no. 8 AktG

During business year 2008 and prior to publishing the financial report, SIS received the following finally relevant communications pursuant to § 21 para. 1 WpHG which were published pursuant to § 26 para. 1 WpHG:

The **Universal-Investment-Gesellschaft mbH, Frankfurt am Main, Germany** has informed us pursuant to § 21 WpHG para. 1 and § 22 WpHG para. 1 No. 6 as of July 17, 2008 that its share of voting rights in Silicon Sensor International AG, Berlin / Germany, ISIN: DE0007201907, WKN: 720190 as of July 15, 2008 in terms of shares did fall below the threshold of 3 % and now stands at 1.73 % (equivalent to 67.440 voting rights). The Universal-Investment-Gesellschaft mbH holds 1.73 % directly (equivalent to 67.440 voting rights).

The **Kairos Investment Management Limited, London, United Kingdom** has informed us as of July 21, 2008 for the Kairos Group as following:

"Information according § 21 WpHG para. 1 – Silicon Sensor International AG:

Notifiable:

- KIM SpA, Mailand, Italien
- KIM BV, Amsterdam, Netherlands
- Kairos Investment Management Limited, London, United Kingdom
- Kairos Fund Limited, George Town, Grand Cayman, Cayman Islands

In our name (Kairos Investment Management Limited) as well by name and by order of KAIROS Fund Limited we inform you according to § 21 WpHG para. 1, that as of July 17, 2008 the share of voting rights of Kairos Investment Management Limited and Kairos Fund Limited in Silicon Sensor International AG, Berlin, Germany did fall respectively below the threshold of 3 % an now stands respectively at 2.20 % (equivalent to 85,879 voting rights) of the voting rights on that day.

2.20 % of voting rights are granted according to § 22 WpHG para. 1 No. 6 to Kairos Investment Management Limited.

In addition we inform you by name and by order of KIM SpA and KIM BV according to § 21 WpHG para. 1, that as of July 17, 2008 the share in voting rights of KIM SpA and KIM BV in Silicon Sensor International AG, Berlin, Germany did fall respectively below the threshold of 3% and now respectively amounts to 2.20 % (equivalent to 85,879 voting rights) of the voting rights on that date.

Respectively 2.20 % of voting rights are granted according to § 22 WpHG para. 1 No. 6 to KIM SpA and KIM BV."

Lupus alpha Investment S. A., **69 route d'Esch, L-1470 Luxemburg, Luxemburg** on September 3, 2008 informed us pursuant to § 21 WpHG para. 1 that its share of voting rights in Silicon Sensor International AG, Berlin/Germany, ISIN: DE0007201907, WKN: 720190 in terms of shares exceeded the threshold of 3

% on September 2, 2008 and now stands at 3.22 % (equivalent to 125,500 voting rights)

The **Highclere International Investors Limited, London**, **United Kingdom** has informed us pursuant to § 21 WpHG para. 1 as of February 5, 2009 that its share of voting rights in Silicon Sensor International AG, Berlin / Germany, ISIN: DE0007201907, WKN: 720190 as of February 4, 2009 in terms of shares did fall below the threshold of 5 % and now stands at 4.71 % (equivalent to 183,748 voting rights).

The shares held as of February 4, 2009 (4.71 %; 183,748 voting rights) are granted via Highclere International Investors Smaller Companies Fund and Highclere (Jersey) International Smaller Companies Fund pursuant to § 21 WpHG para. 1 to Highclere International Investors Limited, London, United Kingdom.

Furthermore the Highclere International Investors Smaller Companies Fund, Westport, USA has informed us pursuant to § 21 WpHG para. 1 as of February 6, 2009 that its share of voting rights in Silicon Sensor International AG, Berlin / Germany, ISIN: DE0007201907, WKN: 720190 as of January 28, 2009 in terms of shares exceeded the threshold of 5 % and now stand at 4.97 % (equivalent to 194.009 voting rights).

Mr. Daniel Hopp, Germany has informed us pursuant to § 21 WpHG para. 1 as of February 26, 2009 that its share of voting rights in Silicon Sensor International AG, Berlin / Germany, ISIN: DE0007201907, WKN: 720190 as of February 24, 2009 in terms of shares exceed the threshold of 5 % and now stand at 5,267 % (equivalent to 205,602 voting rights). Thereof 5.219 % (203,732 voting rights) are held by DAH Beteiligungs GmbH, Mannheim, Germany which is controlled by Mr. Daniel Hopp and thus granted according to § 22 WpHG para. 1 to Mr. Daniel Hopp.

In addition the DAH Beteiligungs GmbH Mannheim, Germany has informed us pursuant to § 21 WpHG para. 1 on February 26, 2009 that its share of voting rights in Silicon Sensor International AG, Berlin / Germany, ISIN: DE0007201907, WKN: 720190 as of February 24, 2009 in terms of shares did exceed the threshold of 5 % and now stands at 5.219 % (equivalent to 203,732 voting rights).

Employees

Average number of staff during 2008 business year:

	2008 *Employees*	2007 *Employees*
Germany	312	280
Other countries	6	6
	318	**286**

The group employed a total of 322 on December 31, 2008.

Audit fees

Fees for the final audit of SIS AG, the SIS consolidated financial statement and all major subsidiaries of the SIS group by Ernst & Young AG Wirtschafts-prüfungsgesellschaft amount to k€ 70.

Waiver of disclosure in accordance with section 264, sub-section 3 HGB

The following German subsidiaries with the legal status of joint-stock corporations have fulfilled the conditions for claiming exemption required pursuant to § 264, sub-section 3 HGB and therefore waive disclosure of their annual financial statement documents.

Lewicki microelectronic GmbH, Oberdischingen
Silicon Sensor GmbH, Berlin

34. Corporate Governance

The company has made a statement of conformity pursuant to § 161 AktG and made it permanently accessible on its website.

Berlin, March, 2009

The Executive Board
Silicon Sensor International AG

Dr. Hans-Georg Giering
CEO

Auditors Report

We have audited the consolidated financial statement drawn up by Silicon Sensor International AG, Berlin consisting of the balance sheet, profit and loss statement, cash flow statement, statement of changes in equity and notes – including segment information, as well as the group annual report which was combined with the company's annual report for the business year from Jan. 1 to Dec. 31, 2008.
Drawing up consolidated financial statements and group annual reports pursuant to IFRS as required in the EU and, in addition, under the provisions of commercial law pursuant to Sec. 315a, para. 1 HGB, is the responsibility of the company's legal representatives. It is our duty to assess the consolidated financial statement and group annual report based on our audit. In addition, we were asked to assess whether the consolidated financial statement conformed to IFRS as a whole.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

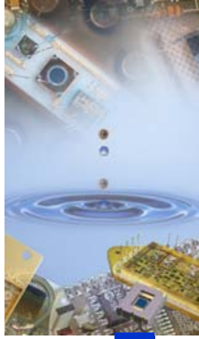
Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and full IFRS and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Berlin, March 19, 2009

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Glöckner	*Thielicke*
Wirtschaftsprüfer	*Wirtschaftsprüfer*
[German Public Auditor]	*[German Public Auditor]*



Internal statement

By Officers of the company the following shares of the company were held on Dec. 31, 2008:

Dr. Hans-Georg Giering (CEO):   10,000 shares (Dec. 31, 2007: 0)

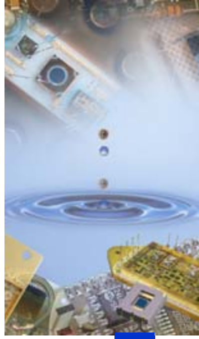
Compliance Statement (balance sheet oath) pursuant to paragraph 264 sec. 2 sentence 3, paragraph 289 sec. 1 sentence 5 HGB (Nr.3)

We assure to the best of our knowledge that according the applicable accounting and reporting standards the financial statement and the consolidated group statement give a true and fair view on the financial, asset and profit situation of the company and that the management report of the company and the group give a true and fair view of the company and the group and describes all significant chances and hazards for an anticipated future development.

Berlin, March 2009

Silicon Sensor International AG
The Executive Board

Dr. Hans-Georg Giering
CEO



Declaration of Conformity with the German Code of Corporate Governance (under § 161 AktG)

Except for the recommendations below, Silicon Sensor International AG conforms to the recommendations of the "Government Commission on the German Corporate Governance Code" as amended on June 6, 2008 made known by the Federal Ministry of Justice in the official part of the electronic Federal Gazette and has, since making the last conformance statement in March 2008, complied with the recommendations of the German Corporate Governance Code as amended on June 14, 2007 with the restrictions listed in each case in the annual statements.

In case the company concludes for the Executive Board and the Supervisory Board an D&O insurance pursuant to **Section 3.8** of the Code an appropriate deductible shall be agreed.

The Silicon Sensor International AG does not follow this recommendation for the first time, as the deductible due to revised institute clauses has been omitted without premium increases.

The recommendation of **Section 4.2.1** of the Code allots that the Executive Board consists of more than one person.

Presently the Executive Board consist of only one person. Before the strategic re-orientation is finalized a second board member shall not be assigned. It is planned thereafter to assign a second board member still in 2009.

According to **Section 5.1.2** para. 1 of the Code the Supervisory Board together with the Executive Board shall provide for strategic succession planning.

A strategic succession planning doesn't exist presently but shall be compiled.

Subsections 5.1.2 and 5.4.1 of the Code recommend an age limit both for Executive and Supervisory Board members.

Silicon Sensor International AG does not follow this recommendation and foresees no age restriction for Executive and Supervisory Board members, as the age of board members is not considered as a fundamental criteria for suitability.

Subsection 5.3.1, 5.3.2 and 5.3.3 of the Code proposes that the Supervisory Board sets up committees.

The Supervisory Board of Silicon Sensor International AG does not form committees but meets collectively at all times.

In **subsection 5.4.6,** the Code recommends additional profit-related components for the pay of Supervisory Board members.

Members of the Supervisory Board of Silicon Sensor International AG presently do not receive profit-related pay. In a resolution on May 29, 2007 and on June 18, 2008 the general meeting determined the pay for Supervisory Board members and did not introduce profit-related components.

Berlin, March 2009

Silicon Sensor International AG

Dr. Hans-Georg Giering
CEO

Ernst Hofmann
Chairman Supervisory Board

Report of the Supervisory Board

In business year 2008 the Silicon Sensor Group was not able to completely tie up to the successful business year of 2007. In fact a couple of exceptional circumstances dominated the course of business and the work of the Supervisory Board in 2008. A big portion of the work by the Supervisory Board was dominated by the accomplishment of the building project in Berlin. The construction started unfortunately due to delays coursed by authorities in the 4th quarter 2007 and were finalized in the 3rd quarter 2008. Thus the basis for a ongoing positive business development of the Silicon Sensor Group was established. A further main focus was the strategic reorientation of the Group.

The Supervisory Board continuously monitored the business development of the Silicon Sensor International AG and their subsidiaries. Essential aspects of the business and the future strategy for growth and internationalization were discussed between Executive Board and Supervisory Board in total nine meetings. In the meeting in January 2008 the new building project and its impact on the financial situation of the company were discussed. In March 2008 the financial statements of the Group and of the single entities were together with auditors discussed and thereafter approved and ascertained. On May 14, 2008 the chairman of the Supervisory Board, Dr. Edgar Most, resigned due to medical reasons. Dr. Most was member of the Supervisory Board since foundation in 1998 without interruption. By his dynamic support he has decisively influenced the good development of the Silicon Sensor Group. We thank Dr. Most for his work for the good of the company. On May 22, 2008 the deputy chairman of the Supervisory Board, Dr. Michael Altwein, resigned due to medical reasons. Dr. Altwein was member of the Supervisory Board since 2004. By his support he has influenced the development of the Silicon Sensor Group. We thank Dr. Altwein for his work for the good of the company. In the meeting on May 29, 2008 Dr. Ernst Hofmann was elected as chairman and Dr. sc. nat. Dietmar Roth was elected as deputy chairman of the Supervisory Board. In the course of the General meeting on May 29, 2008 Dr. Harald Rieger was elected as member of the Supervisory Board. By the appointment of 5 members a duly work and decision making in the Supervisory Board was possible, therefore Supervisory Board and Executive Board have renounced to a appointment by court of a further Supervisory Board member. In June 2008 the Supervisory Board was again concerned with the development of the Group and again with the new building project. In an extraordinary meeting on September 18, 2008 the Supervisory Board resolved to break up with the Executive Board member Dr. Bernd Kriegel with immediate effect. The revocation as member of the Executive Board was due to good cause and especially due to a deep disruption in the relation within the Executive Board and to the Supervisory Board. On September 23, 2008 the Supervisory Board has resolved to insinuate the Group the sole conduct of the speaker of the Executive Board, Dr. Hans-Georg Giering. Simultaneously all actions necessary for a safeguarded and prospective future of the Group were discussed with the Executive Board in detail. It was resolved to monitor the existing strategy of the Group and to define a conclusive, goal-oriented and realistic programme for a sustainable development and appreciation of the Group. By end of November 2008 the mid term plan of the Group was discussed in detail and the budget for 2009 was released simultaneously. In addition and due to a more and more difficult economic environment, caused by the financial crisis, it was resolved to identify and to realize cost reduction measures in the course of a worst case scenario.

On top a multitude of discussions took place between Executive Board and Supervisory Board, especially with the chairman of the Supervisory Board. The Supervisory Board did not form committees but did meet always entirely.

The financial statement plus management report of the Group and of SIS AG as of December 31, 2008 was audited by Ernst&Young AG Wirtschaftsprüfungsgesellschaft, Berlin who gave an unqualified opinion. The financial statements plus management report of the Group and of SIS AG were reviewed by the Supervisory Board and in the meeting on March 19, 2009 in the presence of the auditors in detail discussed. The financial statement of SIS AG was approved and ascertained by the Supervisory Board. The financial statement of the Group was approved and ascertained without objections.

The Supervisory Board thanks the Executive Board and all employees for their commitment and their performance and wishes prosperity for the challenges of the business year 2009. Special thank to our existing and new shareholders, who put trust in the company.

Berlin, March 2009

Silicon Sensor International AG
The Supervisory Board

Ernst Hofmann
Chairman Supervisory Board