2011

ANNUAL REPORT

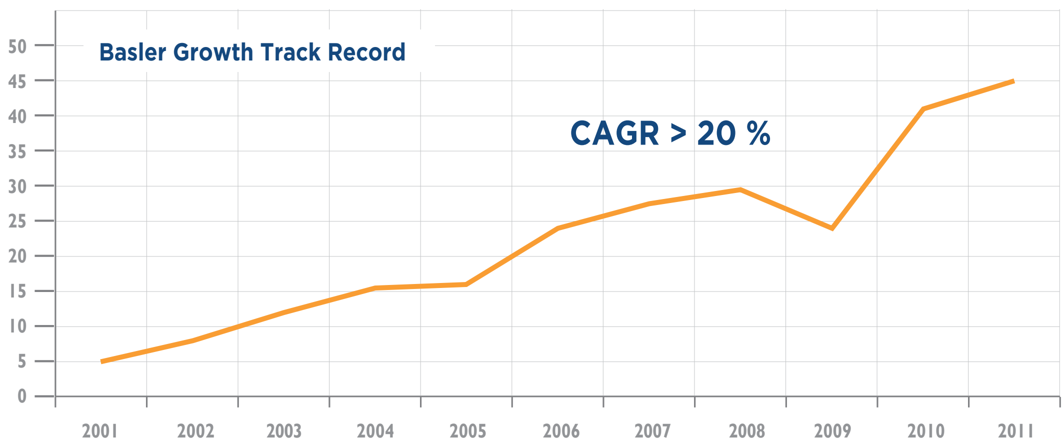
BASLER

the power of sight

KEY FIGURES

in € m	2009 (adjusted)	2010	2011	+/- in %
Sales revenues	33.7	51.0	55.1	8
Incoming orders	34.2	54.6	53.1	-3
Gross results	11.8	22.2	24.4	10
Gross margin	35.0%	43.5%	44.3%	1 Pp.
EBITDA	3.1	14.4	13.0	-10
EBIT	-5.5	6.7	6.8	1
EBT	-7.3	5.0	5.6	12
Annual surplus	-10.1	8.0	4.2	-48
Average weighted number of shares in units	3,500,000	3,500,000	3,493,162	0
Result per share (€)	-2.89	2.30	1.21	-47
Cash flow from operational activity	8.1	11.8	13.7	16
Cash flow from financing activity	-5.0	-6.1	-6.8	11

in € m	12/31/2009 (adjusted)	12/31/010	12/31/2011	+/- in %
Total assets	52.5	58.9	55.9	-5
Fixed assets	34.1	32.6	33.2	2
Equity	17.7	25.5	27.0	6
Borrowed capital	34.8	33.4	28.9	-13
Equity ratio	33.7%	43.3%	48.3%	5 Pp.
Operating net debt	3.1	0.3	-2.4	n.a.
Working capital	9.5	12.6	12.1	-4
Number of employees for the period, equivalents of full-time employment	257	248	267	8
Share price (XETRA) in €	6.49	11.58	13.48	16
Shares in circulation, in shares	3,500,000	3,500,000	3,445,313	-2
Market capitalization	22.7	40.5	46.4	15



OUR VISION

ADVANCES IN TECHNOLOGY WILL IMPROVE THE QUALITY OF OUR LIVES.

OUR MISSION

WE GIVE TECHNOLOGY THE POWER OF SIGHT.

Contents

DIGITAL CAMERAS AREA SCAN LINE SCAN

OUR PRODUCTS

DELIVERING MEANINGFUL INNOVATION

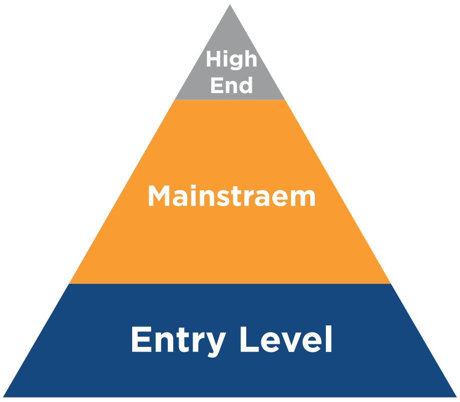
Basler's portfolio of products offers customers the vision industry's widest selection of industrial and network cameras. Today it includes some 300 models—and it's still growing. Only Basler offers a full complement of line scan, area scan and network cameras. Our expertise extends from CMOS to CCD sensors and covers all standard and emerging interfaces: GigE Vision, CameraLink, EMVA 1288, GenICam und USB3 Vision. So even if your camera needs change, your camera supplier does not have to. We strive, above all, to make our cameras easy to use and to deliver the most favorable price/performance ratio with each product we design.

ace aviator BIP DOME pilot scout scout light racer runner sprint

Our commitment to delivering real value to our customers inspired us to create the game-changing ace camera series—the first digital industrial cameras to cost less than their analog counterparts and provide premium image quality at a practical price. Our recently launched racer series brings the same combination of performance and cost efficiency to line scan technology, by packing higher speed and excellent image quality into an exceptionally slim profile. So our customers can bring the power of sight to more and more unique applications.

Basler grew to be the highest volume digital industrial camera producer by continually reinvesting in research, development and superior manufacturing capabilities.
Our in-house production facilities are the living laboratory where we learn through continuing experience to improve our cameras' performance by critical standards like image quality, reliability, repeatability and ease of use. More importantly, we leverage our leadership role to pass volume production and supply chain efficiencies on to our customers.

GOALS: € 80 MILLION 200 K UNITS >19 % EBIT >15 % CAGR



OUR STRATEGY

PRODUCT- AND MARKETSTRUCTURE

The global digital industrial camera market can be described as a pyramid.

The market pyramid consists of 3 layers, i.e. the High End layer at the top, the Mainstream layer in the middle and the Entry Level layer at the bottom.

HIGH END

The High-End market segment is characterized by cameras with high performance image sensors (e.g. high speed or high resolution), high-speed communication interfaces (e.g. Camera Link) and the need for large, expensive lens solutions. The unit numbers in this segment are in the ten-thousands per year and rather low compared to Mainstream and Entry Level quantities. Also, the average sales price is relatively high (> €1.500,-- per piece).

MAINSTREAM

The Mainstream market segment is much larger in units (low hundred-thousands per year) and significantly lower in average sales price (averaging app. €800,-- per piece). With the image sensors running at lower frame rates or lower resolution, the resulting data rates are compatible with consumer interface technologies like Gigabit Ethernet or IEEE1394 (FireWire) or USB. Also the lens technology is smaller and cheaper than in High End.

ENTRY LEVEL

Below the Mainstream is the Entry Level Segment, by far the largest segment in terms of units. Still dominated by analog interface technology today, the Entry Level segment with its low to medium data rates will change over to digital consumer technologies like USB and Gigabit Ethernet rather soon. Lens solutions will be mostly smaller and cheaper like in Mainstream, as the camera prices are significantly lower (average sales price app. €250,-- and below).

BASLER-POSITION

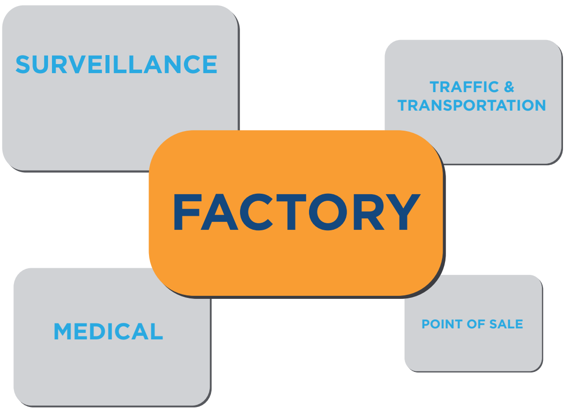
In 1997 Basler entered the camera business with cameras for the High End segment. Over the last 15 years we have expanded our product portfolio with particular emphasis on the Mainstream segment due to customer demand and the evolution of technology. With the introduction of the ace camera line we introduced our first product line covering the grey-zone between the Mainstream and Entry-Level markets. Today, Basler is the 3rd-biggest manufacturer of cameras for applications in factory and traffic. In the future we will maintain our market positions in the High End segment while expanding our foothold in Mainstream and Entry Level.

SURVEILLANCE TRAFFIC & TRANSPORTATION MEDICAL POINT OF SALE

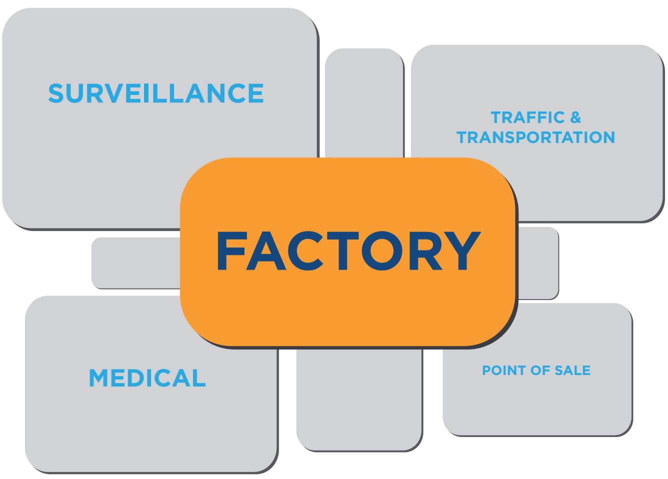
FACTORY

NON FACTORY

TODAY



TOMORROW



TARGET MARKETS

The original market for our cameras was the traditional factory floor, so called machine vision market. This market remains as our largest due to the increased utilization of cameras in mass manufacturing and other factory floor applications. Advances in manufacturing techniques combined with consumer expectations for out of the box perfection has mandated the widespread use of quality control techniques which often include vision inspection and a growing need for more and more cameras. In addition to this we have seen an exciting development in adjacent markets including medical, traffic, point of sale, entertainment, sports training, etc. These markets are often fragmented and still forming; however, they often require large quantities and add fuel to our mission of delivering the power of sight.

STRATEGIC GOALS

PREFACE BY THE MANAGEMENT BOARD

Arndt Bake Dr. Dietmar Ley John P. Jennings

Dear shareholders, employees, customers, and business partners,

2011 was the most successful fiscal year in the company's history. We continued our sales growth for digital cameras. The positive results of 2010 for earnings before taxes (EBT) and cash flow could be further improved. We are satisfied about our achievements in 2011. They impressively confirm that we are on the right track with our strategy of focusing on camera business. Therefore, it is with great confidence that we look at the next stages ahead of us.

These are the most important results of fiscal year 2011 at a glance:

1) The group's turnover increased by 8 % to € 55.1 million. In the core business with digital cameras for industry and surveillance (COMPONENTS Segment) we generated revenues of € 46.1 million exceeding the previous year's record figure by more than 13 %. The revenues of the SOLUTIONS segment amounted to € 9.0 million and nearly reached the previous year's level.

2) The earnings before taxes (EBT) of € 5.6 million at a pre-tax return of 10.2 % are the best result ever achieved by Basler AG. The annual surplus added up to € 4.2 million. Adjusted for the positive special effect of € 4.2 million that had to be taken into account in the financial statements for 2010, we also exceeded the net results of the previous year in 2011.

3) We also made progress in the reporting period as regards cash flow. The cash flow from operating activity amounted to € 13.7 million and thus exceeded the previous year's figure by 16 %. After deduction of the investing cash flow, the resulting free cash flow amounted to € 6.9 million, representing an increase by 21 %.

4) Due to the positive cash flow situation and the decreased liabilities we could entirely eliminate the operative net debt of € 0.2 million existing as of December 31, 2010, and turn it into an operative net cash position of € 2.4 million. Despite the approximately three times higher cash outflow from financing activities of almost € 8.6 million, liquidity decreased by only 19 % to € 7.4 million.

5) The equity ratio at the end of the fiscal year amounted to 48.3 % and thus improved by 5 percentage points.

6) Due to the conspicuous success resulting from the implementation of the corporate strategy and from continuously improving fundamentals, the level of interest for the Basler share among investors significantly increased in the course of fiscal year 2011. As a consequence, the share price of € 11.58 at the end of 2010 increased by approximately 16 % to € 13.48 at the balance sheet date 2011.

The track record of the fiscal year 2011 is the result of the outstanding performance of the global Basler team. The Management Board would therefore like to thank most sincerely all employees for their contribution in 2011. We are proud to cooperate with such excellently qualified persons who are passionately attached to the company toward further developing Basler AG.

The Management Board also thanks all shareholders for the trustful cooperation in der course of the reporting period. The result of fiscal year 2011 enables us to let you participate for the second time in the success of the company by distributing a dividend. Accordingly, we will again propose to the shareholders' meeting the distribution of a dividend of € 0.30 per share.

Economic research institutes and banks assume in their forecasts for 2012 a growth of the global economy by about 2 - 4 %*. The majority expects a successful containment of the euro crisis for the first half of 2012 and that a breakup of the euro zone will not occur. According to economists the economy is likely to experience a mild recession at the beginning of the year and will then gain momentum again*. In view of these estimations the German Engineering Federation (Verband Deutscher Maschinen und Anlagenbau, VDMA) expects production in the engineering industry to grow by about 4 %* in 2012. The VDMA forecasts a sales growth of about 5 % for the German image processing industry for 2012.

We basically agree with these estimations taking them into account in our planning for fiscal year 2012. For our COMPONENTS segment we expect sales to continue to grow. However, due to the economic risks sales are expected to show somewhat less momentum than in the two previous years. According to our estimations made in the medium-term budget for 2012, we expect declining sales for the SOLUTIONS segment because of the currently weak demand of the of the cyclical LCD glass industry.

All in all we expect for the Basler group in 2012 approximately stable to slightly declining sales revenues within a corridor of € 50.0 million to € 54.0 million. Depending on sales we assume a pre-tax return between 6 % and 8 %. In parallel to the expected improvement of the economic situation in the course of the year, we assume sales and pre-tax results for Basler AG in the second half year to be slightly above the first half year's figures.

Basler AG is well prepared for the new fiscal year 2012:

- Our COMPONENTS core business, representing approximately 85 % of the group's revenues, has substantial growth potential for the coming years in its established markets as well as adjacent markets. At the same time the COMPONENTS risk profile is rather defensive due to the large number of customers and target markets. Because of our attractive product portfolio and good market access we are confident that sales and market share will further increase in 2012. In the forthcoming year, we will therefore continue to invest in our core business unabatedly.
- We draw our greatest strength from our competent, experienced, flexible and passionate team, working confidently and ambitiously in all functional areas towards continuously improving the company's efficiency and thus preparing the future growth in sales and unit quantities.

Well positioned, soundly financed and well aware of our skills and opportunities, we, the entire Basler team, are working together towards the aspired leading position in the camera market.

Ahrensburg, March 2012

The Management Board

Dr. Dietmar Ley	John P. Jennings	Arndt Bake
(CEO)	(CCO)	(COO)

*Sources: German Council of Economic Experts (Annual Report 2011/2012), Berenberg-Bank (Outlook 2012), IKB Deutsche Industriebank (Outlook 2012), VDMA

REPORT OF THE SUPERVISORY BOARD

Prof. Dr. Eckart Kottkamp Norber Basler Konrad Ellegast

Dear Ladies and Gentlemen,

In the elapsed fiscal year 2011, the Supervisory Board has fulfilled its incumbent obligations according to the law and the company's articles of incorporation, and has continuously monitored and advised the Management Board in its management activities. In the process, the Management Board has provided the Supervisory Board with written and oral reports on the economic position of Basler AG, its foreign subsidiaries, and its divisions on a monthly basis and has discussed the business and economic situation in detail with the chairman of the Supervisory Board.

In fiscal year 2011, four regularly occurring Supervisory Board meetings took place, which all members of the Supervisory Board attended. The meetings were held on March 28, 2011, May 19, 2011, September 26, 2011, and December 19, 2011. In addition, a further meeting was held on January 10, 2011, where current issues were discussed. All members also attended this extraordinary meeting. Committees as set forth in § 171, Section 2, Clause 2 of the Stock Corporation Act (AktG) were not formed, due to the size of the Supervisory Board (three persons).

The Management Board and the Supervisory Board cooperate closely for the benefit of the company. The basis for this cooperation is frank and trusting discussion. The Management Board has coordinated the company's strategic orientation with the Supervisory Board and has reported in regular Intervals to the Supervisory Board about the state of implementation.
The Supervisory Board was involved in all major decisions of fundamental importance to the company. The Management Board has informed the Supervisory Board at regular intervals about all relevant issues concerning the company's business development and risk situation. The chairman of the Supervisory Board is in regular contact with the CEO, and was informed by him about current developments and unusual occurrences. The Supervisory Board consented to those business dealings which, according to the law and the company's articles of incorporation, required its consent. This applies to decisions and measures of fundamental importance to the company's situation with regard to assets, finances, and revenue. Significant issues in the elapsed fiscal year were:

- Consultation on and conclusion of the annual balance sheet for 2010 and the proposals for the shareholders' meeting
- Dividends for fiscal year 2010 including the proposal for the shareholders' meeting

- Economic and market-specific developments
- Situation of the relevant markets
- Advancement of the corporate strategy
- Situation of the subsidiaries
- Investments
- Corporate financing and banking relationships
- Currency hedges
- Liquidity and working capital
- Investor relations
- Consultation and voting on a share buyback program
- Planning and budget for the segments and for the group for fiscal year 2012
- Four year planning
- Internal monitoring system
- Commitment to and amendments of the Corporate Governance Code
- Remuneration of the Management Board

The BDO AG Wirtschaftsprüfungsgesellschaft, Lübeck which was selected as annual auditor by the shareholders' meeting on May 19, 2011, was commissioned by the chairman of the Supervisory Board to perform the audit by a letter of December 11, 2011. The annual auditor participated in the Supervisory Board meeting on March 15, 2012, where the presented annual balance sheet and the reported essential results were discussed.

The accounting, the annual balance sheet as of December 31, 2011, and the situation report for Basler AG, along with the group's annual balance sheet as of December 31, 2011, and the group's situation report have been audited by the annual auditor, the BDO AG Wirtschaftsprüfungsgesellschaft, Lübeck, they have been found to be compliant with applicable laws and the company's articles of incorporation, and they have each been furnished with an unconditional audit certificate. The Supervisory Board took consenting note of the audit result.

The Supervisory Board, on its part, examined the company's and the group's annual balance sheets and the company's and the group's situation reports in the context of the applicable legal regulations. No objections were raised. The Supervisory Board approved of and therewith established the annual balance sheet for Basler AG as prepared by the Management Board.

In accord with the Corporate Governance Code, the Supervisory Board regularly reviewed the efficiency of its work and enhanced it in connection with useful modifications related to the preparation and the document composition for its meetings.

The Supervisory Board members do not act as consultants to nor hold officer positions in executive bodies of clients, suppliers, creditors or other business partners. Consequently, conflicts of interest did not arise with their mandates during the past fiscal year.

The report compiled by the Management Board according to § 312 of the Stock Corporation Act (AktG) on relations with affiliate companies was audited by the annual auditor and furnished with the following audit certificate:

„Following our due audit and evaluation we herewith confirm that

- the actual information given in the report is correct and
- the company's performance was not inappropriately high for the legal transactions specified for the reporting year."

The Supervisory Board took consenting note also of this audit report of the annual auditor. The Supervisory Board states after the concluding result of its own audit, that no objections are to be raised regarding the Management Board‘s statements on relations with affiliate companies.

Ambitious objectives achieved - well positioned for the future

Basler AG had set itself ambitious objectives for the elapsed fiscal year 2011: Despite the business model focused on in the meantime, the sales level of the previous record year 2008, and a record profitability were supposed to be reached at the same time. As scheduled, 2011 became in fact the most successful fiscal year in almost 25 years of company history. This outstanding result is due to both the development of strategy-driven technology and of the market development of the past years, as well as to the excellent operational work of the elapsed year. The result also reaffirms the business model and calls for its further continuous development.

Accordingly, also in 2011 a lot of work was done on the company’s positioning, the strategy, the organization and the appearance. The new website and a new logo are the externally visible results of the mainly content-related advancement of the company. We think that we were very successful at that.

A functioning business strategy, stable economic strength and an updated positioning provide the best conditions for taking advantage of opportunities in a future that is increasingly difficult to predict.

Overall, the year 2011 was a very good one for our company. The Supervisory Board expressly thanks all employees, executives and the members of the Management Board of Basler AG for the excellent and successful work they have accomplished in the elapsed fiscal year.

Ahrensburg, March 2012

For the Supervisory Board

Norbert Basler
Chairman of the Supervisory Board

Prof. Dr. Eckart Kottkamp
Vice Chairman of the Supervisory Board

Konrad Ellegast
Supervisory Board

1.2 THE BASLER SHARE

1.2.1 CAPITAL MARKET ENVIRONMENT

After a positive beginning to 2011, the global economy was held back in the first half of the year by negative impacts from a number of events. These included a strong rise in oil prices due to the political upheavals in the Arab region, the earthquake in Japan, and the escalation of the debt crisis in the euro zone. The latter significantly increased the uncertainty in the capital markets and politics and consequently also in the real economy. Although the first two events could largely be brought under control by midyear, the ongoing debt problem remains unsolved. Many industrial countries are facing severe and uncomfortable adaptation processes while at the same time the economy is slowing down. A high unemployment rate, a weak asset price development, and a considerably increased indebtedness of private households are dampening private consumption in many countries. The ongoing highly expansive monetary policy, however, is expected to have further stabilizing effects. Assuming that trustworthy national austerity measures can stop the debt crisis in the euro zone, economic research institutes expect for 2011 only a slight slowdown of the global economic growth to approximately 4.0 %.

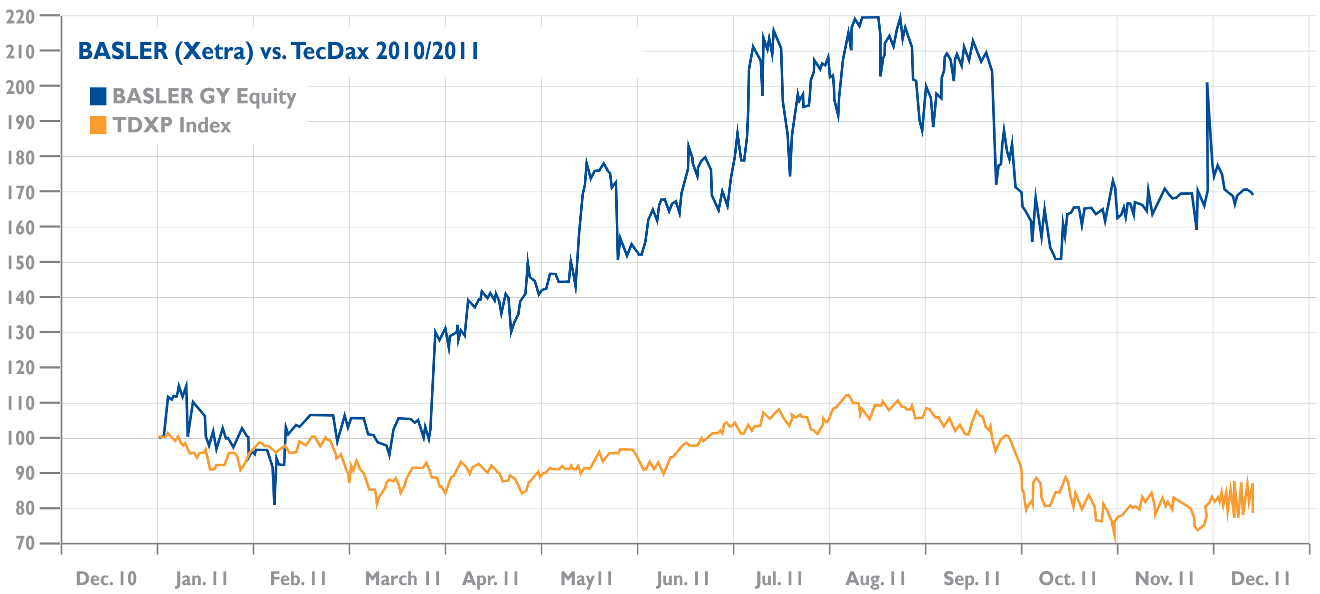
The various negative influences in the course of the reporting period are also reflected in the consistently negative annual performance of the stock exchange indices and led to a negative development of the DAX of -15 % during the course of the year. The MDAX closed the year 2011 down 12 %, and the SDAX lost 15 % in the course of the year. The TecDax declined by even more at -19 % over the course of the year.

1.2.2 THE BASLER-SHARE

The closing price for the Basler share was at € 11.58 at the year end 2010, and at € 11.85 on the first trading day of the year 2011. In the wake of the first quarter reporting of 2011, the share price reached its annual high of € 14.73 at the beginning of May. In parallel to the increasing uncertainty in the capital markets as well as the globally downturning economic indicators, the Basler share reached its year low at a share price of € 10.00 in mid-September. Our share closed on the last trading day of the year 2011 at a price of € 13.48, corresponding to a 16 % increase of the price at the beginning of the year.

1.2.3 SHAREHOLDERS' MEETING

The shareholders' meeting took place in the Hamburg Chamber of Commerce on



May 19, 2011.The investors present were given an extensive company presentation by the Management Board informing them about the current situation of the company and the strategic alignment. After the general debate the various items were approved by more than 99 % of the voters present.

1.2.3 KEY CAPITAL MARKET DATA OF THE BASLER SHARE

	2011	2010	2009	2008
Market capitalization in € million (as of 12/31)	46.4	40.5	22.7	19.6
Annual closing price in € (as of 12/31)	13.48	11.58	6.49	5.60
Year high in €	14.73	12.15	6.80	11.25
Year low in €	10.00	5.41	4.22	5.05
Annual development	+16%	+78%	+16%	-51%

1.2.4 SHARE BUYBACK PROGRAM

The shareholders' meeting of May 18, 2010, authorized the company to buy back own shares amounting to a total of up to 10 % of the share capital of the corporation existing at the time the resolution was adopted. The authorization is approved through May 18, 2015. The shares can be used for all purposes provided for in the authorization of the shareholders' meeting of May 18, 2010. This includes among others using the shares as consideration related to the acquisition of companies.

Due to the share price reached in September 2011, the Management Board decided on September 22 to buy back shares with an equivalent of € 1.0 million via the stock market and to have them available for the future acquisition of companies. As of December 31, 2011, the company bought 54,687 own shares.

1.2.5 DIVIDEND AND APPROPRIATION OF EARNINGS

Due to the excellent business development in fiscal year 2011, Basler AG has decided to propose to this year's shareholders' meeting to pay a dividend.

Our dividend strategy provides for a combination of a reliable base dividend, to be paid independently of the company's result and an additional dividend depending on the company's success.

On this base, the proposal will be made in the shareholders' meeting of 2012 to pay a dividend for fiscal year 2011 of 30 Cent per share consisting of a base dividend of 20 Cent per share and an additional dividend of 10 Cent per share.

1.2.6 COMMUNICATION

Continuous and open communication with all capital market participants is very important to Basler AG. We communicate with institutional investors in conference calls, individual conversations, roadshows, and at conferences. It is during the shareholders' meeting as well as in personal discussions or smaller conferences where we inform private investors about the development of Basler AG. Direct contact of analysts, investors, and private shareholders with the management is very important to us as we want our investors to know the persons who direct our business.

Thanks to the positive business development, we were able to attract higher attention in the capital market in 2011 than in the previous years. This increased attention was reflected in four road shows and the participation in five capital market conferences as well as in the organization of our own capital market day at the beginning of November.

In the previous year, the analysts of Warburg

Research and Close Brothers Seydler Research AG regularly prepared studies about Basler AG (two in the preceding year). You can find the current recommendations via **www.baslerweb.com/share** in the Share >> Analyst recommendations section.

1.2.7 CONTACT DETAILS

For questions about our company or the Basler share, please contact our investor relations department:

Tel. +49 4102-463 0
Fax +49 4102-463 108
ir@baslerweb.com
www.baslerweb.com/share

1.2.8 REGULAR INFORMATION

If you want to receive information about our company regularly, please contact our investor relations department **www.baslerweb.com/Investoren**.

1.2.9 SHARE RELATED INFORMATION

ISIN: DE0005102008

Symbol: BSL

Prime Standard branch: Industrial

Industry group: Advanced Industrial Equipment

Admission segment: Prime Standard / Regulated Market

Designated sponsor: Close Brothers Seydler AG

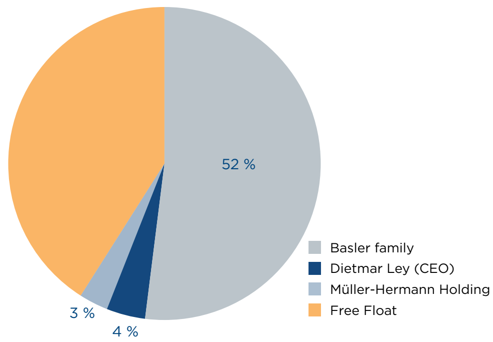
Number of shares: 3,500,000

Member of the following indices: CDax, Prime AllShare, Technology AllShare, GEX*

* GEX is the index for the performance of medium sized companies on the stock market.

As regards trade, our share is supported on the capital market by Close Brothers Seydler AG (so-called designated sponsoring). Close Brothers Seydler is a leading provider of this service in Germany and regularly earns top ranks by Deutsche Börse.

1.2.10 SHAREHOLDER STRUCTURE



DECLARATION OF CONFORMITY 2011 WITH THE CORPORATE GOVERNANCE CODE PURSUANT TO § 161 OF THE GERMAN STOCK CORPORATION ACT [AKTIENGESETZ - AKTG]

The Management Board and the Supervisory Board hereby declare that Basler AG has complied the recommendations for conduct as amended on May 26, 2010 by the „Government Commission of the German Corporate Governance Code" („code") appointed by the German Government, with the following exceptions.

Clause 5.3. - Establishment of committees within the Supervisory Board

The Supervisory Board does not establish any committees. The Supervisory Board of Basler AG comprises three persons. This configuration ensures efficient work in all matters of the Supervisory Board, especially as the generally accepted minimum size for a committee is a membership of three.

Clause 5.4.1. - Composition of the Supervisory Board

For nominations to the general meeting, the Supervisory Board will also in the future continue to align itself to legal requirements and will emphasize the candidates' professional and personal qualifications independent of gender. Consideration will also be given to the international activities of the company, to potential conflicts of interest, and to diversity. Basler AG does not state specific pertinent goals.

Clause 5.4.7. - Remuneration of the members of the Supervisory Board

Remuneration of the members of the Supervisory Board is set forth in the articles of incorporation. Chairmanship and vice chairmanship of the Supervisory Board are given consideration regarding the amount of fixed remuneration. Given the current level of fixed remuneration, the addition of a variable component to remuneration for the members of the Supervisory Board is not provided for.

Ahrensburg, March 15, 2012

Dr. Dietmar Ley
CEO

Norbert Basler
Chairman of the Supervisory Board

John P. Jennings
CCO

Prof. Dr. Eckart Kottkamp
Vice Chairman of the Supervisory Board

Arndt Bake
COO

Konrad Ellegast
Supervisory Board

MANAGEMENT REPORT

1 Financial statements

1.1 Group structure and business operations

Basler AG is running two businesses:

- In the Components segment, Basler develops, manufactures and sells digital cameras for applications in industrial mass production, traffic, medical technology and video surveillance.
- In the Solutions segment, Basler offers surface inspection solutions for the LCD industry.

The headquarters of Basler AG is located in Ahrensburg (Germany). The company has subsidiaries in Singapore, Taiwan, and the USA and sales and service offices in Japan and South Korea. Basler also maintains a global network of sales partners. Development and manufacturing are exclusively carried out in the German headquarters. Sales and service are performed in all locations of the group and its distributors.

COMPONENTS segment

In its Components business segment, Basler AG offers digital cameras for applications in industrial mass production, in traffic and medical technology as well as in surveillance. These cameras are mostly standard products that can be used without modification in a large variety of applications.

Basler is among the three global leading manufacturers of cameras for industrial mass production. Presented to the market for the first time in 1997, Basler products presently stand for innovative technology, excellent image quality, and a high level of reliability. Basler is the global market leader in the Gigabit Ethernet camera market segment that has been the fastest growing segment since 2008.

Our target customers are manufacturers of industrial goods (OEM customers), who integrate our cameras into their own products. These OEM customers are widely spread throughout the globe in a wide variety of markets.

Since 2009 the Components business segment has been the core business of Basler AG. In 2011 about 83.7 % of the group's turnover derived from camera products.

SOLUTIONS segment

In the Solutions business segment, Basler manufactures surface inspection solutions for the inspection of LCD plate glass.

As partner of the leading global manufacturers of LCD plate glass, we are the global market leader in this segment with more than 250 installed inspection systems. Our customers use Basler surface inspection systems for automatic 100 % control in the production of glass. The production sites of the LCD industry are in Korea, Taiwan, Japan, and China.

1.2 Business development

1.2.1 Economic environment

After a positive beginning to 2011, the global economy was held back in the first half of the year by negative impacts from a number of events. These included a strong rise in oil prices due to the political upheavals in the Arab region, the earthquake in Japan, and the escalation of the debt crisis in the euro zone. The latter significantly increased the uncertainty in the capital markets and politics and consequently also in the real economy. Although the first two events could largely be brought under control by midyear, the ongoing debt problem remains unsolved. Many industrial countries are facing severe and uncomfortable adaptation processes while at the same time the economy is slowing down. A high unemployment rate, a weak asset price development, and a considerably increased indebtedness of private households are dampening private consumption in many countries. The ongoing highly expansive monetary policy, however, is expected to have further stabilizing effects. In contrast, many emerging markets were threatened with economic overheating in the first half-year of 2011 due to considerable capital inflows and a highly expansive granting of credits. However, by mid-year the adopted countermeasures also caused an economic slow-down in these countries. Even so, the overall picture remains favorable for the emerging markets. The Asian countries in particular are likely to give further supportive stimuli to the global economy. Assuming that the resolutions of October 2011 and trustworthy national austerity measures can stop the debt crisis in the euro zone, economic research institutes expect for 2011 only a slight decline to approximately 4.0 % of global economic growth.

1.2.2 Macroeconomic and sector situation

In its latest prognoses, the German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau - VDMA) estimated production growth of 14 % for the German machinery and plant construction industry in 2011. For 2011, VDMA assumes growth in sales amounting to 20 % for the German image processing industry. As the VDMA membership structure is characterized by system suppliers, the German image processing market responds later to market changes than companies being mainly or entirely active in the components business. Thus, sales growth of the German image processing industry amounted to 28 % in 2010, whereas the group's turnover of Basler AG increased by more than 50 % in 2010. Our components business even increased by more than 70 % in 2010.

1.2.3 General conditions from corporate structure

Since 2009 the emphasis of the business operations has been on the business with digital cameras (Components segment). The significantly smaller business with surface inspection solutions for the LCD industry (Solutions segment) focuses on installations for inspecting LCD plate glass.

1.2.4 Business development

2011 was the most successful fiscal year in the history of Basler AG. We set new records regarding the sales volume of digital cameras, earnings before taxes, and cash flow. This positive development is the result of the entire company's focusing on the camera business which was decided on in 2009. During the reporting period, the proportion of the camera business increased to nearly 85 % of the group's turnover and with its' widely spread customer base has made our company in 2011 again more profitable and robust against cyclical fluctuations.

The group's turnover of Basler AG increased to € 55.1 million (previous year: € 51.0 million, +8 %) in 2011. During the year, sales of the second quarter reached an intermediate peak of € 14.4 million in order to come to a level of about € 13.4 million per quarter in the second half year due to the cyclical slow down.

Our camera business (Components segment) generated sales revenues of € 46.1 million in the past year and thus exceeded the previous year's record sales figure of € 40.7 million by more than 13 %. The purely organic growth was once more driven by our very successful product portfolio of Gigabit Ethernet cameras where the proportion of segment sales continued to increase. In particular the Basler ace product line that was newly introduced into the market in the preceding year developed very successfully in 2011. The rapid and broad acceptance of the ace in the industrial camera market and in adjacent applications led to a much faster increase of the number of units produced than expected at the beginning of the fiscal year. Besides the sales of our Gigabit Ethernet cameras, our sales of line scan cameras increased as well with a double-digit percentage range increase. From the generally positive trend in the line scan camera business the rapidly increased demand for our fast sprint cameras excelled. We were particularly pleased in the reporting period with the increase of sales revenues of surveillance cameras. Compared to the previous year we more than doubled our sales volume with the customer base built up in the past three years along with the help of a larger product portfolio than in 2010. After the strong growth in the previous year, sales in the camera business stabilized on the first quarter level due to the cyclical slowdown and moved sideways during the remaining reporting period.

The sales in our Solutions segment amounted to € 9.0 million and were thus about 13 % below the level of the previous year of € 10.3 million. More important than the expected decrease in sales is the considerably improved segment result. This positive development results on the one hand from our focus on equipment for the inspection of LCD plate glass where the gross margin is significantly above the gross margin in the color filter inspection business. On the other hand we further streamlined the organization of our business segment and thus decreased operating costs. As expected the situation in the LCD industry in 2011 was characterized by oversupply and a fall in prices. Consequently, investments in new production plants declined resulting in significantly decreased incoming orders – especially in the second half year.

With earnings before taxes (EBT) of € 5.6 million (2010: € 5.0 million; +12 %) and a pre-tax return of 10.2 % (2010: 9.8 %) we reached as in the previous year new record values for Basler AG on the earnings side. The annual surplus summed up to € 4.2 million (2010: € 8.0 million; - 48 %). After adjustment of the previous year's net results for the positive special effect of € 4.2 million resulting from the reversal of deferred taxes on losses carried forward, we also reached our best net result in the past reporting period.

Cash flow considerably improved during the reporting period: Cash flow from operating activity amounted to € 13.7 million and thus exceeded the previous year's figure of € 11.8 million by 16 %. After deduction of the investing cash flow a positive free cash flow of € 6.9 million resulted (2010: € 5.7 million, +20.9 %).

In 2011 we also made good progress in reducing our bank debt including the silent partners. We were able to entirely eliminate the operative net debt of € 0.3 million existing as of December 31, 2010, and turn it into an operative net cash position amounting to € 2.4 million at the reporting date. Liquidity summed up to € 7.4 million at the end of the reporting period (previous year: € 9.1 million; -19 %).

The equity ratio at the end of the fiscal year amounted to 48.3 % (2010: 43.4 %, +5 pp).

1.2.5 Personnel

As is well known, Basler AG gives special attention to a family friendly and flexible working environment. The reconciliation of work and family life became an important factor of satisfaction for our current employees in the past years. For potential employees it is an important point when searching for a new employer. We, therefore, had our company audited in 2011 by the Hertie Foundation within their "Work and Family" initiative. First, the current status of measures offered by Basler for improving the balance between work and family life was analyzed. Furthermore, we systematically identified our company's specific potential for development in eight fields of action and developed an appropriate package of measures which are now part of the personnel strategy at Basler AG. Due to our previously implemented measures for reconciling work and family life and to activities planned for the future we obtained in December 2011 the „Familienfreundliches Unternehmen", (Family-friendly Company) certificate.

The number of equivalents of full-time employment at Basler was 267 on average in the reporting year 2011 (previous year: 248; +8 %). The annual average number of employees at Basler was 286 (previous year: 263), of whom 65 were on fixed-term contracts or on part-time contracts.

New positions were created particularly in the Components business segment primarily in the functions of research and development, sales, marketing, and production. As in the two previous years, we filled vacancies in the Components segment as far as possible with qualified employees from our Solutions segment. As in the elapsed fiscal year the fluctuation of employees amounted to 3 %.

The staff structure according to functions of the Basler group has been as follows in the course of the year (*all figures are average full-time equivalents):

	2011	2010
Production	52	48
Sales	92	90
Development	71	65
Administration	52	45
Total	267	248

At the end of the year a total of thirteen trainees in technical and commercial professions and business school students were employed. This corresponds to a proportion of trainees and students of 4.9 % (previous year 3.6 %).

The employees of the Basler group are distributed over our locations as at 12/31 as follows:

	2011	2010
Ahrensburg (Germany)	254	229
Exton, PA (U.S.A.)	18	16
Jhubei City (Taiwan)	9	11
Singapore (Singapore)	8	9
Seoul, Cheonan (South Korea)	4	4
Yokohama (Japan)	1	1

For many years, managers and employees at Basler have agreed on short-term, medium-term, and long-term development objectives in annual employee development reviews. On the basis of these reviews, the skills of our employees are updated and extended via instruction, seminars, on the job trainings, and supported self-study. We believe strongly in cooperative transfer of knowledge and competence by professionally and highly qualified own employees. The implementation level of the highly prioritized employees' development measures is a strategic objective in the balanced scorecard of the company. We measure the progress that was made in all departments once a year.

1.3 Asset situation

The total assets of the Basler group decreased in the reporting year to € 55.9 million (previous year: € 58.9 million). The group's fixed assets increased by 2 % to € 33.2 million (previous year: € 32.6 million). The reason for this was an increase in investments to € 6.8 million (previous year € 6.4 million) and a decrease in depreciations to € 6.2 million (previous year € 7.7 million). The group's fixed assets mainly consist of the capitalized development costs of € 11.0 million (previous year: € 9.9 million) and the company building from finance lease of € 18.1 million (previous year: € 18.8 million). The group's fixed assets account for 59.3 % (previous year: 55.3 %) of the total assets.

The emphasis of the investment activity in fiscal year 2011 was on the further development and expansion of the product portfolio. In the fiscal year, € 5.3 million (previous year: € 5.1 million) were invested in own development.

As in the previous year, the investment in tangible assets amounted to € 1.0 million in 2011. The largest proportions of the amount were allotted to production tools and communications infrastructure. In addition, software and other intangible assets were acquired amounting to a total of € 0.5 million (2010: € 0.3 million).

The short-term assets decreased by 13.8 % to € 21.8 million after amounting to € 25.3 million in the previous year. As a result inventories increased by € 0.5 million (+6.7 %) to € 7.9 million, the inventory turnover was at 2.6 (previous year 2.3).

Due to the significant increase of the group's result the equity ratio improved from 43.4 % as at December 31, 2010 to 48.3 % as at December 31, 2011. In contrast to the group's result, equity was affected by the dividend distribution of € 1.1 million carried out in the reporting year as well as by the offset against losses of reserves for hedging transactions of € 1.2 million without impact on income.

The long-term debts relate mostly to bank debt of € 2.3 million (previous year: € 5.0 million) and to liabilities from finance lease of € 15.3 million (previous year: € 16.4 million). The reduction of short-term liabilities by € 0.8 million to € 11.1 million is mainly due to the scheduled repayment of the silent partnership (€ 1.0 million), the increase of other financial liabilities (+ € 1.2 million) and a reduction of current provisions (€ - 0.7 million). 81.5 % of the fixed assets are covered by equity (previous year 78.5 %).

1.4 Financial situation

Basler's financial management is aimed at meeting the demand for capital such that an appropriate balance is achieved between maturity risk, rating of the creditors, and cost of capital. The long-term assets of the Basler group are completely financed by equity, as in the previous year, leaving the financing structure in a continued sound state.

The medium-term financing of the Basler group is ensured by loans from the ERP Innovation Programme of the Kreditanstalt für Wiederaufbau (KfW) with maturities until the beginning of 2016.

Cash flow developed positively. The cash flow from operational activity increased by 16.1 % to € 13.7 million after amounting to € 11.8 million in the previous year. The working capital (receivables + inventories less liabilities from deliveries and services and advance payments received) decreased by 5.5 %, the fixed capital (working capital plus fixed assets) amounted to € 45.2 million (previous year € 45.3million).

Due to further investment projects the cash outflow from investment activity increased by 11.5 % to € 6.8 million after € 6.1 million in the previous year.

Cash flow from financing activity developed in fiscal year 2011 as follows: A total of € 2.2 million of ERP funds and € 1.0 million of silent partnerships as well as € 1.0 million of loans from closely affiliated persons were paid back.

Finance lease liabilities were reduced by € 1.1 million. In addition, in the reporting period an amount of € 0.6 million was paid for the acquisition of own shares as well as an amount of € 1.1 million for the first distribution of a dividend. Hence, after taking into account interest payments of € 1.6 million, an overall cash outflow of € 8.6 million resulted from financing activity after an outflow of € 2.1 million in the previous year. Liquid assets decreased by a total of € 1.7 million and amount to € 7.4 million (previous year: € 9.1 million) at the reporting date.

1.5 Profit situation

In fiscal year 2011, the profit situation developed favorably in line with the dynamic growth of sales revenues of more than 8.0 % to € 55.1 million, compared to € 51.0 million in 2010.

The gross results from sales increased to € 2.2 million (+ 9.8 %). The gross profit margin (ratio of gross results to sales revenue) increased from 43.5 % in 2010 to 44.2 % in 2011.

The decrease of the other operational profit by € 0.5 million to € 2.6 million results substantially from the decrease of currency gains by € 0.2 million.

The sales and marketing cost, the general administrative expenses, and the other expense increased as a whole by € 1.5 million to € 20.1 million. The impairment losses on development costs shown under other expenses amounted to € 0.6 million in the reporting year (previous year: € 1.6 million).

The operating results improved slightly by € 0.2 million.

The financial result includes largely the interest paid for bank debt and loans from closely affiliated persons amounting to € 0.4 million (previous year: € 0.5 million) and for the lease liabilities amounting to € 1.1 million (previous year: € 1.2 million).

The earnings before taxes increased from € 5.0 million in 2010 to € 5.6 million. The tax expenses amounted to € 1.4 million after a tax benefit of € 3.0 million due to reversed value adjustments on capitalized loss carry forwards in the previous year. The annual surplus amounted to € 4.2 million (previous year: € 8.0 million). The earnings before taxes, interest, and depreciations (EBITDA) decreased to € 13.0 million (previous year: € 14.4 million).

Based on the information available at the time of preparation of the status report the asset situation, the financial situation, and the profit situation of the Basler group have developed soundly

2 Report on forecast and opportunities

Economic research institutes and banks assume in their forecasts for 2012 a growth of the global economy by about 2 to 4 %. This is based on the assumption that the euro crisis can be successfully contained in the course of the first half year of 2012 and that a breakup of the euro zone will not occur. According to economists the economy is likely to experience a mild recession at the beginning of the year and will then gain momentum again*. In view of these estimations the German Engineering Federation (Verband Deutscher Maschinen und Anlagenbau, VDMA) expects production in the engineering industry to grow by about 4 % in 2012. The VDMA forecasts a sales growth of about 5 % for the German image processing industry for 2012.

Thus, growth in this sector will be significantly lower than in 2011 because of declining incoming orders in the second half year of 2011.

The Management Board of Basler AG essentially agrees with these estimations taking them into account in the planning for fiscal year

2012. We consider the German Engineering Federation's sales forecast for the German image processing industry with some caution as the recently withdrawn estimations of economic research institutes and banks concerning the cyclical development in Germany are not yet taken into account in the German Engineering Federation's forecast published in October 2011.

After a slight drop in the course of the year 2011 in incoming orders, for 2012 we expect for the Components business segment an increased demand in the course of the second quarter. This is likely to lead to a growth in sales in the medium single-digit percentage range. We are confident that we will be able to increase our market share in the forthcoming year independent of economic conditions. One reason for this is the increasing market share of Gigabit Ethernet based cameras where we are holding a globally leading position. Additionally, we believe that our market share will be likely to increase due to improved market access to some regional markets. Finally, we expect initial sales with USB3-based cameras that we will introduce to the market in the second half-year 2012. We assume that considerable proportions of the sales of USB3 cameras will be generated with new customers from new markets and that cannibalization effects at the expense of other product lines can be disregarded. We are also confident concerning our business with video surveillance cameras. After the market for IP cameras increased by about 40 % in 2011, market research institutes still expect considerable growth rates of about 25% for 2012. Basler AG was able to more than double its sales with digital video surveillance cameras in 2011. Due to the market access established over the last few years, higher sales revenues will be quite possible in the next year. However, the decision to focus on OEM customers in the surveillance camera business in the course of the year will have dampening effects as this will result in a reduction of the business with end customers. Due to the addition of both effects, we expect for 2012 a slight increase in sales.

In our Solutions segment we expect declining sales in the forthcoming fiscal year. One reason for this is our focus on high-margin surface inspection solutions for the inspection of LCD plate glass and the associated discontinuation of sales of color filter inspection solutions. More dampening than that are the effects of excess capacities in the LCD industry existing during the past quarters that will result in lower expansion investments in 2012.

Overall, we expect for the Basler group in 2012 approximately stable to slight declining sales revenues within a corridor between € 50 million and € 54 million. Due to the attractive growth opportunities in the core business with digital cameras we will continue to invest with unabated intensity in our Components business segment. As far as earnings are concerned, we are assuming a solid pre-tax return between 6 % and 8 % depending on the sales trend. In parallel to the expected improvement of the economic situation in the course of the year, we assume sales and pre-tax results for the Basler group in the second half–year of 2012 to be slightly above the figures of the first two quarters.

We assume the macroeconomic upswing expected for the second half year 2012 to accelerate in fiscal year 2013. In this context, equipment investments in all regional markets will increase and will thus favorably influence the sales trend of our Components business segment. Additionally, we are planning for increasing market shares in the camera business for industrial cameras as well as for video surveillance cameras. We also expect a recovery in demand in 2013 for our Solutions segment. However, due to the focused product portfolio and the maturing market we do not calculate to return to the sales level achieved in 2011. Therefore, the Solutions segment's share of sales of the group's turnover is expected to decrease in 2013. We will accompany the growth in sales expected for 2013 with strong investments into the extension of our camera business. Compared to 2012 the company's profit situation will improve towards the profitability figures achieved in 2011 due to the disproportionately lower increase of costs. Based on the current planning, the liquid assets available to the Basler group will suffice for financing growth until the end of 2013 and beyond.

3 Supplementary report

There are no relevant events to report after the reporting date.

4 Risk report

As a technology company, Basler AG is exposed to a multitude of different risks. Medium-sized companies like Basler are not capable of influencing or controlling comprehensive fundamental risk. We therefore consider risk management primarily as the entrepreneurial task of monitoring risk on the one hand and taking advantage of opportunities on the other. It is the management's and all employees' task to do as much as possible to make both factors come true to the benefit of the company.

4.1 Risk management system

4.1.1 Internal monitoring system

The central issue of our internal monitoring is a meaningful and strict separation of functions. This is ensured by the organizational structure, job specifications, and processes. They are defined in our certified quality management manual and are regularly checked whether they are adhered to. This is done by interdisciplinary audit teams consisting of employees from different functions and hierarchy levels.

By processes defined as a balanced composition of formal requirements and less formal considerations, we ensure that opportunities are quickly passed to the decision makers concerned. In the follow-up these opportunities are systematized, confronted with corresponding risks, and finally assessed.

4.1.2 Controlling

Strategic, operational, and functional controlling are carried out in all divisions of the company. This is based on regular assessments of strategy and on the preparations of balanced scorecards and product road maps. Out of this results a systematic definition of long-term and short-term business objectives down to the levels of sections and cost centers.

The accomplishment of objectives (target-performance comparison) is checked on all management levels in regular meetings. On these occasions, control measures are agreed upon, centrally maintained, and checked with respect to their effectiveness.

4.1.3 Early warning systems

Using regular meetings, reports, and protocols, information about future developments are documented, exchanged, and assessed by the relevant instance, across all levels of the company. This ensures that internal and external information can promptly be examined with respect to its relevance for risk and that the results are translated into action across the company.

4.1.4 Accounting

The accounting processes of Basler AG are tied into the group-wide quality management system. As such, they are regularly audited as described above. The processes are on principle designed in accord with the "four-eyes" principle and a strict separation of functions. They are supported by the group-wide SAP system using a dedicated authorization concept. The closing processes are completely automated wherever possible and are governed by appropriate computer based workflows.

4.2 Business environment risks

Business environment risks are posed to Basler by the developments of the target markets, the competition, and the capital market.

An enduring weakening of growth of the vision technology market is not foreseeable today. Forecasts issued by federations and market research institutes assume persistent growth in the single-digit percentage range for classical applications in industrial mass production and growth in the double-digit percentage range for newer sales markets like e.g. video surveillance, traffic technology, and medical technology. There are, however, periodic fluctuations in demand in individual target markets. This applies particularly to consumer-related industries of mass production like the semiconductor, electronics, and LCD industries. Global economic downturns as could be observed starting from the second half-year of 2008 have effect on the vision technology market as far as they are related to declining equipment investment. It can be assumed for 2012 that the business environment risks have increased compared to 2011. Cyclical risks should be emphasized with regard to a possible tightening of the euro crisis and the cyclical weakening of demand for new industrial goods in the LCD industry.

For Basler, the Components business has grown in 2011 to achieve almost 85 % of the group's sales and reduces with its wide mix of sectors and customers the dependence from the development of demand of individual sectors. The increasing proportion of sales to customers from outside industrial mass production improves the risk structure of sales even further. These factors increase the sustainability of our business model even further. Although broadly diversified activities also experience declines in sales in times of economic crisis, they are less strongly affected than cyclic less diversified industries. For this reason, the Management Board maintains the strategy of developing the Components business further and gradually reducing the group's proportion of sales in cyclic markets.

The intensity of competition in the vision technology market continued to be high in the year just ended. Basler's expenses in 2011 for innovation, sales, decreasing production costs, and quality improvement take account of this fact.

The consolidation of the vision technology sector that is characterized by small and medium-sized companies has continued in 2011. Due to the rising competitive pressure, this process is assumed to continue in the year 2012. We intend to actively participate in this process in the medium term being one of Europe's largest vision technology companies. Given the current shareholder structure, a hostile takeover of Basler AG can almost be excluded. The shareholder structure is nonetheless constantly checked for changes.

4.3 Operating risks

In a high growth company, the availability of current and new knowledge plays a particular role. Basler performs personnel planning regularly in order to ensure the necessary resources either internally or with the help of external partners. Furthermore, employee development and performance reviews are held regularly on all levels, aiming at employee retention.

Very rapidly changing technology markets put high demand on a company's ability to adjust its capacities rapidly and efficiently to fluctuating demands. Using a flexible working time scheme we are capable of responding to fluctuations in demand. This allows us to “breathe” with the market – within certain limits.

Up-to-date product development of high quality is the backbone of a successful technology company. We have clearly defined processes and responsibilities in the development division and we have introduced planning tools that contribute towards concluding the great majority of development projects within the planned time frame and budget.

The availability of technologically high-grade components occasionally plays a critical role with respect to delivery times of our products. Accordingly, continuous monitoring and analysis of the procurement markets are critical competences for a technology company. It must, in addition, be known which vendor parts must be available at what time in what quantity. We have developed processes in recent years for both tasks, resulting in shorter delivery times and improved adherence to delivery times. These processes enabled us to continuously supply our customers after the disaster in Japan in March 2011 with its resulting shortages of supply. The constantly rising expectations of our customers in these areas require a continuous improvement of these key figures in the future.

Meanwhile, it has become a standard requirement of our customers that the quality of our products and processes is checked and guaranteed in the framework of an integrated quality management system. We have been certified since 2001 according to DIN ISO 9000/2000 and we are checked once a year by external auditors. In addition, we carry out internal audits during the year for checking and improving our processes.

Developing and cultivating a brand image is a major element of successful product policy. Name and logo of Basler Vision Technologies are registered and protected trademarks and are therewith protected against illegitimate use.

4.4 Financial risks

Fluctuating foreign exchange correlations influence market success, gross earnings, and cash flows of export-oriented companies like the Basler group. Thereby, exchange rates exert influence on the company's result. Basler has centralized these risks as far as possible and manages them with foresight. Interest and currency risks for the group result from the operating business. The instruments for hedging these financial risks are described in the comments for the related balance sheet items in the notes.

Our main purchasing contracts are expressed in euros. Basler is financed for the most part by equity and long-term fixed-interest loans. There is accordingly little dependence from interest rate developments.

Credit risk exists as default risk of financial assets. Liquidity risk exists as refinancing risk and therewith as risk of fulfillment in due time of existing payment obligations of the group. Market risk occurs in the group as interest rate risk, currency risk, and other price risk.

4.4.1 Price risk

The Basler group, being of a medium-sized group of companies, is not capable of opposing long-term currency trends. Basler can only confront this risk by continuous innovation and lean production costs. Due to this, the optimizations of production costs have highest priority in the conflicts of objective in product developments.

4.4.2 Liquidity risk

The financial management of the Basler group ensures the required flexibility for entrepreneurial decisions in the operating divisions and provides for the fulfillment in due time of extant payment obligations of the group.

Transparent monthly reporting and a stable accounting structure contribute towards containing liquidity risks. This is supported by an early detection system consisting of continuous sales and financial planning and by the use of a comprehensive system of key figures. This allows reviewing and fulfilling borrowing needs in time with the lending parties.

Tax risks with effect on liquidity cannot be perceived.

4.4.3 Currency and interest rate risks

Due to its international orientation and in the framework of normal business activities, Basler AG is exposed to currency risk deriving from cash flows outside its functional currency.

Currency risk applies to Basler from forward transactions for hedging the continuous cash flow in the USD foreign currency. As at December 31, 2011, seven forward contracts existed amounting to a total of USD 5.1 million (previous year: USD 4.8 million). The average amount of hedged funds of USD amounted to USD 4.6 million in fiscal year 2011 (previous year: USD 5.0 million) at an average maturity of 129 days (previous year: 164 days).

Financial instruments are exclusively employed for hedging currency positions in order to minimize currency risk due to exchange rate fluctuations. Basler uses standard forward exchange contracts as instruments. The hedging is not done for speculative purposes but serves exclusively for the general hedging of customers' cash flows.

Basler uses currency options for longer-term hedging of expected sales revenues against negative developments of currency exchange rates of the US dollar relative to the euro. As at December 31, 2011, five forward contracts existed amounting to a total of USD 15.0 million and maturing no later than March 31, 2013.

In order to cover this Basler entered into an interest rate swap in the reporting year with a volume of € 10.0 million in order to hedge future credit transactions.

4.4.4 Credit risk

The maximum default risk in the group amounts to the book values of the financial assets. Default risks are taken into account via value adjustments and are monitored by a structured and strictly followed receivables management system. Therefore, business information and recommendations regarding credit limits are obtained for major customers. Items past due are pursued using classic three-stage default action and debt collection by telephone. No further deliveries are made starting from the second stage of the default action or if the item has been past due for more than 15 days. In this way small failures occurred in the fiscal year.

Spot exchange and forward transactions were only concluded with the main banks.

Against this background, the default risk is estimated to be low.

4.4.5 IT risks

As a technology company, Basler strongly depends on a flawlessly working IT infrastructure. Therefore, our IT systems are regularly maintained and backup measures are systematically carried out. A continuing dialogue between internal and external IT specialists ensures a high availability of the systems and their optimum performance.

Furthermore, the Basler group confronts the risks resulting from unauthorized data access, misuse of data, and data loss by means of adequate measures. Technological innovations and developments are continually monitored, checked, and employed if suitable.

4.5 Strategic risks

Basler continues to concentrate on developing the vision technology market. We are planning to realize the main portion of growth in the coming years via our broadly diversified Components business. As in previous years, superseding technologies for vision technology are not in sight. The risks regarding business strategy can therefore still be considered low.

The business models of the business units are regularly checked for consistency with corporate strategy. The results enter into the company's hierarchy of objectives that is expressed by a balanced scorecard (BSC) system. These balanced scorecards include the quantified strategic objectives and the measures for reaching them and apply to the Basler group, its business units, and the divisions. Once a year, the medium-term plans are updated for the company and the business units. A budget is generated twice a year. In this way, strategic risk shall be recognized in time and countermeasures be taken at a sufficiently early stage.

4.6 Overall statement

The Basler AG keeps a risk management system for appropriately dealing with the risks relevant to our company.

The current economic forecasts for the years 2012 and 2013 published by the leading economic research institutes and industry associations are characterized by caution due to the existing risks in the euro zone. It is agreed that the global equipment investment for the next year will slightly decrease compared to 2011. In the course of the first half year demand is likely to be weaker than in the third and fourth quarter. The forecasts of federations and market research institutes indicate sustainable growth perspectives for the core businesses of Basler AG. Our new strategic alignment focusing on the Components business results in decreased dependence on individual customers and sectors. A major part of our investment in new markets and products aims at gradually increasing the proportions of sales outside of cyclic industries to further optimize the risk profile of our business model.

No events of particular importance had to be recorded that were not part of the normal business operations and which are not described in the situation report.

5 Research and development report

The expense at group level for research and development (R&D; personnel expenditures, depreciation, and other operational expense as well as directly attributable indirect costs) increased from € 6.6 million in 2010 to € 7.1 million in 2010. Relative to turnover, the expenses for research and development remained unchanged at 12.9 %.

Regarding content of expenses for research and development, once more investments in the Components segment predominated in financial year 2011. One focus of the development activities in the industrial cameras section was on extending the particularly compact and inexpensive Basler ace line of Gigabit Ethernet cameras, developed in 2010. Here, the activities dealt with the integration of sensors with higher resolutions and high frame rates and the development of an USB3 interface technology. The second emphasis of the development activity was on the new Basler racer series of models that is planned to gain us future market shares in the line scan camera segment. As in previous years, we extended Basler pylon software driver suite in its new version 3.0 by numerous features and we considerably simplified the programming interface.

Regarding video surveillance cameras; projects predominated for the development of the second generation of products, the Basler BIP2. The BIP2 has a signal processor architecture with a significantly higher performance than the previous generation resulting in additional customer value; for example faster image compression or higher performance of the video analytic features. We also integrated economic CMOS image sensors into the BIP2 and are thus able to address new applications and customer segments.

In the Solutions segment we successfully closed the key project regarding color filter inspection in 2011 that was commissioned at the end of 2009. The project started in 2010 and concerned inter alia the inspection of so-called color-filter-on-array-structures. The sophisticated inspection technology operates to our full satisfaction and is in the meantime approved by the customer. In the field of LCD glass inspection we dealt with the development of new inspection features in 2011 for distinguishing defects on the front side of glass substrates from defects on the back. This development was also successfully concluded and approved by the customer.

By the end of fiscal year 2011 Basler AG was the owner of 31 patents and patent applications in 20 patent families. Of these, 14 patents were granted (previous year: 13) and 17 patents were in the process of application (previous year: 18). Besides this, Basler AG was owner of one utility model, 17 trade names and three registered designs (Geschmacksmuster) (previous year: 1/15/3). Furthermore, two trade names are already in the process of application.

6 Remuneration report

The following statements regarding the remuneration of the Management Board are statements for the notes as stipulated by the German Commercial Code and statements due to provisions by the Corporate Governance Code.

The remuneration of the members of the Management Board consists of diverse components. Based on their employment contracts, the members of the Management Board are entitled to a fixed and an annually variable remuneration as well as to fringe benefits. The structure of the remuneration system for the Management Board and the adequacy of remuneration are regularly checked and defined by the Supervisory Board.

According to market and company standards, the company grants all members of the Management Board additional benefits provided by their executive contracts. They are partly considered as non-cash benefits and are taxed accordingly. This includes mainly the car allowance and the granting of accident insurance coverage. Secondary employment is on principle subject to approval.

The contract periods for the members of the Management Board are linked to the terms of appointment as member of the Management Board. The contracts for the members of the Management Board provide for a post-contractual non-competition clause. The members of the Management Board are contractually prohibited from supplying services to or for a competitor within the period of one and a half years after their resignation.

6.1 Own requirements on the remuneration system

The remuneration system for the Management Board is intended to address the following aspects:

- Long-term perspective,
- Profitability,
- Growth,
- Equity strength,
- Performance orientation,
- Efficiency of implementation,
- Transparency for all parties concerned.

This results in the following requirements on the remuneration system:

- Individual and adequate remuneration,
- Focus on sustainable corporate development,
- Breakdown into fixed and variable components,
- Multi-year assessment basis,
- Consideration of positive and negative developments,
- Avoidance of disincentives with regard to unreasonable risks,
- Relevant and ambitious targets and key figures,
- Exclusion of subsequent changes of performance targets,
- Limitation of variable remuneration,
- Supervisory Board shall be enabled to react to extraordinary developments.

6.2 Structure of the remuneration system (only monetary salary components)

An individual target salary is agreed upon with each member of the Management Board at the time of conclusion and /or amendment of a contract. The amount of the target salary depends inter alia on the following:

- Duties and responsibilities,
- Performance,
- Market conditions,
- Economic situation of the company,
- Success and outlook of the company,
- External peer groups,
- Internal remuneration structure.

For all members of the Management Board the same percentage of the salary target is defined representing the basis for calculating the variable remuneration. The amount of the variable component considers the previous and other regulations of the company, customary market conditions and the recommendations of the Corporate Governance Code.

The variable component for members of the Management Board at Basler AG is set at 25 % of the target salary.

6.2.1 Performance indicators

The strategic goal of a highly profitable high-growth company and our fundamental decision in favor of high-equity corporate financing lead to measuring the corporate success in terms of profitability and growth.

Earnings before taxes (EBT) in relation to sales are considered as a suitable indicator for profitability.

$$\textbf{Profitability} = \frac{\textbf{EBT}}{\textbf{Sales}}$$

The percentage increase of the sales revenues compared to the previous year is considered as a suitable indicator for growth.

$$\textbf{Growth in sales} = \frac{\textbf{Current sales}}{\textbf{Previous year's sales}} - 1$$

6.2.2 Targets

At the beginning of each fiscal year expected values are agreed upon as targets for both indicators. The profitability target is based on the long-term profit expectation and is supposed to show high continuity over the years. The sales expectations also take into account medium and shorter-term influences and will thus fluctuate more strongly from year to year.

At the beginning of each fiscal year tolerance ranges for both indicators are agreed upon describing the scope of normal business activity. The lower benchmark figure of the tolerance shall mark the transition from a basically satisfactory result to an unsatisfactory result. Vice versa, the upper benchmark figure marks the dividing line between good and very good performance.

The level of target achievement is determined by linear functions concerning profitability and growth. These functions will each show 100 % target achievement if the values for profitability and growth specified after conclusion of the annual financial statements exactly correspond to the expected values. The functions will show 0 % target achievement if the actual values fall below the expected values by an amount equaling the width of the tolerance. The functions will become negative if the downward deviations are even more pronounced.

Profitability and growth are equally important targets. However, in case of doubt the demand for profitability is more imperative than the demand for continuous growth. Thus, lacking profitability shall not be compensated by unrestrained growth. Accordingly, the degree of achievement is limited to 400 % for growth. Furthermore, the degrees of achievement are balanced at a ratio of 60 % to 40 % in favor of profitability. Adding up both weighted degrees of achievement for profitability and growth results in the level of the total target achievement for the fiscal year.

The required limitation for the components of variable remuneration is set at -100 % and at +400 %.

6.2.3 Bonus

The total target achievement (-100 % to 400 %) is multiplied by the variable component of the target salary (25 % of the agreed target salary) as defined above and results in the amount in euros for the bonus entitlement of the respective member of the Management Board for the elapsed fiscal year. Accordingly, the bonus entitlement can amount between -25 % (malus) and 75 % of the target salary.

The bonus entitlement calculated in that way is not paid immediately. In order to do justice to the required sustainability and the multi-year assessment basis the bonus amounts are paid delayed by a bonus bank and are subject to the intermediate risk of substantial decrease due to subsequent worsening of the situation. A separate account is kept for the bonus claims of each member of the Management Board.

The bonus or malus calculated for the elapsed fiscal year is booked to the individual account. Allowing for an old balance this results in a current account balance. If this account balance is positive one third will be paid out. Two thirds will be forwarded to new account and be considered in the next year. Negative balances must be compensated by positive balances or bonus deposits before payouts can be made by the bonus bank.

6.2.4 Total remuneration

The total remuneration consists of the fixed salary (75 % of the target salary) and the payment made by the bonus bank.

If the targets agreed upon concerning profitability and growth are achieved on average over several years, the actual total remuneration will be in the amount of the target salary. If the targets are clearly missed for a long time, only the fixed salary will be paid out (75 % of the target salary) in the long term.

In case of significant overachievement of the profitability and the growth target over several years a gradually increasing total remuneration of a maximum of 175 % of the target salary will be paid out.

6.2.5 Limits of the model and intervention of the Supervisory Board

No remuneration model will ever be able to consider all eventualities of real influences. It shall be as simple as possible and must consequently fail in the case of extraordinary and unpredictable boundary conditions.

In the event of serious crises (for example the global economic crisis 2008/2009) or success of the Management Board that cannot be represented in the profit and loss statement (for example strategic successes or the averting of threatening situations) such a remuneration model does not provide satisfactory results.

In order to reduce such system-related disadvantages of a required remuneration system the Supervisory Board of Basler AG reserves two possibilities to intervene in the system:

- Delayed payout by the bonus bank
- Special allocations to the bonus bank.

In the case of extraordinarily difficult circumstances, the Supervisory Board may resolve on suspending or delaying impending payouts by the bonus bank, especially if bonus payments seem to be inappropriate with regard to stress on the staff or partners. The Management Board members' basic claim for payout remains intact.

In the case of extremely good results that are significantly above all expectations the Supervisory Board may resolve on making special allocations to the bonus bank, especially if these results are not necessarily represented in the profit and loss statement. As the normal bonus, these special allocations also risk to decrease before being paid out over the years. The special allocations for each member of the Management Board can be resolved on individually.

In the case of a termination of office as member of the Management Board, the current balance of the bonus bank is dealt with as follows:

- In the case of a negative balance it is cleared by the company
- In the case of a positive balance it is paid for two further calendar years according to the described procedure, however, it is subject to the risk of decrease due to intermediately missed targets. No further payments are made to the bonus bank. In the third year the remaining balance is paid out (possibly after another reduction).

Independently of the remuneration model the following is applicable:

In the case of premature termination of office as member of the Management Board without good cause payments are limited to the value of two annual remunerations and will not exceed the total of claims resulting from the remaining term of the employment contract.

Thus, the remuneration model for the Management Board agreed upon by the shareholders' meeting meets the requirements of the Corporate Governance Code related to:

- Individual and adequate remuneration,
- Focus on sustainable corporate development,
- Breakdown into fixed and variable components,
- Multi-year assessment basis,
- Consideration of positive and negative developments,
- Avoidance of disincentives with regard to unreasonable risks,
- Relevant and ambitious targets and key figures,
- Exclusion of subsequent changes of performance targets,
- Limitation of variable remuneration,
- Supervisory Board's power to intervene in the case of extraordinary developments.

7 Management Board and other statements as stipulated by § 315 Sec. 4 of the German Code of Commercial Law [Handelsgesetzbuch - HGB]

Since January 01, 2011, the Management Board of Basler AG consists of three members. Dr. Dietmar Ley, CEO, is responsible for the finance, product creation, and personnel divisions. John Jennings takes responsibility for the sales and marketing division and for the company's subsidiaries. Arndt Bake is responsible for the product management, supply chain management, and production divisions.

The Articles of Incorporation of Basler AG include the following provisions regarding appointment and dismissal of members of the Management Board:

"The appointment of the members of the Management Board, the revocation of their appointment, and the conclusion, modification, and termination of employment contracts with the members of the Management Board is effected by the Supervisory Board. The same applies for the appointment of a member of the Management Board as chairman and for other members of the Management Board as deputy chairman."

The Articles of Incorporation of Basler AG can only be changed by the shareholders' meeting and only by three quarters of the share capital represented at the time of passing of the resolution.

The share capital of Basler AG amounting to € 3.5 million is divided into 3.5 million of no-par-value bearer shares.

Mr. Norbert Basler, Großhansdorf, has informed the Management Board of Basler AG that he owns 1,804,341 million shares and therewith commands 51.6 % of the voting rights.

The authorization of the Management Board as regards the issue or buyback of own sharesis regulated in the Articles of Incorporation as follows:

"The Management Board is authorized to increase the company's capital stock once or several times up to a total of € 1,750,000.00 by May 20, 2012 with the Supervisory Board's approval by the issuing of up to 1,750,000 new bearer stock certificates against cash contributions and/or contributions in kind. In doing so, shareholders are entitled to subscription rights.

However, the Management Board is authorized, subject to approval by the Supervisory Board, to exclude subscription rights of the shareholders for fractional amounts. Further, with the Supervisory Board's approval, the Management Board may exclude the shareholders' subscription rights in order to be able to offer the new shares of the company to third parties against subscription in kind for the purpose of acquiring companies or participating in companies or claims against the company or affiliated companies. The exclusion of the subscription right by the Management Board is permissible with the Supervisory Board's approval, even if the increase in capital against cash subscription does not exceed 10 % of the capital stock of the amount of € 3,500,000.00 and the issue amount does not considerably fall short of the officially reported price of the already quoted stock of similar funding at the time of ultimately determining the issue price (§ 203 Sec. 1 sentence 1 in connection with § 186 Sec. 3 sentence 4 German Stock Corporation Act). The market price is the arithmetic average of the closing prices of the company stock in electronic trading at the Frankfurt Stock Exchange (XETRA trade) or a successor system during the last ten trading days prior to exercising the authorization.

With the Supervisory Board's approval, the Management Board is authorized to determine the details of the increase in capital stock and the conditions of issuing shares, in particular in determining the issue price."

The Management Board is in addition authorized to buy own shares not exceeding 10 % of the current share capital until May 18, 2015. The authorization can be exercised partially of fully, once or several times, for one or several purposes. It may, however, also be exercised by companies that are dependent or majority owned by the corporation or on their behalf by third parties. According to the corporation's choice, the acquisition may be effected (i) via the stock market or (ii) via a public purchase bid directed to all shareholders of the company or a public invitation directed to all shareholders of the company to make sales offers or (iii) via a public offer directed to all shareholders to exchange shares for shares of a company listed within the meaning of § 3 Abs. 2 AktG or by a public invitation to tender such an offer.

With the Supervisory Board's approval, the Management Board is authorized to use the shares thus obtained and previously obtained shares for all legally permissible purposes.

With the Supervisory Board's approval, the Management Board is in addition authorized to use the shares obtained according to this authorization and the previously obtained own shares to grant shares to other employees of the corporation, to members of the executive board and to employees of companies that are affiliated with the corporation within the meaning of §§ 15 ff. AktG as far as these persons are entitled to their purchase based on employee share ownership plans.

With the Supervisory Board's approval, the Management Board is in addition authorized to use the shares obtained according to this authorization and the previously obtained own shares to fulfill conversion rights, options, and conversion obligations, respectively, due to convertible bonds, partial debentures, and bonds with warrants implying conversion rights, options, and conversion obligations, respectively, issued by the company or by companies that are dependent or majority owned by the corporation.

With the Supervisory Board's approval, the Management Board is in addition authorized to withdraw own shares without further decision by the general meeting.

The shareholders' subscription rights for own shares are excluded as far as these shares are used in accord with the above authorizations.

The Management Board will inform the general meeting about each acquisition of own shares and their use. Further issues according to § 315 Sec. 4 German Code of Commercial Law do not exist.

8. Additional information

8.1 Declaration regarding corporate governance according to § 289a German Code of Commercial Law [Handelsgesetzbuch - HGB]

You can find on our website the declaration of compliance with the Corporate Governance Code, explanations regarding our practices of corporate governance, and a description of the working practices of the Management Board and the Supervisory Board **(www.baslerweb.com)** Click Investors » Corporate Governance.

8.2 Future-related statements

This status report contains statements related to the future development of Basler AG, as well as economic and political developments. These statements represent assessments we made on the basis of all information at our disposal at this time. Should the underlying assumptions not occur or additional risks occur, the actual results may vary from the currently anticipated results. Therefore, we are unable to accept a guarantee for these statements.

Ahrensburg, March 5, 2012

Dr. Dietmar Ley	John P. Jennings	Arndt Bake
(CEO)	(CCO)	(COO)

CONSOLIDATED PROFIT AND LOSS STATEMENT

Group's annual balance sheet according to IFRS for the fiscal year
from January 1, 2011 to December 31, 2011

in € k	Notes	01/01 - 12/31/2011	01/01 - 12/31/2010
Income from sales	**4**	**55,061**	**51,026**
Cost of sales		-30,701	-28,846
of which depreciations on capitalized developments	9,2	3,740	4,182
Gross profit on sales		**24,360**	**22,180**
Other internal income	5	2,589	3,068
Sales and marketing costs		-9,661	-8,736
General administration costs		-7,621	-6,205
Other expenses	6	-2,832	-3,647
Operative profit		**6,835**	**6,660**
Financial income	7	30	15
Financial expense	7	-1,258	-1,660
Earnings before tax		**5,607**	**5,015**
Profit tax	8	-1,363	3,033
Group's year surplus		**4,244**	**8,048**
of which are allocated to			
shareholders of the parent company		4,244	8,048
non-controlling shareholders		0	0
Weighted average number of shares	9.5	3,493,162	3,500,000
Operating profit per share (€)		1,21	2,30

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Group's annual balance sheet according to IFRS for the fiscal year
from January 1, 2011 to December 31, 2011

in € k	Notes	01/01 - 12/31/2011	01/01 - 12/31/2010
Group's annual surplus		4,244	8,048
Result from differences due to currency conversions, directly recorded in equity	18	54	-257
Deficit/surplus from cash flow hedges	18	-1,173	78
Total result through profit and loss		-1,119	-179
Total result		**3,125**	**7,869**
of which attributable to third parties from outside the group			
of which attributable to owners of the parent company		3,125	7,869
non-controlling shareholders		0	0

CONSOLIDATED CASH FLOW STATEMENT

Group's annual balance sheet according to IFRS for the fiscal year
from January 1, 2011 to December 31, 2011

in € k	Notes	01/01 - 12/31/2011	01/01 - 12/31/2010
Operational activity			
Group's period surplus		4,244	8,048
Increase / decrease in deferred taxes		105	-3,983
Interest outpayment / interest inpayment		1,618	1,767
Depreciations on fixed asset objects		6,180	7,744
Change in the capital resources without affecting the payment		-1,119	-179
Increase (+) / decrease (-) in the accruals		-701	1,764
Profit (-) / Loss (+) from the outflow of fixed asset objects		-2	-113
Increase (-) / decrease (+) in the reserves		-497	-2,366
Increase (+) / decrease (-) in the down payments received		-373	412
Increase (-) / decrease (+) in the receivables from deliveries and services		1,411	-712
Increase (-) / decrease (+) in other assets		947	-528
Increase (+) / decrease (-) in the payables from deliveries and services		226	-188
Increase (+) / decrease (-) in other liabilities		1,676	153
Cash inflow from the business activity		**13,715**	**11,819**
Investment activity			
Outpayments for investments in fixed assets		-6,794	-6,349
Inpayment from outflow of fixed asset objects		5	258
Cash outflow the from investment activity		**-6,789**	**-6,091**
Financing activity			
Outpayment for repayment of bank loans		-2,213	-1,350
Silent partnership outpayment		-1,023	0
Outpayment for the clearance of financing liabilities		-1,093	-1,025
Inpayment from the taking out of bank loans		0	1,500
Inpayment from the taking out of loans from closely affiliated persons		0	500
Outpayment for the repayment of loans from closely affiliated persons		-1,000	0
Interest outpayment		-1,618	-1,767
Outpayment for own shares		-604	0
Dividend outpayment		-1,050	0
Cash outflow from financing activity		**-8,600**	**-2,142**
Changes in the funds that affect the payment in the fiscal year		-1,674	3,586
Funds at the beginning of the fiscal year		9,112	5,526
Funds at the end of the fiscal year		7,438	9,112
Composition of funds at the end of the fiscal year			
Cash in bank and cash in hand	16	7,438	9,112
Outpayment for taxes		230	43

GROUP'S BALANCE SHEET

Group's annual balance sheet according to IFRS for the fiscal year from January 1, 2011 to December 31, 2011

in € k	Notes	12/31/2011	12/31/2010
Assets			
A. Fixed assets			
I. Intangible assets	10		
1. Fixed assets		12,232	11,250
2. Buildings and land in finance lease		2,846	2,525
3. Gebäude und Grundstücke im Finanzierungsleasing	17	18,084	18,776
		33,162	32,551
II. Deferred tax assets	11	997	1,036
		34,159	**33,587**
B. Short-term assets			
I. Inventories	12		
1. Finished goods		1,537	1,685
2. Work in progress and semi-finished goods		900	835
3. Raw materials and supplies		5,095	4,648
4. Trade goods		405	272
		7,937	**7,440**
II. Short-term financial assets			
1. Receivables from deliveries and services	13		
- Receivables from deliveries and services		5,400	6,241
- Receivables from production orders		148	718
		5,548	**6,959**
2. Other short-term financial assets	14	105	546
III. Other short-term assets	14	396	989
IV. Claim for tax refunds	15	352	265
V. Cash in bank and cash in hand	16	7,438	9,112
		21,776	**25,311**
		55,935	**58,898**

in € k	Notes	12/31/2011	12/31/2010
Liabilities			
A. Shareholder's equity	18		
I. Subscribed capital		3,445	3,500
II. Reserves		446	1,131
III. Retained earnings including group's earnings		24,256	20,928
IV. Other components of equity		-1,130	-13
		27,017	**25,546**
B. Long-term debt			
I. Long-term liabilities			
1. Long-term liabilities to banks	19	2,288	5,049
2. Other financial liabilities		109	4
3. Liabilities from finance lease	17	15,268	16,363
II. Deferred tax liabilities	11	95	29
		17,760	21,445
C. Short-term debt			
I. Silent partnership		0	1,023
II. Other financial liabilities	19	4,493	3,327
III. Short-term accrual labilities	20	2,347	3,050
IV. Short-term other liabilities			
1. Payables from deliveries and services		1,430	1,310
2. Other short-term liabilities		508	750
3. Liabilities from finance lease	17	2,146	2,144
V. Tax provisions		234	303
		11,158	**11,907**
		55,935	**58,898**

DEVELOPMENT OF FIXED ASSETS FOR FISCAL YEAR 2011

Consolidated changes in statement of fixed assets 2011
(according to IFRS for the fiscal year from January 1, 2011 to December 31, 2011)

	Aquisition and production costs						
	As at 01/01/2011 (in € k)	Additions (in € k)	Disposals (in € k)	Transfers (in € k)	Transfers into assets retained for sale	Foreign exchange differentials (in € k)	01/31/2011 (in € k)
Tangible assets							
Land of finance lease	1,817	0	0	0	0	0	1,817
Buildings of finance lease	24,391	0	0	0	0	0	24,391
Land and buildings on third-party land	836	117	-47	0	0	1	907
technical equipment and machinery	4,267	327	-51	22	0	1	4,566
Other furniture, fixtures, and equipment	2,420	452	-12	37	0	4	2,901
Assets under construction	50	83	0	-59	0	1	75
Total tangible assets	**33,781**	**979**	**-110**	**0**	**0**	**7**	**34,657**
Intangible assets							
Software, tradmark rights, patents und licenses	4,379	370	-77	0	0	0	4,672
Finished own developments	14,396	483	-4,044	1,129	0	-6	11,958
Own developments in process	3,243	4,856	0	-1,129	0	0	6,970
Payments for third-party developments	0	106	0	0	0	0	106
Total intangible assets	**22,018**	**5,815**	**-4,121**	**0**	**0**	**-6**	**23,706**
Assets	**55,799**	**6,794**	**-4,231**	**0**	**0**	**1**	**58,363**

Depreciations								Bock value	
As at 01/01/2011 (in € k)	Additions (in € k)	Sheduled depressions	Disposals (in € k)	Transfers (in € k)	Transfers into assets retained for sale	Foreign exchange differentials (in € k)	As at 01/31/2011 (in € k)	As at 01/31/2011 (in € k)	Previous year (in € k)
0	0	0	0	0	0	0	0	1,817	1,817
7,432	692	0	0	0	0	0	8,124	16,267	16,959
470	56	0	-47	0	0	-2	477	430	366
2,737	430	0	-47	0	0	7	3,127	1,439	1,530
1,841	171	0	-12	0	0	-1	1,999	902	579
0	0	0	0	0	0	0	0	75	50
12,480	**1,349**	**0**	**-106**	**0**	**0**	**4**	**13,727**	**20,930**	**21,301**
3,046	515	0	-76	0	0	1	3,504	1,168	1,315
7,704	3,740	578	-4,038	0	0	-14	7,970	3,988	6,692
0	0	0	0	0	0	0	0	6,970	3,243
0	0	0	0	0	0	0	0	106	0
10,768	**4,255**	**578**	**-4,114**	**0**	**0**	**-13**	**11,474**	**12,232**	**11,250**
23,248	**5,604**	**578**	**-4,220**	**0**	**0**	**-9**	**25,201**	**33,162**	**32,551**

DEVELOPMENT OF FIXED ASSETS FOR FISCAL YEAR 2010

Consolidated changes in statement of fixed assets 2010
(according to IFRS for the fiscal year from January 1, 2010 to December 31, 2010)

	Aquisition and production costs					
	As at 01/01/2010 (in € k)	Additions (in € k)	Disposals (in € k)	Transfers (in € k)	Foreign exchange differentials (in € k)	01/31/2010 (in € k)
Tangible assets						
Land of finance lease	1,817	0	0	0	0	1,817
Buildings of finance lease	24,391	0	0	0	0	24,391
Land and buildings on third-party land	797	28	0	0	11	836
technical equipment and machinery	4,032	804	-602	23	10	4,267
Other furniture, fixtures, and equipment	2,479	78	-190	32	21	2,420
Assets under construction	18	88	0	-56	0	50
Total tangible assets	**33,534**	**998**	**-792**	**-1**	**42**	**33,781**
Intangible assets						
Software, tradmark rights, patents und licenses	4,458	269	-357	7	2	4,379
Finished own developments	16,554	554	-7,351	4,639	0	14,396
Own developments in process	3,351	4,531	0	-4,639	0	3,243
Payments for third-party developments	7	0	0	-7	0	0
Total intangible assets	**24,370**	**5,354**	**-7,708**	**0**	**2**	**22,018**
Assets	**57,904**	**6,352**	**-8,500**	**-1**	**44**	**55,799**

Depreciations							Bock value	
As at 01/01/2010 (in € k)	Additions (in € k)	Sheduled deprecia-tions	Disposals (in € k)	Transfers (in € k)	Foreign exchange differentials (in € k)	As at 01/31/2010 (in € k)	As at 01/31/2010 (in € k)	Previous year (in € k)
0	0	0	0	0	0	0	1,817	1,817
6,740	692	0	0	0	0	7,432	16,959	17,651
392	67	0	0	0	11	470	366	405
2,743	457	0	-468	0	5	2,737	1,530	1,289
1,846	158	0	-183	0	20	1,841	579	633
0	0	0	0	0	0	0	50	18
11,721	**1,374**	**0**	**-651**	**0**	**36**	**12,480**	**21,301**	**21,813**
2,831	571	15	-353	0	0	3,064	1,315	1,627
9,157	4,182	1,601	-7,340	104	0	7,704	6,692	7,397
104	0	0	0	-104	0	0	3,243	3,247
0	0	0	0	0	0	0	0	7
12,092	**4,753**	**1,616**	**-7,693**	**0**	**0**	**10,768**	**11,250**	**12,278**
23,813	**6,127**	**1,616**	**-8,344**	**0**	**36**	**23,248**	**32,551**	**34,091**

CONSOLIDATED CHANGES IN STATEMENT OF SHAREHOLDER'S EQUITY

Group's annual balance sheet according to IFRS for the fiscal year
from January 1, 2011 to December 31, 2011

				Other components of equity			
in € k	Subscribed capital	Capital reserve	Retained earnings including group's earnings	Differences due to currency conversion	Reserves for cash flow hedges	Sum of the othercomponents of equity	Total
Notes	18,1	18,2		18,4	18,4		
Shareholder's equity as of 01/01/2010	**3,500**	**1,131**	**12,880**	**166**	**0**	**166**	17,677
Total result			8,048	-257	78	-179	7,869
Shareholder's equity as of 12/31/2010	**3,500**	**1,131**	**20,928**	**-91**	**78**	**-13**	**25,546**
Total result			4,244	54	-1,173	-1,119	3,125
Share buyback	-55	-549				0	-604
Reclassification		-136	134		2	2	0
Dividend outpayment[1]			-1,050			0	-1,050
Shareholder's equity as of 12/31/2011	**3,445**	**446**	**24,256**	**-37**	**-1,093**	**-1,130**	**27,017**

[1] € 0.30 per share

I. GENERAL INFORMATION

1. The Company

The Basler Group develops, manufactures, and sells on a world wide scale industrial goods in the area of Vision Technology - the technology of machine vision. The Basler corporation has its headquarters in 22926 Ahrensburg (Germany), An der Strusbek 60-62, and maintains subsidiaries in Singapore, Taiwan, and the U.S.A. as well as sales and service offices in Japan, and South Korea. Development and manufacturing are carried out in the German headquarters.

Since March 23, 1999, the Basler AG has been listed at the Frankfurt Stock Exchange. The Basler AG has subjected itself to the Prime Standard regulations.

2. Foundations for Accounting

2.1 Compliance with IFRS

The consolidated financial statements of Basler AG were prepared according to the International Financial Reporting Standards (IFRS) as applicable within the European Union (EU) and in addition, according to the regulations of commercial law, as stipulated by § 315a Sec. 1 HGB. The European Commission has adopted for use in the EU all IFRS that were issued by the International Accounting Standards Board (IASB) and that were in force at the time of preparation of the present consolidated financial statements. These IFRS were also adopted by Basler AG. Therefore, the term "IFRS" will be used below throughout.

2.2 Standards with no effect on the consolidated financial statements

The following new or amended standards and interpretations were applied for the present financial statements. The application of the standards had no significant effect on the data reported in the present financial statements. They may, however, affect the accounting of future transactions and agreements.

- IFRS 1– First-time adoption of the International Financial Reporting Standards (Modification)
- IFRS 1 – First-time adoption of the International Financial Reporting Standards due to improvements of IFRSs (AIP 2010)
- IFRS 3 Business Combinations due to improvements of IFRSs (AIP 2010)
- IFRS 7 Financial instruments: Statements due to improvements of IFRSs (AIP 2010)
- IAS 1 Presentation of the financial statements due to improvements of IFRSs (AIP 2010)
- IAS 24 Statements about relationship to closely affiliated companies and persons (Revised version)
- Follow-up changes due to IAS 27 consolidated financial statements and accounting for shares in subsidiaries to IAS 21, IAS 28 and IAS 31
- IAS 32 Financial instruments - presentation (modification)
- IAS 34 Interim financial statements due to improvements of IFRSs (AIP 2010)
- IFRIC 13 Customer loyalty programs due to improvements of IFRSs (AIP 2010
- IFRIC 14/IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Modification)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

2.3 Approved but not yet adopted standards

The following IFRS incorporated into EU law were issued as at the reporting date, their application is, however, only mandatory in future reporting periods. The Basler group has decided not to exercise a possible option of an early application in the case of standards and interpretations with mandatory application only in future reporting periods.

Amendment / standard	Publication date	Date of incorporation into EU law	Time of becoming effective
IFRS 7 – Financial instruments: disclosures	October 07, 2010	November 22, 2011	Fiscal years beginning after June 30, 2011

The individual effects of the amendments will be investigated by the group.

2.4 Additional information

All amounts are stated in thousand euros (€ k) unless stated otherwise.

The fiscal year corresponds to the calendar year. Comparative figures of the previous year are indicated in the group's comprehensive financial statement, in the cash flow statement, and in the statement of the registered earnings and expenditures.

The group's annual balance sheet is prepared under the going concern premise.

2.5 Use of estimates

The preparation of the consolidated financial statement in accord with IFRS requires the management to make estimates and assumptions regarding the recognition and amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the reporting date, and regarding the amount of turnover and expenses reported during the period under review. The actual results may deviate from these assessed values. Critical accounting estimates arise as to the evaluation of tangible assets concerning the useful life as well as to the evaluation of internally generated intangible assets concerning the useful life and to expected sales. A review of the underlying useful lives did not reveal any clues for a necessary adjustment. The Management Board is of the opinion that the book value of the internally generated intangible assets will be entirely realized despite of possible lower sales.

3. Accounting and valuation methods

3.1 Foundations for consolidation

All major subsidiaries that are directly or indirectly controlled by Basler AG as provided by IAS 27 are included in the group's annual balance sheet.

Parties under joint control within the meaning of IAS 31 (joint ventures) are consolidated proportionately.

Major associates are balanced under the equity method in accord with IAS 28 if significant influence can be exercised.

For a list of subsidiaries and investments, see note 30.

Harmonization

The financial statements to be consolidated of Basler AG as parent company and of the subsidiaries included in the consolidation are prepared using uniform accounting and valuation methods. All intra-group business transactions, balances, and profit and loss are completely eliminated in the context of consolidation.

Currency conversion

The functional currency of the subsidiaries is the currency of the respective country, except for Basler Asia Pte. Ltd. which prepares the balance in euros. Consequently, on the balance sheet date, assets and liabilities are converted into euros using the applicable exchange rate on the reporting date. Turnover and expenses are converted using the average exchange rate of the period under review. Accumulated exchange rate gains and losses are reported as a separate component of the equity capital. In the fiscal year, equity capital was increased by € 54 thousand (previous year: increased by € 257 thousand).

Business transactions made in foreign currencies in the individual financial statements of the consolidated companies are converted at the exchange rates applicable on the reporting dates of the transactions. In fiscal year 2011, profits amounting to € 1,306 thousand (previous year: € 1,483 thousand) and expenses amounting to € 955 thousand (previous year: € 1,171 thousand) accrued, respectively. The income is reported under other operating income and the expenses under general administrative expenses in the respective annual financial statements.

Transactions within the European Union are recorded using the applicable fixed euro exchange rates. Further relevant exchange rates are listed below:

	Applicable exchange rates as at	
	12/31/2011	12/31/2010
1 euro	US dollar 1.2939	US dollar 1.3362
1 euro	New Taiwan dollar 39.4287	New Taiwan dollar 38.9638

	Average exchange rates	
	12/31/2011	12/31/2010
1 euro	US dollar 1.3920	US dollar 1.3257
1 euro	New Taiwan dollar 41.0826	New Taiwan dollar 41.8818

Sources: Exchange rates of the European Central Bank with the exception of the New Taiwan dollar which is based on the Interbank spot rate.

Capital consolidation principles

Capital consolidation is performed according to the purchase method where at the time of acquisition the acquisition costs for the holding are charged against the proportionate equity capital. Assets and debts of the subsidiaries are valued at their fair values if the fair values to be applied deviate from their book values.

All intragroup balances, earnings, and expenses as well as unrealized profits and losses from intragroup transactions are eliminated to their full amounts. Deferred taxes are delimited according to IAS 12 from consolidation procedures impacting on revenue results.

3.2 Earnings realization

Earnings are recorded when it is probable that the economic benefits will accrue for the group and when the amounts of the earnings can reliably be estimated. Earnings are assessed according to the applicable time values of the considerations received or to be received. Discounts, rebates and value-added tax or other dues are not considered. Moreover, the realization of earnings presupposes the following criteria for assessment to be satisfied.

Sale of goods and products

Earnings for goods and products are recorded after the relevant opportunities and risks related to the ownership of the goods and products sold were transferred to the buyer. Generally, this applies at the time of shipment of the goods and products. Earnings from customer-specific manufacturing across periods are recorded as earnings according to the degree of completion (percentage-of-completion method). The degree of completion is determined according to the costs accrued on the balance sheet date. The degree of completion is expressed as percentage of the estimated total costs of the related project. Earnings are recorded only to the amount of the ac-crued rebate able expenses if the result of an order cannot reliably be estimated.

Rental income

Earnings from subleasing the office building in Ahrensburg are recorded in the period in which they arise and in accord with the regulations of the contract concerned.

Interest income

Interest income is recorded when the interest has accrued (using the effective interest method). Interest income is reported in the statement of comprehensive income as part of the financial income.

3.3 Taxation

Actual income taxes

The actual tax refund claims and the tax liabilities for current and previous periods are assessed as the amounts that are expected as refunds by and payments to the tax authority, respectively. The amounts are calculated based on the taxes and tax laws applicable at the balance sheet date.

Actual taxes referring to items directly recorded with the equity capital are not recorded in the income statement but with the equity capital.

Deferred taxes

Deferred taxes are accounted for under the asset and liability method. There, temporary differences at the balance sheet date are considered between the valuation of an asset or a debt in the balance sheet and the valuation for taxation.

Deferred tax liabilities are recorded for all taxable temporary differences with these exceptions:

- Deferred tax liabilities due to a first-time valuation of goodwill or an asset or debts resulting from a business transaction other than a business combination that has - at the time of the business transaction - neither bearing on the profit for the period under German commercial law nor on the taxable result.
- Deferred tax liabilities due to taxable temporary differences related to investments in subsidiaries, associates and stakes in joint ventures if the temporal course of the reversal of temporary differences can be controlled and if it is probable that the temporary differences will not reverse in the foreseeable period.

With the exceptions listed below, deferred tax assets are recorded for all deductible temporary differences, not yet used tax loss carryforwards, and unused tax credits to the likely extent that the taxable profit will be available, against which the deductible temporary differences, the not yet used tax loss carryforwards, and tax credits can be applied:

- Deferred tax assets due to deductible temporary differences related to a first-time valuation of an asset or debts resulting from a business transaction other than a business combination that has - at the time of the business transaction - neither bearing on the profit for the period under German commercial law nor on the taxable result.
- Deferred tax assets due to deductible temporary differences related to investments in subsidiaries, associates and stakes in joint ventures if it is probable that the temporary differences will not reverse in the foreseeable period or no sufficient taxable result will be available against which the temporary differences can be applied.

The book values of the deferred income tax assets are checked on every balance sheet date and are reduced by an amount so as to make it improbable that a sufficient taxable result will be available against which the latent tax asset can at least partly be applied. Deferred tax assets that have not undergone valuation are checked on every balance sheet date and are valuedat an amount so as to make it probable that a future taxable result will permit realizing the deferred tax asset.

Deferred tax assets and tax liabilities are assessed using those tax rates that will presumably be valid in the period when an asset will be realized or when a debt will be cleared. The assessments are based on the tax rates (and tax laws) valid on the balance sheet date. Future changes of tax rates are taken into account if material prerequisites for being effective are given in the context of the legislative process on the balance sheet date.

Deferred taxes related to items directly recorded with the equity capital are not recorded in the income statement but with the equity capital. Deferred tax assets and tax liabilities are offset against each other if the group has an enforceable claim to the offset of the actual tax refund claims against the actual tax liabilities and if they relate to the income taxes of the same taxable entities, where the taxes are levied by the same tax authority.

3.4 Government grants

Government grants are recorded if it is reasonably assured that the grants will be granted and that the company will meet the related conditions. Expense-related grants are regularly recorded as income for the period that is necessary for offsetting the grants against the corresponding expenses. Grants for an asset directly decrease the book value of the asset and they are recorded as income due to decreased depreciation.

In the case of non-monetary grants to the group, the assets and the grants are recorded at their nominal values and, if possible, are reversed and recognized in income in equal annual rates over the estimated useful lives of the assets concerned.

3.5 Equity instruments

Treasury shares acquired by the group are recorded at acquisition cost and are directly deducted from equity capital. The acquisition, sale, issue or withdrawal of treasury shares is not recognized in income. Possible differences between book values and considerations are recorded in the other capital reserve.

3.6 Financial assets and liabilities

Receivables and other financial assets are capitalized at acquisition costs on the settlement date. If a receivable is in danger of not being recoverable due to a customer's illiquidity, specific allowance is used to the full amount of the receivable.

When the fair values of financial assets or liabilities are assessed or stated, they are on principle based on the market values or stock exchange values. In the absence of an active market the fair values are assessed based on accepted methods of financial mathematics.

3.7 Derivative financial instruments

The corporate group enters into a variety of derivative financial instruments in order to manage its exposure to interest and foreign exchange rate risks. These include forward exchange contracts, interest swaps, and foreign currency options. Derivatives are initially recognized at the time of the transaction at fair value and subsequently valued at fair value at each reporting date. The resulting valuation gain or loss is immediately recognized in the income statement unless the derivative is designated and effective as a hedging instrument for hedge accounting purposes. The timing of recognizing the valuation results in the income statement depends on the type of hedging relationship. The effective portion of change in the fair value of derivatives that are suitable and designated as cash flow hedges is recognized in other comprehensive income under the item of cash flow hedges reserve. If necessary, the gains or losses as a result of the ineffective portion is immediately recognized in the income statement under the item other income/other expenses.

3.8 Inventories

Raw materials, supplies, operating materials, merchandise as well as unfinished and finished products are stated as inventories, unless they can be attributed to a customer order. Inventories are valued at the acquisition costs or the production costs and net selling price, whichever is less.

Costs that have accrued for taking inventories to their present location and for bringing them into their current states are balanced in the following way:

Raw materials, supplies, operating materials, and merchandise

- Moving averages
- Finished and unfinished products
- Material costs, production costs, and services that can be directly allocated as well as ap-propriate portions of production overheads based on the normal capacities of the production facilities without considering borrowing costs.

The net selling price is the estimated sales revenue that can be realized in the normal course of business less the estimated costs accrued until completion and estimated distribution costs.

3.9 Tangible assets and buildings and land in finance lease

Tangible assets are valued on principle at acquisition costs or production costs less accumulated scheduled depreciation and accumulated impairment losses. The useful lives applied for this purpose correspond to the expected periods of use of the assets within the company. Residual values were neglected in the calculation of depreciations due to insignificance. Revaluations of the tangible fixed assets are not performed.

The scheduled depreciations of property, plant, and equipment are largely based on the following useful lives:

Asset	Useful life in years
Technical equipment and machinery	3 to 5, 7, and 10
Other equipment, operational and office equipment	3 to 5, 7, and 10
Parking garages	20
Commercial and office buildings	38 to 40

The book values of the tangible assets are reviewed as of every reporting date to identify any evidence of impairment.

3.10 Intangible assets

Intangible assets acquired against payment, mainly software, are capitalized at purchase costs and amortized over their scheduled useful lives.

Research costs are recorded as expense for the period of their accrual. Development costs for an individual project are only capitalized as intangible assets if the following conditions can be proven to apply:

- the technical feasibility of completing the intangible asset, enabling internal use or sale of the asset;
- the intent of completing the intangible asset for its use or sale;
- the intangible asset is likely to realize a future economic benefit;
- the availability of resources for completing the asset
- the possibility of reliably determining related expenses during the development of the intangible asset.

The development costs are balanced according to their initial valuation applying the cost model, i.e. using acquisition costs less accumulated amortizations and accumulated impairment losses. Amortization starts from the termination of the development phase and from the time when the asset can be used. Amortization is calculated on a straight-line basis over the period for which future benefit can be expected. The following useful lives are assumed:

Asset	Useful life in years
Capitalized development costs	3 - 7
Software, product development received against payment	3 - 6

The amortization cost is included in the group's profit and loss statement, in the cost for service performed, in the sales and marketing expenses, and in the general administrative expenses.

At least once a year and at particular instigation an impairment test is carried out during the development phase. In order to determine the use value the estimated cash flows are discounted with a risk-adjusted discount rate of 8 %. The calculations are based on forecasts resulting from financial plans for three years approved by the Management and which are also used for internal purposes. The planning period reflects the assumptions for short- to mid-term market developments. For the Components segment the company assumes a sales growth in the mid-single digit percentage range for 2012 and slightly higher sales increases for the following years. The gross profit margin is expected to decline slightly.

3.11 Liquid assets and cash equivalents

The item includes cash on hand as well as short-term deposits with maturities of less than 3 months.

3.12 Leases

A lease is classified as “operating lease” if essentially all risks and opportunities associated with economic ownership therein remain with the lessor.

Liabilities from financing lease agreements are stated at the net present value of the lease pay-ments at the time of conclusion of the contract while other liabilities are stated at the repayment values and/or amortized costs.

3.13 Borrowing costs

Borrowing costs are capitalized on qualifying assets according to IAS 23. They are added to the production costs of the assets until the date when the assets are essentially ready for their intended use or for sale. Achieved earnings from temporary investment of specially raised borrowed capital until its disbursement for qualifying assets are deducted from the borrowing costs that can be capitalized.

All other borrowing costs are recognized in income in the period where they accrue.

3.14 Financial debt

Financial debt is stated at its amortized cost. This includes the silent partnership, bank debt, liabilities from finance leases, and the other financial liabilities.

3.15 Provisions

Provisions are recognized when Basler has a present (legal or constructive) obligation due to a past event, when settlement of the obligation is expected to result in an outflow of resources of economic benefit, and when the amount of the obligation can reliably be estimated. If the group expects to receive a reimbursement of at least part of a provision from an identifiable third party (e.g. in the case of an insurance policy) the reimbursement is recognized as a separate asset provided the influx of the reimbursement is virtually certain. The expense from recognizing the provision is recorded in the income statement less reimbursement. If the effect of the time value of money resulting from discounting is material, provisions are discounted at a pretax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

II. ITEMS OF THE ANNUAL FINANCIAL STATEMENTS

PROFIT AND LOSS STATEMENTS

4. Sales revenues

The sales revenues amounting to € 55,061 thousand (previous year: € 51,026 thousand) include sales from orders relating to customer-specific manufacturing amounting to € 6,456 thousand (previous year: € 8,132 thousand).

5. Other operational profit

The other operational profit includes the following:

	2011	2010
Currency exchange gains	1,306	1,483
Rental income	832	814
Subsidies for research and development	171	211
Income from the sale of tangible assets	0	113
Insurance recoveries	10	38
Income from the release of provisions	47	32
Other	223	377
Total	**2,589**	**3,068**

6. Other expenses

The other expense includes the following:

	2011	2010
Full costs for research and development	7,137	6,561
Capitalization of own development costs	-4,982	-4,930
Unscheduled depreciations on capitalized developments	578	1,601
Further other expense	99	415
Total	**2,832**	**3,647**

7. Financial result

	2011	2010
Interest income from cash in banks	30	15
Full costs for research and development	-400	-535
Capitalization of own development costs	-102	-102
Unscheduled depreciations on capitalized developments	356	155
Further other expense	-1,112	-1,178
Total	**-1,228**	**-1,645**

The interest income and interest expense relate exclusively to financial assets (including cash) valued at amortized cost and to financial liabilities.

The capitalization rates considered in accordance with IAS 23, were between 6.37 % and 8.06 % in fiscal year 2011.

8. Earnings taxes

Taxes paid or owed of income/revenues and deferred taxes are both stated as earnings taxes.

Any income obtained is stated as a negative amount.

	2011	2010
Current taxes from consolidated companies (on earnings)	801	953
Deferred taxes from consolida-ted companies (on earnings)	562	-3,986
Other taxes	-	-
Tax expense/income	**1,363**	**-3,033**

	2011	2010
Deferred tax expenses from changes in tax rates (earnings -)	1,143	1,125
Adjustment of loss carry for-wards	-11	-59
Reversal of an impairment loss on/value adjustment on loss	-101	-4,155
Carry forwards	-469	-897
Deferred tax expense/income	**562**	**-3,986**

The following is a breakdown of the effective tax burden which includes the German corporate income tax rate of 15.83 % (previous year: 15.83 %) including solidarity surcharge, and the applicable trade income tax rate of 12.25 % (previous year: 12.25 %), amounting to a combined statutory tax rate of 28.08 % (previous year: 28.08 %):

Tax reconciliation	2011	2010
Net profit for the year before income taxes	5,607	5,015
Applicable tax rate	28.08%	28.08%
Expected tax expense/income	1,574	1,408

Reconciliation		
Effects from deviating tax rates	-347	-227
Recognition and valuation of deferred tax assets	-101	-4,155
Tax effect from non-deduc-tible expenses and tax-free earnings	89	58
Other	148	-117
Actual tax expense/income	1,363	-3,033
Group tax rate	24.3%	-60.5%

Income taxes directly recognized in equity amount to € -455 thousand (previous year: € 31 thousand) in the reporting year.

As per 31 December, the following tax loss carryforwards existed (in € k):

	2011	2010
Germany, corporate income tax	13,655	17,211
Germany, trade income tax	12,374	16,158
U,S,A,, federal level	552	335
Taiwan	-	801

The tax loss carryorwards in Germany apply for an indeterminate period. Due to the statutory situation, out of the total loss carryforward, a maximum of € 1,000 thousand plus 40 % of the excess tax profit can be utilized per year.

The tax loss carryforwards in the U.S.A. can be utilized until 2028.

As at the reporting date Basler capitalized deferred tax assets on corporate income tax and trade income tax loss carryforwards amounting to € 3,700 thousand (previous year: € 4,731 thousand), since sufficiently taxable income is expected in the future. Of these, corporate income tax and trade income tax loss carryforwards extant in Germany, amounting to € 13.7 million and € 12.4 million can be utilized without limit; the remaining loss carryforwards in the USA expire after a maximum of seventeen years.

9. Additional information

9.1 Production orders

The accumulated costs of production orders in progress on the reporting date amount to € 2,519 thousand (previous year: € 4,202 thousand), the accumulated profits reported amount to € 28 thousand (previous year: € 3,503 thousand).

In the year 2011, costs for guarantees amounted to € 301 thousand (previous year: € 224 thou-sand).

9.2 Scheduled and unscheduled depreciations

In fiscal year 2011, unscheduled value adjustments were made on capitalized product developments to the amount of EUR 578 thousand (previous year: EUR 1.601 thousand) resulting from the phase out of products or products for which insufficient benefit is expected. The unscheduled depreciations on the capitalized developments were recorded in the reporting year with the other expense. The depreciations and unscheduled depreciations are included in the following areas:

	2011	2010
Cost of service performed	4,104	4,609
Sales and marketing costs	123	248
General administration costs	975	750
Other expense	980	2,136
Total	**6,182**	**7,743**

9.3 Personnel expenditures

	2011	2010
Wages and salaries	16,717	15,407
Social security contributions	2,800	2,537
Total	**19,517**	**17,944**

The expenses for contribution-based old-age pension schemes amounted to € 1,364 thousand (previous year: € 1,122 thousand). The group's employees are for the most part insured under the mandatory statutory pension insurance scheme and are thus subject to a government contribution-based plan.

9.4 Material expenditures

	2011	2010
Expenses for raw, auxiliary, and operating supply items as well as purchased goods	19,227	16,813
Expenses for purchased services	754	506
Total	**19,981**	**17,319**

9.5 Reconciliations for result per share

	2011	2010
Earnings diluted / undiluted in thousand €	4,244	8,048
Weighted average number of ordinary shares	3,493,162	3,500,000

The calculation of the average number of shares outstanding was carried out according to a pro rata temporis weighting.

BALANCE SHEET

10. Development of fixed assets

As at December 31.12.2011, Basler used fully depreciated fixed assets representing an acquisition value of € 9,312 thousand (previous year: € 5,791 thousand).

For more details about the development of fixed assets, we refer to the separate explanation.

The technical equipment, machines, and fixtures and fittings amounting to € 1,538 thousand (previous year € 2,250 thousand) are assigned as collaterals to credit institutions.

The purchase commitments for tangible assets amounted to € 138 thousand (previous year: € 190 thousand) as at December 31, 2011.

11. Deferred taxes

The following deferred tax assets and liabilities apply to measurement or recognition inconsistencies of the individual balance sheet items:

Deferred tax assets	12/31/2011	12/31/2010
From tax loss carryforwards	3,700	4,731
Inventories	880	1,382
Financial instruments	298	0
Other	103	11
Offsetting	-3,984	-5,088
Total	**997**	**1,036**

Deferred tax liabilities	12/31/2011	12/31/2010
Capitalization of development	3,077	2,790
Receivables	794	2,193
Finance lease	188	0
Other	20	134
Offsetting	-3,984	-5,088
Total	**95**	**29**

12. Inventories

As of December 31, 2011, unscheduled value adjustments were made on the inventories to the amount of € 1,051 thousand (previous year: € 1,233 thousand). Of which a reduction of € 182 thousand applied to fiscal year 2011 (previous year: € 989 thousand).

Finished products and merchandize include devices made available to customers temporarily for testing, on loan, and for demonstration purposes worth € 76 thousand (previous year: € 248 thousand). This manner of reporting facilitates the handling of the future sale to the customer. Devices used for demonstration purposes over an extended period, e.g. for trade fairs and exhibitions, are stated under fixed assets and are depreciated over their useful lives amounting to three years.

13. Receivables

Of the receivables from deliveries and services in the amount of € 5,400 thousand (previous year: € 6,241 thousand) € 5,400 thousand (previous year: € 6,241 thousand) are due within one year.

The values of the receivables from deliveries and services are adjusted by € 135 thousand (previous year: € 38 thousand). In fiscal year 2011, value adjustments and derecognitions credited to income amounted to € 141 thousand (previous year: € 84 thousand).

Value adjustments of receivables are maintained at Basler on separate accounts. Value adjustments are performed as far as the collectability of a receivable is in danger e.g. due to insolvency. The value adjustments have developed in the following way:

€ k	2011	2010
Status as at 01/01	38	62
Exchange rate differences	0	0
Allocation	109	84
Consumption	0	108
Liquidation	12	0
Status as at 12/31	135	38

The aging profile of the receivables from deliveries and services after specific allowances is as follows:

€ k	2011	2010
Book value as at 12/31	5,400	6,241
Of which as at 12/31 neither impaired nor past due	4,707	4,702
Of which not impaired and up to 60 days past due	445	1,498
Of which not impaired and more than 61 days past due	248	41

Of the receivables, € 2,547 thousand (previous year: € 7,705 thousand) are allocated to manufacturing to order. The sum of advance payments received amounts to € 2,468 thousand (previous year: € 7,429 thousand), of which € 2,399 thousand (previous year: € 6,987 thousand) are deducted from the receivables arising from long-term production. The receivables from production orders are not impaired by specific allowances. There are no receivables past due that would require value adjustments.

The maximum default risk corresponds to the book values stated in the balance sheet of each financial asset (less value adjustments taken into account as at the balance sheet date, if applicable).

The fair values do not differ significantly from the book values.

14. Other short-term financial assets and other assets

	12/31/2011	12/31/2010
Other expense	379	265
Advance payments made	17	724
Derivative financial instruments	0	424
Other	105	122
Total	**501**	**1.535**

The fair values do not differ significantly from the book values. The maximum default risk corresponds to the book values stated in the balance sheet of each financial asset. The other current financial assets are not impaired by value adjustments. There are no receivables past due that would require value adjustments.

15. Tax refund claims

The tax refund claims relate to input tax amounting to € 250 thousand (previous year: € 192 thousand) and the reclaim of taxes paid in advance on income and profit amounting to € 102 thousand (previous year: € 73 thousand).

The fair values do not differ significantly from the book values. The maximum default risk corresponds to the book values stated in the balance sheet of each financial asset.

16. Cash and cash equivalents

Cash and cash equivalents include cash in bank and cash in hand in the amount of € 7,438 thousand (previous year: € 9,112 thousand).

17. Lease

17.1 Finance lease

The company building and the company grounds in Ahrensburg are used within the framework of a lease agreement. The agreement is classified as financing lease agreement. The book values at the end of the fiscal year are as follows:

	12/31/2011	12/31/2010
Land	1,817	1,817
Buildings	16,267	16,959
Total	**18,084**	**18,776**

The development is recorded separately in the fixed asset schedule.

The liabilities from finance lease are as follows:

	Minimum lease payment		Cash value of Minimum lease payment	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
With a residual term of up to one year	2,208	2,205	2,146	2,144
With a residual term of more than one year and up to five years	8,856	8,846	7,385	7,377
With a residual term of more than five years	11,859	14,077	7,883	8,986
	22,923	25,128		
Less:				
Future financing costs:	-5,509	-6,621		
Cash value of the minimum lease payments	17,414	18,507	17,414	18,507
Recorded in the group's annual balance sheet as	148	117		
Short-term liabilities from financing lease			2,146	2,144
Long-term liabilities from financing lease			15,268	16,363

Basler will receive at least the following rental payments from subleasing the office building in Ahrensburg under contracts that have been concluded and are non-cancellable:

Fiscal year	€ k
2012	711
2013 – 2016	919
From 2017	-

The earnings from subleases amounted to € 832 thousand in the reporting year (previous year: € 814 thousand).

Basler has the option of purchasing the building at the end of the lease.

The interest rates applicable to the liabilities related to this finance lease were fixed on the day of the conclusion of the agreement. They amount to 6.22 % and 6.84 % for the different elements of the building.

17.2 Operating lease

Parts of the fixtures and fittings are used within the framework of an operating lease. The future rental and leasing payments based on non-cancellable operating leases and rentals amount to a minimum of:

Fiscal year	€ k
2012	276
2013 – 2016	331
From 2017	-

Almost all rental and leasing options provide for final purchase options at market conditions. During the reporting year, the rent/leasing expenses amounted to € 265 thousand (previous year: € 270 thousand).

18. Equity

18.1 Subscribed capital

The paid-up share capital of the company amounts to € 3,500,000 and is divided into 3,500,000 issued no-par-value shares. The shares are in bearer form. The number of shares in circulation as of January 1st, 2011, amounted to 3.500.000 and at December 31st, 2011 to 3.445.313. In the reporting year, 54.687 own shares were acquired.

The shares of Basler AG have been listed at the Frankfurt Stock Exchange since March 23, 1999.

18.2 Capital reserve

The capital reserve consists of the share premium from the capital increase carried out in the context of the IPO in 1999. In the reporting year, the difference between the nominal value and the acquisition costs of own shares of € 549 thousand was deducted from the capital reserve.

18.3 Authorized capital

Pursuant to § 4 clause (3) of the Basler AG articles of incorporation, the Management Board is authorized, subject to approval by the Supervisory Board, to increase the share capital by May 20, 2012, by issuing up to 1,750,000 new no-par-value bearer shares against cash and/or non-cash contributions either once or several times by a total of € 1,750,000.00. The shareholders shall be granted a subscription right for this purpose. However, the Management Board is authorized, subject to approval by the Supervisory Board, to exclude subscription rights of the shareholders for fractional amounts.

18.4 Components of the residual total income

The pre-tax and after tax profits of the components of the residual total income are as follows:

	12/31/2011			12/31/2010		
	Before tax	Taxes	Net	Before tax	Taxes	Net
Currency conversion of foreign subsidiaries	54	0	54	-257	0	-257
Cash Flow Hedges	-1,628	455	-1,173	109	-31	78
Total	**-1,574**	**455**	**-1,119**	**-148**	**-31**	**-179**

19. Financial liabilities

Basler reports the following financial liabilities as at December 31, 2011 (in k€):

Description	Interest condition	Interest rate	End of term	Repay-ment amount
Bank loans	Fixed	12.00 %	March 31, 2012	511 (Previous year: 511)
ERP bank loan, tranche I	Fixed	5.35 %	March 31, 2013	2,250 (Previous year: 3,750)
ERP-bank loan, tranche II	Fixed	4.35 %	March 31, 2013	900 (Previous year: 1,500)
ERP-bank loan, tranche III	Fixed	3.65 %	March 31, 2013	638 (Previous year: 750)
ERP-bank loan, tranche IV	Fixed	4.60 %	March 31, 2013	750 (Previous year: 750)

The silent partnership reported in the previous year as well as loans to closely affiliated persons were completely paid back in the reporting year.

Furthermore, derivative financial liabilities of € 1,650 thousand as well as other financial liabilities of € 82 thousand are shown under other financial liabilities.

The fair values of the above financial liabilities, of the liabilities from deliveries and services, and of the other short-term liabilities, do not vary significantly from the reported book values.

20. Provisions

	01/01/2011	Allo-cation	Utiliza-tions	Liqui-dation	Cur-rency	12/31/2011
Personnel costs	1,708	1,467	-1,904	-23	-6	1,242
Commissions	69	5	-69	0	0	5
Taxes	732	318	-732	0	3	321
Guarantee	171	189	-171	0	0	189
Legal and consultancy costs	111	106	-102	-10	0	105
Purchasing obligations	68	138	0	0	0	206
Other	191	390	-288	-14	0	279
Total	**3,050**	**2,613**	**-3,266**	**-47**	**-3**	**2,347**

The provisions for personnel costs were mainly made for holiday leave carried forward, for flexi-time balances, and for bonuses for the reporting year.

The tax provisions were made for the actual tax burden on the result for the reporting year and, if applicable, any previous years.

The short-term provisions are expected to be utilized in the course of one year.

21. Derivative financial instruments and other financial instruments

As a company acting on global markets, Basler is exposed to various market risks. In order to reduce USD currency risks, Basler uses forward exchange contracts. As these dealings are in-tended as security for underlying operating transactions, their terms are less than one year in each case.

The following outstanding forward exchange contracts existed as at the respective balance sheet dates (in € k):

	12/31/2011	12/31/2010
Nominal value in k€	3,752	3,587
Foreign currency amount in $ k	5,100	4,800
Fair value in € k		
Positive	-	-
Negativ	190	5

Valuation is carried out according to the mark-to-market method. Positive fair values are stated under short-term other assets and negative fair values under short-term other financial liabilities. The net loss resulting from valuation at fair value in fiscal year 2011 amounted to € 185 thousand (previous year: profit of € 21 thousand).

As in the case of the receivables, the maximum default risk corresponds to the book values stated in the balance sheet of each financial asset (less value adjustments taken into account as at the balance sheet date, if applicable), including the derivative financial instruments. As the contractual partners for derivatives are renowned financial institutions, it can be assumed that the liabilities under derivative transactions will be met.

Basler uses forward exchange contracts employed as cash flow hedges for the medium-term hedging against USD exchange rate fluctuations. They provide hedging for a maximum period of 24 months. These transactions serve for hedging planned sales in fiscal years 2012 and 2013. The hedged sales are expected to show effect on the results in fiscal years 2012 and 2013. The valuation is effected according to the mark-to-market method. Positive fair values are stated under short-term other assets and negative fair values under short-term other financial liabilities. The loss resulting from valuation at fair value in fiscal year 2011, directly recorded in equity (total other result), amounted to € 543 thousand (previous year: profit of € 78 thousand).

	12/31/2011	12/31/2010
Nominal value in k€	10,000	15,784
Foreign currency amount in k$	15,000	21,000
Fair value in k€		
Positive	-	424
Negativ	588	-

In order to hedge future credit transactions against interest rate increases in fiscal year 2012 Basler entered into an interest rate swap. Valuation is carried out according to the mark-to-market method. Positive fair values are stated under short-term other assets and negative fair values under short-term other financial liabilities. The loss resulting from valuation at fair value in fiscal year 2011, directly recorded in equity (total other result), amounted to € 627 thousand (previous year: 0).

	12/31/2011	12/31/2010
Nominal value in k€	10,000	-
Fair value in k€		
Positive	-	-
Negativ	873	-

22. Categories of financial instruments

In accordance with IFRS 7, the financial instruments are classified into the following valuation classes.

Category	Significance	Interest rate	Valuation
AfS	Available for sale	Financial assets available for divestment	fair value (directly in equity)
FAHfT	Financial Assets Held for Trad-ing	Financial assets available for trading	fair value (through profit or loss)
FLAC	Financial Liabilities Measured at Amortized Cost	At fair value through profit or loss	at amortized cost
FVTPL	At Fair Value Through Profit or Loss	At fair value through profit or loss	fair value (through profit or loss)
HtM	Held to Maturity	Financial investments held to maturity	at amortized cost
LaR	Loans and Receivables	Loans and receivables	at amortized cost

The book values of the financial instruments as at December 31, 2011, are as follows (in € k):

	Category of measurement according to IAS 39	2011				
		Book value 12/31/2011	Amortized cost	Fair value, directly in equity	Fair value, through profit or loss	Fair value 12/31/2011
ASSETS						
Receivables from deliveries and services	LaR	5,400	5,400			
Receivables from production orders	LaR	148	148			
Short-term financial assets		**5,548**				**5,548**
Remaining other short-term financial assets	LaR	105	105			
Other short-term financial assets		**105**				**105**
Liquid assets	LaR	7,438	7,438			
Cash and cash equivalents		**7,438**				**7,438**
Total		**13,091**				
LIABILITIES						
Liabilities against credit institutions. Credit institutions	FLAC	2,288	2,288			
Other financial liabilities	*FLAC*	*109*	*109*			
Liabilities from finance lease	FLAC	15,268	15,268			
Long-term financial liabilities		**17,665**				**17,665**
Other financial liabilities	FLAC	2,843	2,843			
Short-term derivative liabilities	FVTPL	1,650		190	1,460	
Liabilities from deliveries and services	FLAC	1,430	1,430			
Liabilities from finance lease	FLAC	2,146	2,146			
Remaining other short-term financial liabilities	FLAC	508	508			
Short-term liabilities		**8,577**				**8,577**
Total		**26,242**				

Comparative values as at December 31, 2010:

	Category of measurement according to IAS 39	2010 Book value 12/31/2010	Amortized cost	Fair value, directly in equity	Fair value, through profit or loss	Fair value 12/31/2010
ASSETS						
Receivables from deliveries and services	LaR	6,241	6,241			
Receivables from production orders	LaR	718	718			
Short-term financial assets		**6,959**				**6,959**
Short-term derivative assets	FVTPL	424			424	
Remaining other short-term financial assets	LaR	122	122			
Other short-term financial assets		**546**				**546**
Liquid assets	LaR	9,112	9,112			
Cash and cash equivalents		**9,112**				**9,112**
Total		**16,617**				
LIABILITIES						
Liabilities against credit institutions, Credit institutions	FLAC	5,049	5,049			
Other financial liabilities	*FLAC*	*4*	*4*			
Liabilities from finance lease	FLAC	16,363	16,363			
Long-term financial liabilities		**21,416**				**21,416**
Silent partnership	FLAC	1,023	1,023			
Other financial liabilities	FLAC	3,327	3,327			
Short-term derivative liabilities	FVTPL	5		5		
Liabilities from deliveries and services	FLAC	1,310	1,310			
Liabilities from finance lease	FLAC	2,144	2,144			
Remaining other short-term financial liabilities	FLAC	750	750			
Short-term liabilities		**8,559**				**8,559**
Total		**29,975**				

For the recording of impairments and net profits/losses of the stated financial assets and financial liabilities, please refer to notes sentence 13 and 21.

III. ADDITIONAL INFORMATION

23. Types and management of financial risks

23.1 Derivative financial instruments/ currency risk

As at the balance sheet date, US dollar forward transactions in an amount of $ 5,100 thousand with residual terms of less than one year were in place for exchange hedging. The negative fair value according to the market valuation, stated under other short-term liabilities, amounted to € 190 thousand.

In addition, US dollar forward transactions in an amount of $ 15,000 thousand were in place for medium-term exchange hedging of expected sales.

23.2 USD-sensitivity analysis

A USD exchange rate of 1.4233 (corresponding to a 10 % decline) would have a positive effect of € 358 thousand on earnings before taxes, and a USD exchange rate of 1.1645 (corresponding to a 10 % rise) would have a negative effect of € 438 thousand.

Additionally, a USD exchange rate of 1.4233 would have a direct positive effect of € 1,001 thousand to the equity and a USD exchange rate of 1.1645 a negative one of € 683 thousand.

23.3 Counterparty risk

Basler continuously checks the creditworthiness of its customers by employing internal and ex-ternal evaluations. In addition, the risk associated with receivables from deliveries and services is reduced by the fact that the company has a diverse customer base. Furthermore, the company operates a clearly defined process to follow up on outstanding receivables. A creditline structure supported by the ERP system with documented escalation levels is used to limit the risk even further.
For statements of the maximum default risks, please refer to notes 13, 14, 15, 19, and 21.

23.4 Interest rate risk

All longer-term financial liabilities stated as of the balance sheet date are valuated at amortized cost and are not subject to interest rate risk within the meaning of IFRS 7 due to existing fixed-interest agreements. The sensitivity analysis in connection with the interest rate risk from the interest rate swap showed a direct positive effect on equity of € 88 thousand resulting from an increase of the interest rate by 10 % and a direct negative effect on equity of € 88 thousand resulting from a decrease of the interest rate by 10 %.

24. Capital management/liquidity risk

Basler manages its capital with the aim of maximizing the earnings of its stakeholders by optimizing the ratio of equity capital to borrowed capital.

However, it must furthermore be ensured that Basler possesses sufficient reserves to also enable short-term growth. This goal is managed using the financial reserves key figure.

This key figure is calculated from the ratio of borrowed capital plus unused credit lines to short-term assets less liquid assets.

A value of 125 % is targeted.

	12/31/2011	12/31/2010
Borrowed capital without finance lease and deferred taxes	11,409	14,816
Unused credit lines	2,700	2,000
Subtotal	**14,109**	**16,816**
Short-term receivables	5,548	6,959
Inventories	7,937	7,440
Other receivables and other financial assets	501	1,535
Liquid assets	-7,438	- 9,112
Subtotal	**6,548**	**6,822**
Financial reserves	**215%**	**246%**

This strategy is not changed compared to the previous year.

On the reporting date, Basler had access to credit lines amounting to € 2,700 thousand (previous year: € 2,000 thousand). These were not used, as in the previous year. One credit line amounting to € 1,000 thousand was granted until June 30, 2012, the other one until further notice. Extension risks are not expected.

The availability of credit lines and the granting of bank loans are partly tied to compliance with certain financial key figures. As in the previous year, Basler AG complied with the key figures.

The following maturity analysis of financial liabilities (contractually agreed, non-discounted payments) indicates the influence on the group's liquidity (in € k):

	2012	2013	2014 - 2016	From 2017
Silent partnership	-	-	-	-
Liabilities to banks	2,938	1,459	943	-
Loans by closely affiliated persons	-	-	-	-
Liabilities from deliveries and services	1,430	-	-	-
Other current financial and tax liabilities	742	-	-	-
Liabilities from finance lease	2,208	2,210	6,646	11,859

As per December 31, 2010, the following maturity structure ensued:

	2011	2012	2013 - 2015	From 2016
Silent partnership	1,125	-	-	-
Bank debt	2,546	2,938	2,302	101
Loans by closely affiliated persons	1,060	-	-	-
Liabilities from deliveries and services	1,310	-	-	-
Other current financial and tax liabilities	1,053	-	-	-
Liabilities from finance lease	2,205	2,208	6,638	14,077

25. Segment report

25.1 Segmentation

Basler addresses the vision technology market with two business units:

- Components develops and sells digital camera solutions for original equipment manufacturing customers (capital goods manufacturers) in industrial mass production, medical engineering, intelligent traffic systems, and video surveillance market segments.
- Solutions develops and markets turn-key systems for quality inspection in the LCD industry.

The company's products are mainly developed on its premises in Ahrensburg and are sold through a direct distribution structure, through the subsidiaries (U.S.A., Singapore, and Taiwan), and through independent distributors in Europe, North America, Australia, Japan, and Asia.

The information contained in the overviews is taken directly from the internal reports that are used for management purposes by the company's highest operative decision makers. The same methods of accounting and valuation apply to the internal reporting as to the group's annual balance sheet. The company does not evaluate individual business units on the basis of financial liabilities and related interest expenses for internal control purposes. Consequently, the segment reports do not include such evaluations.

Segment assets are direct operating receivables, inventories, and the fixed assets used for the business operations.

Segment liabilities are the received advance payments attributable to business operations, the liabilities from deliveries and services, and the provisions.

25.2 Segment sales revenues and segment results

In the following the sales revenues and results of the individual reportable segments of the group are presented:

	Segment sales		Segment results	
	2011	2010	2011	2010
Components	46,094	40,707	9,517	10,452
Solutions	8,967	10,319	1,642	210
Total, carried forward Business units	55,061	51,026	11,159	10,662
Central administrative expenses, severance pay and unscheduled depreciations due to realignment and adjustments Of which unscheduled depreciations in 2011: € 578 thousand, previous year: € 1,616 thousand			-4,324	-4,002
Financing costs and financial income			-1,228	-1,645
Pre-tax profit (business units carried forward)			5,607	5,015

The methods of accounting and valuation for the reportable segments are in accord with the group's methods of accounting and valuation. Differences between the methods of accounting and valuation are presented in the central adjustments. The results for the segments were determined without considering the following components: central administrative expenses, remuneration of the executive board, earnings from financial assets, financing costs and income tax expense, and cost for the strategic realignment of the company. The segment results determined in this way are reported to the chief operating decision maker of the company with regard to decisions about the allocation of resources to the respective segment and the assessment of its profitability.

25.3 Segment assets and liabilities

	Segment assets		Segment liabilities	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Components	23,147	21,934	4	67
Solutions	3,360	4,339	66	375
Total	26,507	26,273	70	442
Unassigned assets / liabilities	29,428	32,625	28,848	32,910
Consolidated sums of assets / liabilities	55,935	58,898	28,918	33,352

25.4 Other segment information

	Scheduled depreciations		Additions to non-current assets	
	2011	2010	2011	2010
Components	3,622	3,612	5,009	3,962
Solutions	717	1,296	632	1,409
Not attributed scheduled depreciations / accruals long-term assets	1,263	1,219	1,153	981
Total	**5,602**	**6,127**	**6,794**	**6,352**

25.5 Other statements, segment-independent

Basler's customers operate all over the world. In the following statement of turnover per country, the product's country of installation is considered the target country. If the country of installation is not known, the last known country of delivery is considered.

	2011	2010
Germany	7,200	7,047
Other EU countries	11,955	12,397
America	12,226	12,302
Asia	23,680	19,280
Total	**55,061**	**51,026**

The fixed assets of the Basler Group are held in the following countries:

	2011	2010
Germany	33,075	32,468
America	46	49
Asia	41	34
Total	**33,162**	**32,551**

26. Number of employees

The average number of employees in each functional area is shown in the table below:

	2011	2010
Production	54	49
Sales	98	94
Development	73	68
Administration	61	52
Total	**286**	**263**

Basler is strongly committed to providing a family friendly, flexible working environment. One indication of this is the high percentage of employees who work under a wide variety of part-time schemes. Expressed in terms of equivalents of full-time positions this breaks down as follows:

	2011	2010
Production	52	48
Sales	92	90
Development	71	65
Administration	52	45
Total	**267**	**248**

27. Remuneration of auditors

The remuneration paid to BDO AG Wirtschaftsprüfungsgesellschaft for auditing amounted to € 87 thousand in 2011 (previous year: € 124 thousand).

28. Relations to closely affiliated persons

To assure financing, the following closely affiliated persons have made available subordinated shareholder loans to Basler AG at market conditions:

	Nominal amount [€]	Interest rate	Interest expense in [€]
Nicola-Irina Basler	800,000.00	6.0 %	32,000.00
Monika Proske-Ley	160,000.00	6.0 %	6,400.00
John Jennings	40,000.00	6.0 %	1,600.00

Due to the agreements made with banking partners and the positive business development, these loans could be paid back without substitution by August 31, 2011.

For our disclosures relating to the Management Board and Supervisory Board, please also refer to note 29.

29. Management Board and Supervisory Board

29.1 Board of directors

In 2011, the Management Board consisted of the following members:

Dr. Ing. Dietmar Ley, Ahrensburg, CEO, responsible for the business units, product creation, finance, and personnel

Dipl.-Ing. (MBA) John Jennings, Ambler, USA, Executive Director for sales and marketing as well as for the subsidiaries

Dipl.-Ing. (FH), Dipl. Wirt.-Ing (FH) Arndt Bake, Executive Director for product management, production and supply-chain-management

29.2 Supervisory Board

In 2011, the Supervisory Board consisted of the following members:

Norbert Basler	Supervisory Board chairman Engineering graduate (Dipl.-Ing.)
Prof. Dr. Eckart Kottkamp	Supervisory Board vice-chairman Advisor
Konrad Ellegast	Regular Supervisory Board member Advisor

Additional mandates held by the Supervisory Board members in 2011, compliant with § 285 No. 10 HGB:

Norbert Basler

Member of the Supervisory Board, Kuhnke AG, Malente

Member of the Supervisory Board, Plato AG, Lübeck

Konrad Ellegast

Member of the Advisory Board, C. Mackprang Jr. GmbH & Co. KG, Hamburg

Chairman of the Advisory Board, Dichtungstechnik G.Bruss GmbH & Co. KG, Hoisdorf

Prof. Dr. Eckart Kottkamp

Chairman of the Advisory Board, Mackprang Holding GmbH & Co. KG, Hamburg

Chairman of the Supervisory Board, Lloyd Fonds AG, Hamburg

Member of the Supervisory Board, Elbphilharmonie Hamburg Bau GmbH & Co KG, Hamburg

Member of the Supervisory Board, KROMI Logistik AG, Hamburg

29.3 Remuneration of the members of the Management Board and Supervisory Board

The total remuneration of the Management Board amounted to € 1,104,271.65 in the year 2011. The individual members of the Management Board received the following indirect and direct remuneration in the year 2011 (in €):

		Performance-related remuneration for 2011		
	Fixed remuneration	Variable component 2011	Initial contribution bonus bank	Total
Dr. Dietmar Ley	248,904.34	92,995.26	93,470.00	435,369.60
John Jennings	204,867.28	72,991.27	75,358.00	353,216.55
Arndt Bake	184,021.00	65,664.50	66,000.00	315,685.50

In 2010, the total remuneration of the Management Board amounted to € 741,601.66. The individual members of the Management Board received the following indirect and direct remuneration (in €):

	Fixed remuneration	Performance-related remuneration for 2010	Total
Dr. Dietmar Ley	203,818.67	206,250.00	410,068.67
John Jennings	161,811.33	169,721.66	331,532.99

The total remuneration of the members of the Supervisory Board amounted to € 39 thousand in the year 2011, like in the previous year.

29.4 Share ownership by the members of Management Board and Supervisory Board

	12/31/2011 Number of shares	12/31/2010 Number of shares
Dr. Dietmar Ley	139,623	135,282
John Jennings	5,500	5,500

	12/31/2011 Number of shares	12/31/2010 Number of shares
Norbert Basler	1,804,341	1,800,000
Konrad Ellegast	-	-
Prof. Dr. Eckart Kottkamp	-	-

30. Holdings index

In addition to Basler AG, the following companies are included in the group's annual balance sheet by way of full consolidation due to extant voting majorities:

Company name	Share amount in %
Basler Inc., Exton/U.S.A.	100
Basler Asia Pte. Ltd., Singapore	100
Basler Vision Technologies Taiwan Inc., Jhubei City/Taiwan	100

Further participating interests are not held.

31. Corporate Governance

The company has made its Declaration of Compliance with the German Corporate Governance Code which is mandatory under § 161 of the German Stock Corporation Act (AktG). The declaration was made accessible to the shareholders on the company's website at **www.baslerweb.com.**

32. Approval of the annual balance sheet

The annual balance sheet is expected to be released for publication by the Supervisory Board on March 15, 2012.

Ahrensburg, March 5, 2012

The Management Board

Dr. Dietmar Ley (CEO) | John P. Jennings (CCO) | Arndt Bake (COO)

Baslers Trainees

AUDITOR'S AUDIT OPINION

We have audited the consolidated financial statements of Basler Aktiengesellschaft, Ahrensburg, - consisting of balance sheet, profit and loss statement, statement of comprehensive income, statement of changes in equity, cash flow statements, and notes - and the group management report for the business year from January 1, 2011, to Dezember 31, 2011. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the additional provisions stated in Section 315a Para. 1 HGB are the responsibility of the company's legal representatives. It is our responsibility to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and the German standards of proper auditing of financial statements as established by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that incorrectnesses and infringements significantly affecting the presentation of the net assets, financial position, and results of operations in the consolidated financial statements in accordance with German principles of proper accounting 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 evaluations of 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 the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the legal representatives, 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 results of our audit the consolidated financial statements are in compliance with the IFRS, as adopted by the EU, and the additional provisions stated in § 315a Para. 1 HGB and give a true and fair view of the net assets, financial position, and results of operations of the group in accordance with German principles of proper accounting. The group management report is in accordance with the annual financial statements and provides on the whole a suitable understanding of the group's position and suitably presents the opportunities and risks of future development.

Lübeck, March 5, 2012

BDO AG
Wirtschaftsprüfungsgesellschaft

gez. Herbers	gez. Beecker
Auditor	Auditor

DECLARATION OF THE LEGAL REPRESENTATIVES

We affirm to the best of our knowledge that the group's annual balance sheet, in accordance with the accounting principles applicable to annual reporting, provides a true and fair view of the group's asset, financial, and earnings situation and that the course of business, including the operating result, and the situation of the group are presented in the management report in such a way as to present a true and fair picture of the situation and to describe the essential opportunities and risks concomitant with the expected development of the group during the remainder of the fiscal year.

Ahrensburg, March 5, 2012

The Management Board

Dr. Dietmar Ley	John P. Jennings	Arndt Bake
(CEO)	(CCO)	(COO)

Events 2012

Finance

04/18/2012	Roadshow	Zürich, Swiss
05/07/2012	Publication of first-quarter results 2012	Ahrensburg, Germany
05/23/2012	DZ-Bank Investors Conference	Frankfurt Germany
05/30/2012	Shareholders´meeting 2012	Hamburg, Germany
08/06/2012	Publication of second-quarter results 2012	Ahrensburg, Germany
11/08/2012	Publication of third-quarter results 2012, Capital Market Day	Stuttgart, Germany

Trade fairs and conferences

03/20-22/2012	FPD China 2012 / Vision China Shanghai 2012	Shanghai, China
04/03-06/2012	Automation World 2012 / Korea Vision Show	Seoul, Korea
04/25-27/2012	Nepcon China 2012	Shanghai, China
05/08-10/2012	The Vision Show	Boston, USA
06/06-08/2012	Image Sensing Show 2012	Yokohama, Japan
06/19-21/2012	OPTO Taiwan 2012	Taipeh, Taiwan
06/20-22/2012	Vision China Shenzhen 2012	Shenzhen, China
06/21-24/2012	Assembly Technology 2012	Bangkok, Thailand
08/28-30/2012	Nepcon South China 2012	Shenzhen, China
08/29-09/01/2012	Taipei Int'l Industrial Automation Exhibition 2012	Taipeh, Taiwan
10/16-18/2012	Vision China Beijing 2012	Beijing, China
11/06-08/2012	VISION	Stuttgart, Germany
11/21-24/2012	Metalex Thailand 2012	Bangkok, Thailand
12/05-07/2012	International Technical Exhibition on Image Technology and Equipment	Yokohama, Japan

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