

Quarterly Report Q1/2011



Key Figures (unaudited)

in €m				+/- in%
		Q1 2010 (adjusted)	Q1 2011	
Sales revenues		9.3	13.7	47
Incoming orders		12.2	17.2	41
Gross results		3.7	6.0	62
Gross margin		39.8%	43.8%	4 Pp.
EBITDA		2.4	3.5	46
EBIT		0.8	2.0	150
EBT		0.4	1.6	300
Period surplus		0.4	1.3	225
Number of shares in million		3.5	3.5	
Operating profit per share (€)		0.12	0.36	200
Cash flow from operating activity		0.3	2.2	633
Cash flow from financing activity		-1.9	-1.9	0
	12/31/2009	12/31/2010	03/31/2011	
Total assets	52.6	58.9	60.5	3
Fixed assets	34.1	32.6	32.8	1
Equity	17.7	25.5	27.5	8
Borrowed capital	34.9	33.4	33.0	-1
Equity ratio	33.7%	43.3%	45.5%	2 Pp.
Net debt	3.1	0.2	0.6	200
Working capital	9.7	12.7	13.4	6
Number of employees / equivalents of full-time employment	272	245	258	
Share price (XETRA) in €	6.80	11.58	13.92	20
Shares in circulation in million shares	3.5	3.5	3.5	0
Market capitalization	23.8	40.5	48.7	20

Overview of the 1st quarter:

- Dynamic start in fiscal year 2011
- Business with digital cameras reaches record levels in incoming orders, sales, and profit
- Profitable business with LCD inspection solutions
- Incoming orders: € 17.2 million (previous year: € 12.2 million, +41%)
Sales: € 13.7 million (previous year: € 9.3 million, +47%)
Earnings before taxes: € 1.6 million (previous year: € 0.4 million, +300%)
Return before taxes: 11.7% (previous year: 4.7%; +7 percentage points)
Operating cash flow: € 2.2 million (previous year: € 0.3 million, +633%)
- Forecast increased

Dear Ladies and Gentlemen,

In the first three months of the new year, economic activity has increased more strongly than assumed at the end of 2010. The leading indicators are favourable and the financial markets continue to improve. At the same time, possible risks for the upturn are now showing more clearly than a short while ago, considering the increasing prices for energy and raw materials, the more skeptical views of the capital markets on the national debt of the U.S.A., the continued crisis of the euro, and the as yet unforeseeable repercussions of the catastrophe in Japan.

The first quarter of 2011 was successful for Basler AG. Against the background of positive economic general conditions on the global markets and a further improving market position of our company, the demand for our cameras and LCD inspection solutions increased significantly compared to the previous year's period. Incoming orders, sales, earnings before tax, and cash flow were significantly above the comparison values reached in 2010. At a pre-tax margin of almost 12%, we reinforced the positive trend of the previous quarters.

Incoming orders for the group increased by 41% in the first quarter, reaching € 17.2 million (previous year: € 12.2 million). This is the third highest value ever reached in the company's history. The group's sales amounted to € 13.7 million in the reporting period which is 47% above the previous year's figure of € 9.3 million. 43% of the sales revenue related to the Asian markets, 33% to Europe, and 24% to North America. The strongest regional increase in sales could be observed in Asia with +109%, followed by North America (+31%), and Europe (+17%).

The expense for sales and marketing remained unchanged compared to the previous year at € 2.2 million. Relative to turnover, the expense for sales and marketing decreased from 21.9% in the previous year to 16%. The general administrative expenses of € 1.9 million increased due to higher personnel costs (previous year: € 1.5 million). Relative to turnover, the administrative expenses decreased from 16.7% to 13.9%.

In the first quarter of 2011, Basler AG achieved earnings before taxes (EBT) for the group of € 1.6 million. This was an increase of 300% compared to the previous year's figure of € 0.4 million. The return before taxes increased from 4.7% in the previous year to 11.7%. The earnings before interest and taxes (EBIT) amounted to € 2.0 million (previous year: € 0.8 million, +150%). This corresponds to a return before taxes and interest of 14.4% (previous year: 9.1%).

Compared to the previous year, the gross results increased to € 6.0 million (previous year: € 3.7 million; +62%) due to increased sales revenues and an improved gross margin. The gross margin reached 43.8% thus being 4.0 percentage points above the previous year's value of 39.8%.

Components Key Data

in €m	Q1/2010	Q1/2011	+/- in %
Sales	7.8	12.0	+53%
EBIT	1.6	2.9	+81%
Incoming orders	10.3	13.7	+%

Basler AG achieved new record figures in the first quarter of 2011 in the business with digital cameras for applications in industry and video surveillance: Incoming orders of € 13.7 million marked a new record high being 33% above the previous year's figure of € 10.3 million. The previously strongest incoming orders from Q2 of 2010 (€ 11.3 million) were exceeded by 18%. Compared to the previous year, sales increased in the reporting period by approximately 53% to € 11.9 million (previous year: € 7.8 million) also reaching a new preliminary record figure. The segment result before interest and taxes (EBIT) amounted to € 2.9 million and exceeded the previous year's value of € 1.6 million by 81%.



Demand for digital cameras for industrial applications developed positively across all regions and product lines. Due to the robust growth of IT-related industries, the strongest regional increase was observed in Asia, followed by Europe and North America. Our success with developing the Japanese market is particularly pleasing. Here, we were able to successfully finalize several promising projects in the elapsed reporting period.

As far as products are concerned, our Gigabit Ethernet cameras once more proved their eminent competitiveness. In this area, Basler has steadily continued the growth in sales of the previous years and confirmed its leading market position.



Our product line for the video surveillance market (so-called IP cameras) also started well into the new fiscal year. Driven by customer projects from Europe and North America, new record figures were recorded in incoming orders and sales.

Solutions Key Data

in €m	Q1/2010	Q1/2011	+/- in %
Sales	1.4	1.8	+29
EBIT	-0.7	0.2	n.a.
Incoming orders	1.4	3.5	+150

In the business with LCD inspection solutions, we gained new orders with a volume of € 3.5 million in the first quarter of 2011. This exceeds the previous year's figure of € 1.4 million by 150% which was still affected by the aftermath of the economic crisis. The sales revenues amounted to € 1.8 million which is 29% above the previous year's figure (€ 1.4 million). At € 0.2 million in the first quarter of 2011, the result for the Solutions segment was positive again after a loss in the previous year of € 0.7 million and therefore confirmed the turnaround reached in the previous year. The improvement of the result of the segment compared to the previous year's period is attributable to a combination of higher revenues, better gross margins, and lower operating costs.



In the course of the reporting period we received new large-volume orders for the delivery of inspection solutions for the inspection of LCD glass. These will be used by our key accounts to equip new production plants to be built in China in response to increasing demand for LCD TVs and mobile devices on the Chinese market. These orders provide us with good visibility for the sales development for the remaining fiscal year 2011. In addition, we are making good progress in Taiwan with the start-up of our major order in the area of color filter inspection, entered at the end of 2009, and with the final acceptance of color filter inspection systems that were delivered in 2009.

Research and development

The full costs for research and development amounted to approximately € 1.7 million in the first quarter of 2011 and were therefore by € 0.1 million above the previous year's figure of € 1.6 million. The scheduled depreciations on capitalized expense for research and development increased to € 1.1 million (previous year: € 1.0 million, +10%).

Employees

The number of equivalent full time employees of the Basler group was 258 on the reporting date (previous year: 245). The regional allocation is as follows:

- Headquarters in Ahrensburg, Germany: 217 (previous year: 209).
- Subsidiary in U.S.A: 16 (previous year: 13)
- Subsidiary in Taiwan: 9 (previous year: 12)
- Subsidiary in Singapore: 11 (previous year: 8)
- Representative offices in Korea and Japan: 5 (previous year: 4)

Cash flow, liquid assets, and debts

The operating cash flow amounted to € 2.2 million in the first three months of the current fiscal year, corresponding to an increase of 633% compared to the previous year's figure (€ 0.3 million). The free cash flow (calculated as operating cash flow less cash flow from investment) amounted to € 0.3 million in the first quarter (previous year: € -1.6 million; € +1.9 million).

At the end of the reporting period, liquid assets amounted to € 7.7 million and were thus by 55% above the figure of the comparison period in the previous year (€ 4.9 million). Compared to December 31, 2010, funds available decreased by € 1.4 million (-15%).

With equity amounting to € 27.5 million (previous year: € 17.7 million) the debt to total capital ratio amounted to € 120% on the reporting date (December 31, 2010: 130%).

Share

In fiscal year 2011, the Basler share opened with a share price of € 11.58. The share price amounted to € 13.92 at the end of the first quarter of 2011.

As of March 31, 2011, the Management Board and the Supervisory Board held the following shares:

	Shares	
	03/31/2011	03/31/2010
Supervisory Board		
Norbert Basler (chairman)	1.8 million	1.8 million
Prof. Dr. Eckart Kottkamp (vice-chairman)	-	-
Konrad Ellegast	-	-
Board of directors		
Dr. Dietmar Ley (chairman)	135,282	135,282
John P. Jennings	5,500	5,500
Arndt Bake	-	-

The Management Board and the Supervisory Board hereby declare that the recommendations for conduct issued by the "Government Commission of the German Corporate Governance Code" appointed by the German Government, as amended on May 26, 2010, have been complied with hitherto during fiscal year 2011 and will be complied with in the future. The following recommendations have been excluded:

Clause 2.3.3 – Personal exercise of rights

Basler AG is to support shareholders in absentee voting and proxy voting. The articles of incorporation of Basler AG do not provide for voting by absentee ballot. The shareholders of Basler AG are, however, given the possibility to instruct a proxy, nominated by the company, to exercise their voting rights. This allows casting a vote prior to the official date of an annual general meeting of Basler AG. Management Board and Supervisory Board are considering to propose a change of the statutes for the annual general meeting in the future.

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 annual 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 5.1.2 Sentence 2 and 5.4.1

The code recommends specifying an age limit for the members of the Management Board and the Supervisory Board. Basler AG has not established an age limit for board members. For appointments to positions of the company, expert knowledge, competence, and professional experience shall receive particular consideration. Further criteria and capacities as for instance age have no relevance for the decision provided the proper exercise of the position concerned is not prejudiced.

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 Supervisory Board is not provided for.

The constantly updated declaration of compliance with the code and the related compliance can be accessed on the Basler website's Investor Relations area:
www.baslerweb.com/share

If you have any questions regarding the Corporate Governance Code please contact the compliance officer of Basler AG:

Dr. Dietmar Ley (CEO)

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Outlook

In the first three months of the new year the global economy has shown more robust development than assumed by the economic research institutes at the end of 2010. The growth forecasts for the major industrial countries have therefore been increased on a broad scale. At the same time, risks for a possible slowdown of demand in the next months have increased. Despite the fact that these risks do not yet appear to exert any moderating effect on the growth momentum, the Management Board does not assume today that the positive development of the global economy as observed in the previous quarter can be continued over the entire course of fiscal year 2011. The Management team will be watching closely for any signs which might result in a slowdown of the global economy in the second half-year. These factors include increases in interest rates and in prices for energy and raw materials as well as possible indirect repercussions of the catastrophe in Japan on the availability of supplies.

The successful course of the first quarter corroborates the Management Board's conviction expressed in the annual report for 2010, according to which Basler AG will continue profitable growth in 2011. The camera business will be the driving force of this growth with increases in the double-digit percentage range for industrial applications and in the three-digit percentage range for video surveillance. Continued investment into the extension of our product portfolio, of the sales organization, and of the production capacity will enable us to gain new customers, to generate more business with existing customers and to cope smoothly with the resulting increase of units produced. Our business with inspection solutions for LCD glass has gained visibility due to the strategic focusing of the previous year and the orders received in the reporting period which should result in similar sales revenue as in the previous year. Because of the improved product portfolio and a leaner organization our solutions business will contribute positively to the company's result in the current fiscal year.

Against the background of the good results in the first quarter of 2011 and the remaining risks for economic recovery in the rest of the year, the Management Board provides a more specific forecast according to which the Basler group expects a turnover between € 54 and 58 million (previous year: € 51.0 million) at earnings before taxes not below € 5.4 million (previous year: € 5.0 million) in fiscal year 2011.

Declaration of the management board

We affirm to the best of our knowledge that the interim consolidated financial statements, in accordance with the accounting principles applicable to interim reporting, provide a true and fair view of the group's asset, financial, and earnings situation and that the group's interim annual report represents a true and fair picture of the course of business, including the operating result, and the group's financial situation as well as describing the essential opportunities and risks concomitant with the expected development of the group during the remainder of the fiscal year.

The Management Board



Dr. Dietmar Ley



John P. Jennings



Arndt Bake

Consolidated Profit and Loss Statement

in €k	01/01- 03/31/2011	01/01- 03/31/2010 (adjusted)
Income from Sales	13,741	9,253
Cost of sales-	-7,771	-5,552
<i>of which depreciations on capitalized developments</i>	1,105	1,034
Gross profit on sales	5,970	3,701
Other internal income	591	999
Sales and marketing costs	-2,195	-2,027
General administration costs	-1,912	-1,547
Other expenses	-468	-280
Operative profit	1,986	846
Interest expense	-378	-408
Earnings before tax	1,608	438
Profit tax	-345	-9
Surplus/loss for the group	1,263	429
Number of shares	3,500,000	3,500,000
Operating profit par share (€)	0.36	0.12
Number of shares (diluted)	3,500,000	3,598,515
Earnings effect to be taken into account for the dilution resulting from the convertible bond (€ k)	0	0
Completely diluted operating profit per share (€)	0.36	0.12

Consolidated Statement of Comprehensive Income

in €k	01/01- 03/31/2011	01/01- 03/31/2010 (adjusted)
Surplus/loss for the group	1,263	429
result from changes due to currency conversion, directly recorded in equity	72	-124
overflow from cash flow hedges	629	0
total result, through profit or loss	701	-124
Comprehensive income	1,964	305
of which attributable to third parties from outside the group	-	-
of which attributable to owners of the parent company	1,964	305

Consolidated Cash Flow Statement

in €k	01/01/- 03/31/2011	01/01/- 03/31/2010 (adjusted)
Operating activity		
Period surplus of the group	1,263	429
Increase/decrease in deferred taxes	402	-41
Interest outpayment / interest inpayment	424	421
Abschreibungen auf Gegenstände des Anlagevermögens	1,558	1,538
Change in the capital resources without affecting payment	595	-124
Increase (+)/decrease (-) in the accruals	-356	69
Profit (+) / loss (-) from the outflow of fixed asset objects	0	0
Increase (-) / decrease (+) in the reserves	-584	-528
Increase (+) / decrease (-) in the down payments received	347	-60
Increase (-) / decrease (+) in the receivables from deliveries and services	-1,290	-1,510
Increase (-) / decrease (+) in other assets	-1,385	-264
Increase (+) / decrease (-) in the payables from deliveries and services	932	-28
Increase (+) / decrease (-) in other liabilities	248	400
Cash inflow from business activity	2,154	302
Investment activity		
Outpayments for investments in fixed assets	-1,851	-1,919
Inpayment from outflow of fixed asset objects	-3	10
Cash outflow from the investment activity	-1,854	-1,909
Financing activity		
Outpayment from the repayment of bank loans	-1,050	-300
Outpayment for the clearing of financing liabilities	-271	-256
Inpayment from the taking out of bank loans	0	1,500
Inpayment from the taking out of loans from closely affiliated persons	0	500
Interest outpayment	-424	-421
Cashflow from financing activity	-1,745	1,023
Changes in the funds that affect the payment in the fiscal year	-1,445	-584
Funds at the beginning of the fiscal year	9,112	5,526
Funds at the end of the period	7,667	4,942
Funds available at the end of the period		
Cash in hand and cash in bank	7,667	4,942
Outpayment for taxes	0	43

Consolidated Balance Sheet

in €k	03/31/2011	12/31/2010
Assets		
A. Long-term assets		
I. Fixed assets		
1. Intangible assets	11,632	11,250
2. Fixed assets	2,602	2,525
3. Buildings and land in finance lease	18,603	18,776
Total	32,837	32,551
II. Latente Steueransprüche	579	1,036
Total long-term assets	33,416	33,587
B. Short term assets		
I. Inventories		
1. Finished goods	1,502	1,685
2. Work in process and semi-finished goods	1,245	835
3. Raw materials and supplies	4,950	4,648
4. Trade goods	329	272
Total	8,026	7,440
II. Short-term financial assets		
I. Receivables from deliveries and services		
- Receivables from deliveries and services	7,091	6,241
- Receivables from production orders	1,158	718
Total	8,249	6,959
2. Other short-term financial assets and accruals	1,789	546
III. Claim for tax refunds	989	989
IV. Cash and cash equivalents	410	265
V. Cash in hand and cash in bank	7,667	9,112
Total short-term assets	27,130	25,311
Total assets	60,546	58,898

Consolidated Balance Sheet

in €k	03/31/2011	12/31/2010
Liabilities		
A. Shareholder's equity		
I. Subscribed capital	3,500	3,500
II. Capital reserve	1,209	1,131
III. Equitization of currency exchange	-19	-91
IV. Accumulated earnings	22,820	21,006
Total shareholder's equity	27,510	25,546
B. Long-term debt		
I. Long-term liabilities		
1. Silent partnership	3,454	5,049
2. Long-term liabilities to banks	126	4
3. Long-term provisions	16,093	16,363
II. Deferred tax liabilities	19	29
Total long-term debt	19,692	21,445
C. Kurzfristige Schulden		
I. Silent partnership	1,023	1,023
II. Other liabilities	3,854	3,327
III. Short-term accrual liabilities	2,543	3,050
IV. Short-term other liabilities		
1. Payables from deliveries and services	2,130	1,310
2. Other short-term liabilities	1,074	750
3. Payables from finance lease	2,144	2,144
V. Tax provisions	576	303
Total short-term debt	13,344	11,907
Total liabilities	60,546	58,898

Segment Information

in €k	Components		Solutions		Reconciliation		Group	
	01/01/- 03/31/2011	01/01/- 03/31/2010	01/01/- 03/31/2011	01/01/- 03/31/2010	01/01/- 03/31/2011	01/01/- 03/31/2010	01/01/- 03/31/2011	01/01/- 03/31/2010
Segment revenue	11,949	7,820	1,792	1,433			13,741	9,253
Segment results (EBIT)	2,854	1,606	242	-680	-1110	-80	1,986	846
Segment assets	22,708	19,607	5,353	7,059	32,485	27,468	60,546	54,134
Segment liabilities	23	21	760	53	32,253	34,416	33,036	34,490
Accrual to long-term assets	1,375	1,131	175	448	-518	340	1,032	1,919
Scheduled depreciations on long-term assets	1,038	868	190	321	-380	349	848	1,538

Further Information, Not by Segment

Sales by Region:

in €k	01/01/ - 03/31/2011	01/01/ - 03/31/2010
Germany	1,507	1,667
Other EU countries	3,091	2,276
America	3,242	2,484
Asia	5,901	2,826
Total	13,741	9,253

The Long-term Assets Are Regionally Divided as Follows:

in €k	03/31/2011	03/31/2010
Germany	32,758	34,229
America	49	31
Asia	30	33
Total	32,837	34,293

Consolidated Changes in Statement of Shareholders' Equity

in €k	Nominal capital	Capital reserve	Accumulated earnings	Total
Shareholders' equity as of 01/01/2010 (adjusted)	3,500	1,131	13,046	17,677
Total income			305	305
Shareholders' equity as of 03/31/2010 (adjusted)	3,500	1,131	13,351	17,982
Total income			7,564	7,564
Shareholders' equity as of 12/31/2011	3,500	1,131	20,915	25,546
Total income			1,964	1,964
Shareholders' equity as of 03/31/2011	3,500	1,131	22,879	27,510

Development of the Components of Accumulated Earnings

	Reserve from currency conversion	Reserve for hedges	Retained earnings	Total
As of 01/01/2010 (adjusted)	166	0	12,880	13,046
Period result	0	0	429	429
Net profit less income tax, directly recorded in equity	-124	0	0	-124
As of 03/31/2010	42	0	13,309	13,351
Period result	0	0	7,619	7,619
Net profit less income tax, directly recorded in equity	-133	78	0	-55
As of 12/31/2010	-91	78	20,928	20,915
Period result	0	0	1,263	1,263
Net profit less income tax, directly recorded in equity	72	629	0	701
As of 03/31/2011	-19	707	22,191	22,879

TERMINE 2011

Finance

May 19, 2011	General Annual Meeting
May 24, 2011	Photonics conference, Munich
June 21–22, 2011	HIC investors' conference, Hamburg
August 18, 2011	Publication of second-quarter results 2011
November 10, 2011	Publication of third-quarter results 2011
November 21–23, 2011	Deutsches Eigenkapitalforum (German Equity Forum), Frankfurt

Trade fairs and conferences

May 16 – 19, 2011	IFSEC 2011, Birmingham, UK
June 08 – 10, 2011	Exhibition on Sensing via Image Information, Yokohama, Japan
June 14 – 16, 2011	Nepcon Malaysia, Penang, Malaysia
June 29 – July 01, 2011	Vision China, Shenzhen, China
September 19 – 21, 2011	ASIS International 2011, Orlando, FL, USA
October 26 – 28, 2011	Vision China, Beijing, China
November 03 – 04, 2011	ISC Solutions 2011, New York, NY, USA
November 08 – 10, 2011	Vision, Stuttgart, Deutschland
November 07 – 09, 2011	International Technical Exhibition on Image Technology and Equipment, Yokohama, Japan

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