

Quarterly Report Q3/2010



Key Data (not audited)

in million €				+/- in %
	Q3 2008	Q3 2009	Q3 2010	
Sales	15.4	8.4	15.8	88
Incoming orders	11.5	8.2	11.7	43
EBITDA	3.5	1.3	4.5	246
EBIT	2.3	-0.5	1.9	n.a.
EBT	1.2	-0.6	1.8	n.a.
Profit for the period	0.9	-0.4	1.1	n.a.
Operating profit per share in €	0.25	-0.13	0.32	n.a.
Operating cash flow	3.5	2.7	2.0	-26
Investing cash flow	-1.8	-0.9	-1.4	56
	Q1 - Q3 2008	Q1 - Q3 2009	Q1 - Q3 2010	
Sales	42.5	24.5	38.3	56
Incoming orders	54.4	22.2	41.3	86
EBITDA	9.2	-0.3	9.5	n.a.
EBIT	3.5	-6.9	4.2	n.a.
EBT	2.8	-7.4	3.8	n.a.
Profit for the period	2.0	-6.1	2.8	n.a.
Operating profit per share in €	0.55	-1.74	0.81	n.a.
Operating cash flow	8.8	5.6	3.8	n.a.
Investing cash flow	-5.9	-4.4	-4.7	7
	09/30/2008	09/30/2009	09/30/2010	
Balance sheet total	50.5	40.3	43.1	7
Investment assets	17.6	15.4	14.1	-8
Equity	28.0	22.0	20.4	-7
Borrowed capital	22.5	18.3	22.7	24
Equity ratio	55.4 %	54.6 %	47.3 %	-13
Net debt	4.8	2.7	4.6	70
Working capital	17.6	9.5	16.1	69
Employees (equivalents of full-time positions)	311	257	246	-4
Share price (Xetra) in €	8.95	6.49	9.98	54
Shares in circulation, in million shares	3.5	3.5	3.5	0
Market capitalization	31.3	22.7	34.9	54

Overview of the 3rd quarter:

- Demand for digital cameras continues to be intact
- Incoming orders: € 11.7 million (previous year: € 8.2 million, +43 %)
 - Sales: € 15.8 million (previous year: € 8.4 million, +88 %)
 - Pre-tax earnings: € 1.8 million (previous year: € -0.6 million, € +2.4 million)
 - Free cash flow: € 0.6 million (previous year: € 1.8 million, -67 %)
- Inspection solutions for the inspection of seals sold to Asentics GmbH
- Forecast for sales and results for 2010 increased after publication of preliminary figures on October 20

Dear Ladies and Gentlemen,

The third quarter was successful for Basler AG and - as already in the previous quarter - better than expected. During the first nine months of 2010 business has thus developed very positively compared to the previous year. Demand has markedly increased in the course of economic recovery and the related partial replenishment of customers' stocks. In addition, Basler was able to successfully introduce new products in the Components segment already resulting in significant contributions to growth in sales. Furthermore, the Solutions segment experiences an ascending trend due to a newly stimulated LCD market.

After declining sales in 2009, the year 2010 is developing positively. At an EBT amounting to € 0.4 million, the turnaround could be achieved already in the first quarter. This positive development has continued in the subsequent quarters.

The group's sales amounted to € 15.8 million in the third quarter which is 88 % above the previous year's figure of € 8.4 million. In comparison with the previous year, regional increase of the group's sales was strongest in Europe (+107 %), followed by North America (+103 %), and Asia (+68 %). The increase in sales had a distinctly positive effect on earnings before taxes (EBT). The EBT amounted to € 1.8 million in the third quarter thus exceeding the previous year's figure of € -0.6 million by € 2.4 million. The pre-tax return of the quarter of 11.2 % surpassed the medium term target value of 10 %, Incoming orders for the group increased by 43 % in the third quarter, reaching € 11.7 million (previous year: € 8.2 million). Compared to the previous year, the gross results increased to € 6.2 million (previous year: € 2.9 million; +114 %) due to increased sales revenues and an improved gross margin. The gross margin reached 39.2 % (previous year: 34.7 %).

Based on the figures for the third quarter and assuming steady business development in the fourth quarter, the Management Board has thus increased the forecast for fiscal year 2010 on October 20, 2010. Sales are now expected within a corridor of € 46 to 48 million (previous forecast: € 43 to 45 million; previous year: € 33.5 million). In the context of the increased sales forecast a new target was defined for EBT. The EBT will not be below € 4.1 million (previous forecast: > € 3.5 million; previous year: € -8.0 million).

Key Data Components

in €k	Q3/2009	Q3/2010	+/- in %
Sales	6.2	11.3	82
EBIT	1.0	3.1	210
Incoming orders	7.0	9.9	41

Basler AG realized sales in the third quarter of 2010 in the "Components" business segment amounting to € 11.3 million. The revenue from digital cameras for industry and for video surveillance increased in the reporting period by 82 % (previous year: € 6.2 million). The record level figure of € 10.7 million for the second quarter of 2009 is thereby exceeded by 6 %. Incoming orders amounted to € 9.9 million, increasing by 41 % compared to the previous year (€ 7.0 million). Due to decreased production costs and positive exchange rate effects the gross margin also developed positively. The personnel cost ratio amounted to 10 % and thus declined by 3 % compared to the previous year. The ratio of other costs to sales declined from 6 % in the previous year to 4 %, The segment's earnings before interest and taxes reached a level of € 3.1 million in the third quarter (previous year: € 1.0 million, +210 %).

The demand for digital cameras developed positively on the whole. While demand in the Asian markets consolidated in the third quarter after very strong growth in the first quarter, growth continued to be observed in North America and Europe. We therefore reached new record figures in camera production in the third quarter. The quantities were persistently above 5000 units per month and reached a new record value of more than 6000 units in August.



Once again, our Gigabit Ethernet cameras developed particularly positively. The cameras of our new ace product family, having entered series production only in the

second quarter, are meeting with great acclaim all around the world and already reached the third rank in terms of units delivered. On the "Vision", the globally leading trade fair for vision technology components that was held in Stuttgart on 09 - 11 November, 2010, we pre-



sented an extension of the ace family by numerous new members. Besides other features, the ace family now also includes the fast CMOS image sensors manufactured by CMOSIS and the Camera Link® interface, allowing our customers to use the ace for high speed applications. We furthermore presented new ace variants featuring high resolution sensors. With the new ace products we are providing to the market a leading combination of price, performance, and size. From this, we expect additional impulses for growth for the next year. We also made important progress in the reporting period in our emerging business with video surveillance cameras. Incoming orders and sales continued increasing. We participated in several domestic and foreign leading trade fairs where we presented the second generation of our IP cameras to the market.



The new Basler IP Camera differs from its precursor by a significantly increased processing power of the integrated digital signal processor, by a significantly extended product range of image sensors with increased resolution, a higher frame rate, and a further improved image quality. Our customers' consistently positive reactions make us confident that we will be able to successfully conclude our market entry.

Key Data Solutions

in €k	Q3/2009	Q3/2010	+/- in %
Sales	2.2	4.5	105
EBIT	-0.5	1.1	n.a.
Incoming orders	1.3	1.7	31

The rising trend in our “Solutions” business segment continued in the reporting period. Based on increased demand for inspection solutions by the LCD industry we realized sales revenue amounting to € 4.5 million, doubling the low figure of the comparison period (previous year: € 2.2 million, +105 %). Incoming orders of € 1.7 million were also above the previous year's level. In



the reporting period, the gross margin almost reached the target value again. Personnel cost ratio amounted to 8 % decreasing in comparison with the previous year as significantly as the other operational costs. At 5 %, they were 5 percentage points below the comparison value of the weak previous year's quarter. The earnings before interest and taxes for the segment amounted to € 1.1 million and thus improved by € 1.6 million compared to the previous year (€ -0.5 million).



In the third quarter, we concluded focusing of our product portfolio in the Solutions segment. With Asentics GmbH, a German specialist for vision technology solutions we found a well fitting buyer for our product line for the inspection of rubber/elastomer seals. While Asentics extends the product portfolio for the sealing industry with the acquisition, it means to us that we can reduce the expenses that were disproportionately high compared to the sales volume of the previous two years in this area. This will allow us to further improve the cost structure of the business segment. With the sale, we continued streamlining out technology portfolio. The transfer of assets and the training of Asentics employees will soon be concluded. Having sold our activities originating in the mid-nineties, for the inspection of seals, we are as of now only working in the field of surface inspection of bare and coated glass. The LCD industry is our most important target market. Depending on the further development of the market for thin film solar cells, we will offer our surface inspection solutions also for this market segment.

Employees

The number of employees of the Basler group, expressed in terms of equivalents of full-time positions, was 246 on the reporting date (previous year: 257). The regional allocation is as follows:

- Headquarters in Ahrensburg, Germany: 207 (previous year: 219)
- Subsidiary in USA: 15 (previous year: 12)
- Subsidiary in Taiwan: 12 (previous year: 8)
- Subsidiary in Singapore: 9 (previous year: 8)
- Representative offices in Korea and Japan: 4 (previous year: 4)

Cash flow, liquid assets, and debts

The operating cash flow amounted to € 2.0 million in the third quarter (previous year: € 2.7 million; -26 %). The decrease is mainly due to the increase of working capital. Due to the investment being 56 % less than in the previous year, the free cash flow in the reporting period amounting to € 0.6 million was by 67 % below the comparison value (previous year: € 1.8 million). By the end of the reporting period, liquid assets amounted to € 4.9 million and were thus by 38 % below the figure of the comparison period (previous year: € 7.9 million). Compared to December 31, 2009, the funds available declined slightly by € 0.6 million (-11 %).

The Basler group had borrowed capital available at the end of the third quarter of 2010 amounting to € 22.7 million (previous year: € 18.3 million). With equity amounting to € 20.4 million (previous year: € 22.0 million) the debt to total capital ratio amounted to € 111 % at the end of the reporting period (previous year: 83 %). The equity ratio amounted to 47 % (previous year: 55 %).

Share

On July 01, 2010, the Basler share opened at an exchange rate of € 7.05. In the middle of July the share price passed € 8 and even € 9 in the beginning of August. This positive trend continued with the Basler share closing on September 15, 2010 at € 10.16. The share price amounted to € 9.98 at the end of the third quarter. Afterwards, it clearly picked up speed again listing currently even near the € 12 mark.

As of September 30, 2010, the Management Board and the Supervisory Board held the following shares:

	Shares	
	09/30/ 2010	09/30/ 2009
Supervisory Board		
Norbert Basler (chairman)	1.8 million	1.8 million
Prof. Dr. Eckart Kottkamp (vice-chairman)	-	-
Konrad Ellegast	-	-
Management Board		
Dr. Dietmar Ley (chairman)	135,282	135,282
John P. Jennings	5,500	2,000

Corporate Governance - declaration of compliance according to Section 161 AktG

The Management Board and the Supervisory Board hereby declare that the recommendation for conduct issued by the "Government Commission of the German Corporate Governance Code" appointed by the German Government, as amended on June 14, 2008, have been complied with hitherto during fiscal year 2010 and will be complied with in the future. The following recommendations have been excluded:

Clause 5.3 - Establishment of Supervisory Board committees

The Supervisory Board does not establish any committees. With the Supervisory Board of Basler AG comprising only three persons, efficient work is ensured in all matters of the Supervisory Board. In addition, the generally accepted minimum size for a committee is a membership of three.

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 in the Supervisory Board are given consideration as regards the amount of 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.

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

If you have any questions regarding the Corporate Governance Code please contact the compliance officer of Basler AG: Dr. Dietmar Ley (CEO),

Tel. +49 - 4102 - 463 100, ir@baslerweb.com

Outlook

In the course of the third quarter of 2010, general economic conditions were positive. In the Asian markets a consolidation of the demand for new industrial goods could be observed. The main reason for this was the slow down of demand in the classic semiconductors and electronics IT industries where backlog effects leveled off that could widely be observed in the first half-year of 2010. Demand on the North American and European markets continued increasing compared to the preceding quarters.

There are many economic indicators suggesting that the economic recovery will continue in the coming quarters. One must, however, assume that the speed of growth for the year 2010 (in particular for the first half-year) can not be sustained. Significant individual risks resulting from the global economic crisis continue to exist (e.g. the US real estate market, insolvencies of states in the Euro area, strong currency fluctuations).

As regards the components business of Basler AG, the Management Board expects the positive development of the previous quarters to continue with a temporar-

ily slightly decreased momentum. In addition, fiscal year 2010 is expected to close with solidly profitable growth in the double-digit percentage range. As before, we expect approximately stable sales revenues for our solutions business compared to the previous year and an approximately balanced result.

Based on the preliminary figures for the third quarter and assuming steady business development in the fourth quarter, the Management Board has increased the forecast for fiscal year 2010 on October 20, 2010. Sales are now expected within a corridor of € 46 to 48 million (previous forecast: € 43 to 45 million; previous year: € 33.5 million). The earnings before taxes will not be below € 4.1 million (previous forecast: > € 3.5 million; previous year: € -8.0 million).

Declaration of the legal representatives

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

Consolidated Profit and Loss Statement

in €k, result per share in €	01/01/ - 09/30/2010	01/01/ - 09/30/2009	07/01/ - 09/30/2010	07/01/ - 09/30/2009
Income from sales	38,321	24,485	15,758	8,356
Cost of sales -	-23,368	-17,955	-9,577	-5,460
of which depreciations on capitalized developments	4,402	5,533	-2,247	-1,383
Gross profit on sales	14,953	6,530	6,181	2,896
Other internal income	2,276	1,248	396	430
Sales and marketing costs	-6,316	-6,452	-2,089	-1,882
General administration costs	-4,764	-6,820	-1,665	-1,253
Other expenses	-1,984	-1,413	-915	-662
Operating profit	4,165	-6,907	1,908	-471
Interest expense	-376	-492	-148	-93
Earnings before tax	3,789	-7,399	1,760	-564
Profit tax	-960	1,301	-630	122
Surplus/loss for the group	2,829	-6,098	1,130	-442
Number of shares	3,500,000	3,500,000	3,500,000	3,500,000
Operating profit par share (€)	0.81	-1.74	0.32	-0.13
Number of shares (diluted)	3,500,000	3,500,000	3,500,000	3,500,000
Earnings effect to be taken into account for the dilution resulting from the convertible bond (€ k)	0	56	0	16
Completely diluted operating profit per share (€)	0.81	-1.74	0.32	-0.13

Consolidated Statement of Comprehensive Income

in €k	01/01/ - 09/30/2010	01/01/ - 09/30/2009	07/01/ - 09/30/2010	07/01/ - 09/30/2009
Surplus/loss for the group	2,829	-6,098	1,130	-442
result from changes due to currency conversion, directly recorded in equity	-140	55	192	28
surplus from cash flow hedges	271	0	271	
total result, through profit or loss	131	55	192	28
Comprehensive income	2,960	-6,043	1,322	-414
of which attributable to third parties from outside the group	-	-	-	-
of which attributable to owners of the parent company	2,960	-6,043	1,322	-414

Consolidated Cash Flow Statement

in €k	01/01/ - 09/30/2010	01/01/ - 09/30/2009	07/01/ - 09/30/2010	07/01/ - 09/30/2009
Operational activity				
Period surplus/loss of the Group	2,829	-6,097	1,130	-442
Increase/decrease in deferred taxes	261	-1,355	92	-152
Interest outpayment/interest inpayment	334	489	12	249
Depreciations on fixed asset objects	5,354	6,584	2,543	1,744
Change in the capital resources without affecting the payment	133	192	445	163
Increase (+)/decrease (-) in the accruals	1,580	-578	611	-1,097
Profit (-)/loss (+) from the outflow of fixed asset objects	-113	-2	-9	0
Increase (-)/decrease (+) in the reserves	-2,855	1,231	-1,293	649
Increase (+)/decrease (-) in the down payments received	94	-73	-289	-394
Increase (-)/decrease (+) in the receivables from deliveries and services	-4,374	5,122	-1,203	2,418
Increase (-)/decrease (+) in other assets	-633	153	-710	5
Increase (+)/decrease (-) in the payables from deliveries and services	757	153	739	-211
Increase (+)/decrease (-) in other liabilities	387	-197	-23	-257
Cash inflow from the business activity	3,754	5,622	2,045	2,675
Investment activity				
Outpayments for investments in fixed assets	-4,954	-4,515	-1,471	-958
Inpayment from outflow of fixed asset objects	225	119	35	32
Cash outflow from the investment activity	-4,729	-4,396	-1,436	-926
Financing activity				
Outpayment from repayment of bank loans	-1,350	-600	-1,050	-300
Inpayment from the taking out of shareholder loans	1,500	0	0	0
Repayment of the convertible bond	500	0	0	0
Interest outpayment	-334	-489	-12	-249
Cash outflow from financing activity	316	-1,089	-1,062	-549
Changes in the funds that affect the payment in the period	-659	137	-453	1,200
Funds at the beginning of the period	5,526	7,735	5,320	6,672
Funds at the end of the period	4,867	7,872	4,867	7,872
Funds available at the end of the period				
Means of payment	4,867	7,872	4,867	7,872
Tax outpayments	0	43	0	43

Consolidated Balance Sheet

in €k	09/30/2010	12/31/2009
Assets		
A. Long-term assets		
I. Receivables with residual terms of more than 1 year	103	8
II. Fixed assets		
1. Intangible assets	11,591	12,278
2. Fixed assets	2,523	2,345
Total	14,114	14,623
III. Deferred tax assets	3,677	3,254
Total long-term assets	17,894	17,885
B. Short-term assets		
I. Inventories		
1. Finished goods	1,534	1,582
2. Work in process and semi-finished goods	971	727
3. Raw materials and supplies	5,176	2,621
4. Trade goods	247	144
Total	7,928	5,074
II. Short-term financial assets		
1. Receivables from deliveries and services		
- Receivables from deliveries and services	5,993	4,268
- Receivables from production orders	4,524	1,971
Total	10,517	6,239
2. Other short-term financial assets and accruals	1,351	417
III. Claim for tax refunds	555	332
IV. Cash and cash equivalents	4,867	5,526
Total short-term assets	25,218	17,588
C. Assets retained for sale	0	527
Total assets	43,112	36,000

Consolidated Balance Sheet

in €k	09/30/2010	12/31/2009
Liabilities		
A. Shareholder's equity		
I. Subscribed capital	3,500	3,500
II. Capital reserve	1,402	1,131
III. Equitization of currency exchange	28	168
IV. Accumulated earnings	15,460	12,631
Total shareholder's equity	20,390	17,430
B. Long-term debt		
I. Long-term liabilities		
1. Silent partnership	1,023	1,023
2. Long-term liabilities to banks	5,086	5,761
3. Long-term provisions	347	404
4. Other long-term liabilities	0	0
II. Deferred tax liabilities	7,013	6,138
Total long-term debt	13,469	13,326
C. Short-term debt		
I. Other liabilities	3,405	1,850
II. Short-term accrual liabilities	2,971	1,286
III. Short-term other liabilities		
1. Payables from deliveries and services	2,259	1,502
2. Other short-term liabilities	417	396
IV. Tax provisions	201	210
Total short-term debt	9,253	5,244
Total liabilities	43,112	36,000

Segment Information

in €k	Components		Solutions		Reconsolidation		Group	
	01/01/ - 09/30/2010	01/01/ - 09/30/2009	01/01/ - 09/30/2010	01/01/ - 09/30/2009	01/01/ - 09/30/2010	01/01/ - 09/30/2009	01/01/ - 09/30/2010	01/01/ - 09/30/2009
Segment revenue	29,788	16,098	8,533	8,388			38,321	24,485
Segment results (EBIT)	7,927	1,347	370	-4,322	-4,132	-3,932	4,165	-6,907
Segment assets	22,170	17,436	9,858	7,301	11,084	15,574	43,112	40,311
Segment liabilities	16	16	609	495	22,097	17,845	22,722	18,356
Accrual to long-term assets	3,024	2,488	1,202	1,671	728	355	4,954	4,514
Scheduled depreciations on long-term assets	2,766	2,321	893	1,979	827	761	4,486	5,061
Unscheduled depreciations on long-term assets	0	1	0	1,337	869	0	869	1,338

in €k	Components		Solutions		Reconsolidation		Group	
	01/01/ - 09/30/2010	07/01/ - 09/30/2009	01/01/ - 09/30/2010	07/01/ - 09/30/2009	01/01/ - 09/30/2010	07/01/ - 09/30/2009	01/01/ - 09/30/2010	07/01/ - 09/30/2009
Segment revenue	11,290	6,187	4,468	2,170			15,758	8,357
Segment results (EBIT)	3,077	2,049	1,142	-12	-2,311	-2,508	1,908	-471
Accrual to long-term assets	920	617	386	378	91	375	1,397	1,370
Scheduled depreciations on long-term assets	975	885	228	522	472	-81	1,675	1,326
Unscheduled depreciations on long-term assets	0	0	0	232	869	0	869	232

Further Information, Not by Segment

Sales by Region

in €k	01/01/- 09/30/2010	01/01/- 09/30/2009	04/01/- 09/30/2010	04/01/- 09/30/2009
Germany	5,049	3,306	1,589	976
Other EU countries	9,132	5,243	4,067	1,753
America	9,037	4,630	3,649	1,792
Asia	15,103	11,307	6,453	3,836
Total	38,321	24,485	15,758	8,357

The Long-Term Assets are Regionally Divided as Follows:

in €k	09/30/2010	09/30/2009
Germany	14,055	15,270
America	30	39
Asia	29	43
Total	14,114	15,352

Consolidated Changes in Statement of Shareholder's Equity

in €k	Nominal capital	Capital reserve	Accumulated earnings	Total
Shareholder's equity as of 01/01/2009	3,500	1,131	23,365	27,996
Total income			-6,043	-6,043
Shareholder's equity as of 06/30/2009	3,500	1,131	17,735	22,366
Total income			-4,936	-4,936
Shareholder's equity as of 12/31/2009	3,500	1,131	12,799	17,430
Total income			2,960	2,960
Shareholder's equity as of 06/30/2010	3,500	1,131	15,759	20,390

EVENTS 2010

Finance

November 22 - 24, 2010	Deutsches Eigenkapitalforum (German Equity Forum), Frankfurt
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Trade fairs and conferences

December 01 - 03, 2010	International Technical Exhibition on Image Technology and Equipment, Yokohama, Japan
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