

Quarterly Report Q2/2010

Overview of the 2nd Quarter:

- Continued increasing demand for digital cameras
- Incoming orders: € 17.8 million (previous year: € 6.8 million, +163 %)
Sales: € 13.3 million (previous year: € 8.1 million, +64 %)
Pre-tax earnings: € 1.7 million (previous year: € -4.9 million, € +6.6 million)
Free cash flow: € 0.6 million (previous year: € -0.8 million, € +1.4 million)
- Forecast for 2010 increased after publication of preliminary figures on July 13

Key Data (not audited)

in €m			+/- in %
	Q2 2010	Q2 2009	
Sales			
Group	13.3	8.1	+64
Components	10.7	5.6	+91
Solutions	2.6	2.5	+4
Group incoming orders	17.8	6.8	+163
EBITDA Group	3.3	-1.4	n.a.
EBIT Group	1.8	-4.7	n.a.
EBT Group	1.7	-4.9	n.a.
Group profit for the period	1.3	-4.1	n.a.
Operating profit per share in €	0.38	-1.17	n.a.
Shares in circulation in million	3.5	3.5	-
Operating Cash Flow	2.0	0.8	+160
Investing Cash Flow	-1.4	-1.6	-13
	06/30/2010	12/31/2009	
Group balance sheet total	41.2	36.0	+14
Investment assets	15.2	14.6	+4
Equity	18.8	17.4	+8
Borrowed capital	22.4	18.6	+20
Equity ratio	45.6	48.3	-2.7 pp
Net debt	5.0	4.0	+25
Working capital	14.0	12.2	+15
	06/30/2010	06/30/2009	
Employees	246	282	-
Share price (Xetra) in €	7.0	5.95	+18
Market Capitalization	24.5	20.8	+18

Dear Ladies and Gentlemen,

In the second quarter of 2010 the general economic conditions showed continued improvement. In the reporting period, the increasing demand for new investment goods persisted in the technology-oriented industries such as semiconductors, electronics, and LCD. The upturn has meanwhile reached all regional markets.

The second quarter was successful for Basler AG and better than expected. Incoming orders and sales were distinctly above the previous year's and the previous quarter's figures. The pre-tax earnings turned out solidly positive. We made further progress in streamlining our product portfolio by selling our product line for the inspection of solar wafers. The pre-tax return of more than 13 %, reached in the reporting period, clearly shows that the strategic focusing that was started in 2009 is proceeding successfully.

Sales and incoming orders

The group's sales amounted to € 13.3 million in the second quarter which is 64 % above the previous year's figure of € 8.1 million. At € 10.7 million, the "Components" business segment realized sales that were 91 % above the value of the same quarter of the previous year (€ 5.6 million). Accordingly, sales exceeded the previous record value of € 7.8 million by 37 %, reached in the preceding quarter. For the first time in seven consecutive quarters with declining revenue the "Solutions" business segment recorded growth in the reporting period.

Sales increased by 4 % reaching € 2.6 million (previous year: € 2.5 million). In comparison with the previous year, regional increase of the group's sales was strongest in Europe (+82 %), followed by North America (+73 %), and Asia (+49 %).

Incoming orders for the group increased by 163 % in the second quarter, reaching € 17.8 million (previous year: € 6.8 million). At € 4.5 million, incoming orders for the "Solutions" segment increased by 593 % compared to the previous year. Order volume for the "Components" segment increased to € 13.3 million (previous year: € 6.1 million, +118 %) and reached a new record level.

Result and costs

In the second quarter of 2010, Basler achieved a result before taxes (EBT) for the group of € 1.7 million. This corresponds to an increase by € 6.6 million above the previous year's value of € -4.9 million that was strongly influenced by special items. The earnings before interest and taxes (EBIT) for the "Components" business segment amounted to € 3.2 million (previous year: € 0.4 million, € +2.8 million). The "Solutions" business segment reached an EBIT amounting to € -0.1 million (previous year: € -3.6 million, € +3.5 million). At a pre-tax return of 13 %, Basler AG reached the zone of a return of at least 10 % in the second quarter of 2010, as desired by the Management Board.

Compared to the previous year, the gross results increased to € 5.1 million (previous year: € 0.8 million) due to increased sales revenues and an improved gross margin. The gross margin reached 39 % (previous year: 10 %). The expense for sales and marketing increased by € 0.1 million compared to the previous year, reaching € 2.2 million. The general administration costs decreased by € 2.0 million compared to the previous year, reaching € 1.3 million (-61 %).

The full costs for research and development amounted to € 1.7 million in the second quarter of 2010 and were therefore € 0.3 million above the previous year's level of € 1.4 million. The depreciations on capitalized expense for research and development declined to € 1.1 million (previous year: € 2.9 million, -61 %).

Segment information

Basler AG realized sales in the second quarter of 2010 in the "Components" business segment, amounting to € 10.7 million. The revenue from digital cameras for industry and for video surveillance increased in the reporting period by 91 % (previous year: € 5.6 million), marking a new record level. Due to decreased production costs and positive exchange rate effects the gross margin also developed positively. The personnel cost ratio amounted to 9 % and therewith declined by 39 % compared to the previous year. The ratio of other costs to sales declined from 8 % in the previous year to 4 % (-50 %). With the business segment's earnings before interest and taxes in the second quarter of € 3.2 million (previous year: € 0.4 million, € +2.8 million) the business segment demonstrated its solid profitability. At € 13.3 million, incoming orders reached a new record level, surpassing

the recordsetting preceding quarter. Incoming orders increased by 118 % in the reporting period, compared to the previous year's value of € 6.1 million.

The demand for digital cameras developed positively on a global scale. All markets showed strong growth in the second quarter after unequal growth in the previous quarter when recovery was more dynamic in Asia compared to North America and Europe. From a very positive development of all product segments, the Gigabit Ethernet cameras continue to stand out. Here, we were again able to increase sales in the high double-digit percentage range compared to the previous year. This increased our market share even further in the strategically most important product segment for industrial cameras.

Our new "Basler ace" Gigabit Ethernet camera that was introduced in November 2009 and very positively received by the market, contributed for the first time to growth in sales. And the camera already ranked among the best selling product lines in the second half of the reporting period. The revenues from digital cameras for the video surveillance market (so-called IP cameras) also developed positively in the second quarter.

We recorded sales revenues in the second quarter amounting to € 2.6 million (previous year: € 2.5 million, +4 %) in the "Solutions" business segment. As announced in the quarterly report for the first quarter of 2010, the positive sales trend and a distinctly declined cost level compared to the previous year, result in significantly improved key figures. The earnings before interest and taxes for the segment amounted to € -0.1 million and thus improved by € 3.5 million compared to the previous year (€ -3.6 million). The gross margin was still below the previous year's value due to the product mix. Personnel expenses decreased by 26 % in absolute terms compared to the previous year.

At € 4.5 million, the incoming orders were in the reporting period again on the level of the fourth quarter of 2009. This is an expression of the high demand in the LCD industry that will continue in the following quarters from today's perspective. The demand for solar thin film inspection solutions continued to be very weak in the reporting period.

We made good progress in the second quarter in focusing our product portfolio in the "Solutions" segment. With Semilab Zrt., a Hungarian specialist for measurement technology for applications in the solar and semiconductor industries, we found a well fitting buyer for our inspection solutions for the inspection of solar wafers. On the one hand, Semilab Zrt. complements its product portfolio for the solar industry by the acquisition of our inspection solutions. On the other hand, we are able to decrease our expense that was disproportionately high compared to the low sales volume of the last two years, and thus improve the cost structure of the business segment. We furthermore streamlined our technology portfolio by selling the products that are not compatible with the surface inspection of LCDs and solar thin film cells. The transfer of assets to Semilab Zrt. and the training of their employees were concluded within the reporting period.

Employees

The employees of the Basler group amounted to 246 at the end of the reporting date (previous year: 282). The regional allocation is as follows:

- Headquarters in Ahrensburg, Germany: 209 (previous year: 243)
- Subsidiary in USA: 14 (previous year: 12)
- Subsidiary in Taiwan: 11 (previous year: 14)
- Subsidiary in Singapore: 8 (previous year: 8)
- Representative offices in Korea and Japan: 4 (previous year: 6)

25 external employees were employed during the reporting period due to the continually increasing workload.

Cash flow, liquid assets, and debts

The operating cash flow amounted to € 2.0 million in the second quarter (previous year: € 0.8 million). The free cash flow amounted to € 0.6 million, and thus changed by € 1.4 million (previous year: € -0.8 million).

At the end of the reporting period, liquid assets amounted to € 5.3 million and thus decreased by € 1.4 million compared to the end of the comparison period (-25 %). Compared to December 31, 2009, the funds available declined slightly by € 0.2 million.

The Basler group had borrowed capital available at the end of the second quarter of 2010 amounting to € 22.4 million (previous year: € 23.6 million). € 8.3 million of the amount were short-term borrowed capital (previous year: € 8.6 million) and € 14.1 million long-term borrowed capital (previous year: € 15.1 million). With equity amounting to € 18.8 million (previous year: € 22.4 million) the debt to total capital ratio amounted to € 119.3 % on June 30 (previous year: 105.7 %). The debt to equity ratio relating to short-term borrowed capital amounted to 44.4 % (previous year: 38.3 %). The long-term debt to equity ratio amounted to 74.9 % (previous year: 67.4 %).

Share

On April 01, 2010, the Basler share opened at an exchange rate of € 6.80. The share price amounted to € 7.00 at the end of the second quarter. As of June 30, 2010, the Management Board and the Supervisory Board held the following shares:

	Shares	
	06/30/ 2010	06/30/ 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

The recovery of the general economic conditions continued in the second quarter of 2010. The economic research institutes currently expect the positive trend to continue at least until the end of the third quarter. Afterwards, risks persist for a temporary economic slowdown. In its current forecast for the German image processing industry, the German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau) assumes a growth in sales for 2010 amounting to +10 % compared to the previous year.

Basler AG clearly surpassed its own business planning in the second quarter. The main reasons were the fact that the components business developed better than expected and the improved profit situation in the solutions business. The Management Board assumes that the components business will develop positively also in the second half-year, gaining double-digit growth rates compared to 2009. We continue to expect approximately stable sales revenues for our solutions business compared to the previous year.

Based on the preliminary results for the second quarter and assuming a continuous business development, the Management Board increased the forecast for fiscal year 2010 on July 13, 2010, and has since been expecting sales revenues within a corridor of € 43 to 45 million (previous forecast: € 39 to 41 million; previous year: € 33.7 million) and pre-tax earnings not below € 3.5 million (previous forecast: > € 1.5 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/ - 06/30/2010	01/01/ - 06/30/2009	04/01/ - 06/30/2010	04/01/ - 06/30/2009
Income from sales	22,563	16,129	13,310	8,101
Cost of sales -	-13,791	-12,495	-8,187	-7,295
of which depreciations on capitalized developments	2,155	4,150	-1,121	-2,902
Gross profit on sales	8,772	3,634	5,123	806
Other internal income	1,880	818	881	315
Sales and marketing costs	-4,227	-4,570	-2,175	-2,119
General administration costs	-3,099	-5,567	-1,303	-3,317
Other expenses	-1,069	-751	-736	-374
Operating profit	2,257	-6,436	1,790	-4,689
Interest expense	-228	-399	-115	-193
Earnings before tax	2,029	-6,835	1,675	-4,882
Profit tax	-330	1,179	-344	803
Surplus/loss for the group	1,699	-5,656	1,331	-4,079
Number of shares	3,500,000	3,500,000	3,500,000	3,500,000
Operating profit par share (€)	0.49	-1.62	0.38	-1.17
Number of shares (diluted)	3,500,000	3,668,882	3,500,000	3,668,882
Earnings effect to be taken into account for the dilution resulting from the convertible bond (€ k)	0	48	0	24
Completely diluted operating profit per share (€)	0.49	-1.62	0.38	-1.17

Consolidated Statement of Comprehensive Income

in €k	01/01/ - 06/30/2010	01/01/ - 06/30/2009	04/01/ - 06/30/2010	04/01/ - 06/30/2009
Surplus/loss for the group	1,699	-5,656	1,331	-4,079
result from changes due to currency conversion, directly recorded in equity	-332	27	-206	79
total result, through profit or loss	-332	27	-206	79
Comprehensive income	1,367	-5,629	1,125	-4,000
of which attributable to third parties from outside the group	-	-	-	-
of which attributable to owners of the parent company	1,367	-5,629	1,125	-4,000

Consolidated Cash Flow Statement

in €k	01/01/ - 06/30/2010	01/01/ - 06/30/2009	04/01/ - 06/30/2010	04/01/ - 06/30/2009
Operational activity				
Period surplus/loss of the group	1,699	-5,655	1,331	-4,079
Increase/decrease in deferred taxes	169	-1,203	233	-807
Interest outpayment/interest inpayment	322	240	195	228
Depreciations on fixed asset objects	2,811	4,840	1,447	3,265
Change in the capital resources without affecting the payment	-312	29	-188	79
Increase (+)/decrease (-) in the accruals	969	519	900	875
Profit (-)/loss (+) from the outflow of fixed asset objects	-104	-2	-104	8
Increase (-)/decrease (+) in the reserves	-1,562	582	-1,034	1,061
Increase (+)/decrease (-) in the down payments received	383	321	443	145
Increase (-)/decrease (+) in the receivables from deliveries and services	-3,171	2,704	-1,661	108
Increase (-)/decrease (+) in other assets	77	148	341	142
Increase (+)/decrease (-) in the payables from deliveries and services	18	364	66	-9
Increase (+)/decrease (-) in other liabilities	410	60	-12	-263
Cash inflow from the business activity	1,709	2,947	1,957	753
Investment activity				
Outpayments for investments in fixed assets	-3,483	-3,557	-1,564	-1,611
Inpayment from outflow of fixed asset objects	190	87	180	12
Cash outflow from the investment activity	-3,293	-3,470	-1,384	-1,599
Financing activity				
Outpayment from repayment of bank loans	-300	-300	0	0
Inpayment from the taking out of shareholder loans	1,500	0	0	0
Repayment of the convertible bond	500	0	0	0
Interest outpayment	-322	-240	-195	-228
Cash outflow from financing activity	1,378	-540	-195	-228
Changes in the funds that affect the payment in the period	-206	-1,063	378	-1,074
Funds at the beginning of the period	5,526	7,735	4,942	7,746
Funds at the end of the period	5,320	6,672	5,320	6,672
Funds available at the end of the period				
Means of payment	5,320	6,672	5,320	6,672
Tax outpayments	0	43	0	43

Consolidated Balance Sheet

in €k	06/30/2010	12/31/2009
Assets		
A. Long-term assets		
I. Receivables with residual terms of more than 1 year	94	8
II. Fixed assets		
1. Intangible assets	12,702	12,278
2. Fixed assets	2,515	2,345
Total	15,217	14,623
III. Deferred tax assets	3,437	3,254
Total long-term assets	18,748	17,885
B. Short-term assets		
I. Inventories		
1. Finished goods	1,392	1,582
2. Work in process and semi-finished goods	957	727
3. Raw materials and supplies	4,083	2,621
4. Trade goods	203	144
Total	6,635	5,074
II. Short-term financial assets		
1. Receivables from deliveries and services		
- Receivables from deliveries and services	6,663	4,268
- Receivables from production orders	2,661	1,971
Total	9,324	6,239
2. Other short-term financial assets and accruals	607	417
III. Claim for tax refunds	584	332
IV. Cash and cash equivalents	5,320	5,526
Total short-term assets	22,470	17,588
C. Assets retained for sale	0	527
Total assets	41,218	36,000

Consolidated Balance Sheet

in €k	06/30/2010	12/31/2009
Liabilities		
A. Shareholder's equity		
I. Subscribed capital	3,500	3,500
II. Capital reserve	1,131	1,131
III. Equitization of currency exchange	-164	168
IV. Accumulated earnings	14,330	12,631
Total shareholder's equity	18,797	17,430
B. Long-term debt		
I. Long-term liabilities		
1. Silent partnership	1,023	1,023
2. Long-term liabilities to banks	6,174	5,761
3. Long-term provisions	365	404
4. Other long-term liabilities	18	0
II. Deferred tax liabilities	6,490	6,138
Total long-term debt	14,070	13,326
C. Short-term debt		
I. Other liabilities	3,138	1,850
II. Short-term accrual liabilities	2,294	1,286
III. Short-term other liabilities		
1. Payables from deliveries and services	1,520	1,502
2. Other short-term liabilities	1,177	396
IV. Tax provisions	222	210
Total short-term debt	8,351	5,244
Total liabilities	41,218	36,000

Segment Information

in €k	Components		Solutions		Reconsolidation		Group	
	01/01/ - 06/30/2010	01/01/ - 06/30/2009	01/01/ - 06/30/2010	01/01/ - 06/30/2009	01/01/ - 06/30/2010	01/01/ - 06/30/2009	01/01/ - 06/30/2010	01/01/ - 06/30/2009
Segment revenue	18,498	9,911	4,065	6,218			22,563	16,129
Segment results (EBIT)	4,850	-702	-772	-4,310	-1,821	-1,424	2,257	-6,436
Segment assets	21,532	18,147	7,391	10,346	12,295	17,507	41,218	46,000
Segment liabilities	10	27	499	845	21,912	22,762	22,421	23,634
Accrual to long-term assets	2,104	1,871	816	1,293	637	-20	3,557	3,144
Scheduled depreciations on long-term assets	1,791	1,436	665	1,457	355	842	2,811	3,735
Unscheduled depreciations on long-term assets	0	1	0	1,105	0	0	0	1,106

in T€	Components		Solutions		Reconsolidation		Group	
	04/01/ - 06/30/2010	04/01/ - 06/30/2009	04/01/ - 06/30/2010	04/01/ - 06/30/2009	04/01/ - 06/30/2010	04/01/ - 06/30/2009	04/01/ - 06/30/2010	04/01/ - 06/30/2009
Segment revenue	10,678	5,642	2,632	2,459	0	0	13,310	8,101
Segment results (EBIT)	3,244	435	-92	-3,556	-1,362	-1,569	1,790	-4,690
Accrual to long-term assets	0	781	0	541	0	-124	0	1,198
Scheduled depreciations on long-term assets	923	766	344	734	180	661	1,447	2,161
Unscheduled depreciations on long-term assets	0	0	0	1,105	0	0	0	1,105

Further Information, Not by Segment

Sales by Region

in €k	01/01/- 06/30/2010	01/01/- 06/30/2009
Germany	3,460	2,330
Other EU countries	5,065	3,490
America	5,388	2,838
Asia	8,650	7,471
Total	22,563	16,129

The Long-Term Assets are Regionally Divided as Follows:

in €k	06/30/2010	06/30/2009
Germany	15,154	16,044
America	34	42
Asia	29	50
Total	15,217	16,136

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			-5,629	-5,629
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			1,367	1,367
Shareholder's equity as of 06/30/2010	3,500	1,131	14,166	18,797

EVENTS 2010

Finance

November 16, 2010	Publication of third-quarter results 2010
November 22 - 24, 2010	Deutsches Eigenkapitalforum (German Equity Forum), Frankfurt

Trade fairs and conferences

August 03 - 05, 2010	National Instruments Week, Austin, U.S.A.
September 06 - 09, 2010	25th European Photovoltaic Exhibition, Valencia, Spain
September 15 - 17, 2010	GlobalTRONICS, Singapore, Singapore
October 05 - 08, 2010	Security, Essen, Germany
October 12 - 15, 2010	ASIS International, Dallas, U.S.A.
October 27 - 29, 2010	Vision China, Peking, China
November 03 - 04, 2010	ISC East, New York, U.S.A.
November 09 - 11, 2010	Vision, Stuttgart, Germany
December 01 - 03, 2010	International Technical Exhibition on Image Technology and Equipment, Yokohama, Japan

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