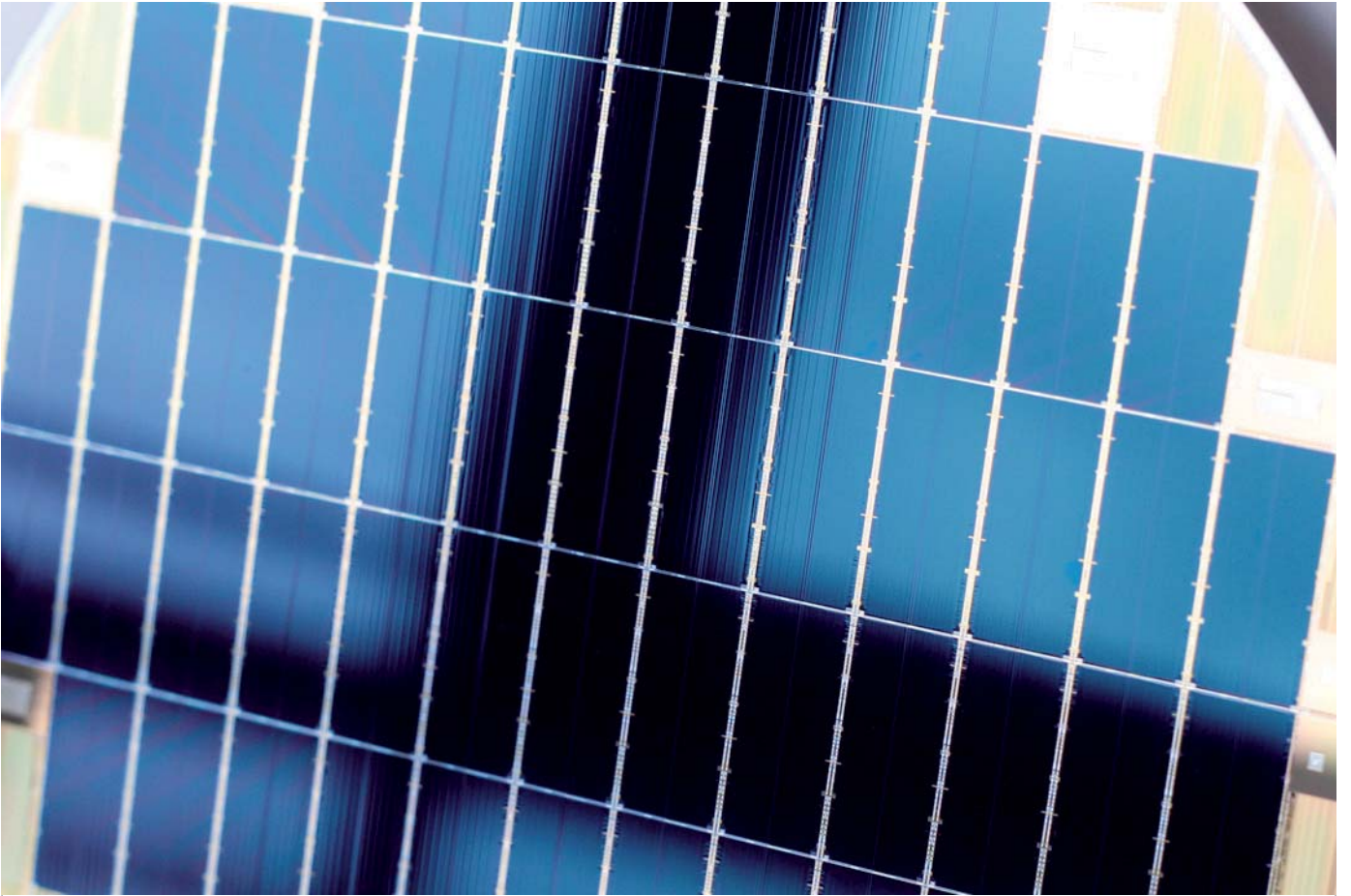


Quarterly Report Q1/2008



Overview of the quarter:

- Turnover, earnings and cash flow above previous year's level
- Orders received at record level
- Largest order in the company's history received in excess of 6 million Euros
- Entered the market for digital surveillance cameras
- Forecast corridor unchanged for 2008

Key Data

in T€	Q1 2008*	Q1 2007		+/- in %
Turnover				
Group	12,2	11,5	mill. €	+6
Basler Components	7,3	6,3	mill. €	+16
Basler Solutions	4,9	5,2	mill. €	-6
Orders				
Incoming Orders	22,1	11,0	mill. €	+101
Results				
Gross Margin	47	47	%	
EBITDA	2,1	1,6	mill. €	+31
EBIT	0,4	0	mill. €	
EBT	0,3	-0,2	mill. €	
Net Result	0,1	-0,1	mill. €	
Net Margin	1	-1	%	
Number of Shares	3,5	3,5	mill.	
Earning per Share	0,04	-0,04	€	
Cash				
Cash funds (as of cut-off date)	4,6	2,3	mill. €	+100
Balance Sheet (as of cut-off date)				
Equity Capital	26,2	24,8	mill. €	+6
Equity Capital Ratio	54	54	%	
Staff (as of cut-off date)				
Number of Staff	306	313		-2
Shares (as of cut-off date)				
Share Price (XETRA)	7,20	13,34	€	-54
Market cap	25,2	46,7	mill. €	

* Quarterly figures were not subject to the audit.

Ladies and Gentlemen,

Basler AG had a positive first quarter in spite of enduring turbulence on the world market.

We have increased turnover, earnings and cash flow compared with the previous year. Orders received were also above the previous year's value and achieved a new record level due to the highest orders received in our solutions business in the company's history. Progress made in implementing our strategy has continued to be pleasing: we entered the growth margin for digital video surveillance with our new IP camera. In the systems business we made the first successful steps towards a greater focus on OEM customers. Our costs are well under control and are below those planned in the first quarter.

Due to the weakening economy in Europe, the ongoing risks of recession in the US and the enduring global financial crisis, we stick to our forecast in spite of this encouraging start to the financial year. Our assumption of sales growth in the lower to mid single figure percentage range, an increase in pre-tax result in the mid to high single percentage range and a positive cash flow remains unchanged. At the same time, the very good orders received in the first quarter provide a better visibility than was the case a year ago.

Turnover and incoming orders

The group turnover in the first quarter 2008 was € 12.2 million, a 6% growth above the previous year's value (Q1/2007: € 11.5 million).

The turnover relation between the two business divisions Basler Components and Basler Solutions has made a clear shift in favour of the components business. In the first quarter digital cameras accounted for 60% of sales (previous year: 55%) and solutions business 40% (previous year: 45%). Orders received increased in the first quarter 2008 compared with the previous year. A deciding factor for the increase to the new record value of € 22.1 million (Q1/2007: € 11.00 million) was the significant increase in demand in our solutions business in combination with an ongoing positive development in demand in the components business.

Result

The earnings before taxes in the first quarter were € 0.3 million (Q1/2007: € -0.2 million).

The gross result increased in the first quarter by 7% compared with the previous year. The gross margin of 47% is at the previous year's level. The expenditure for sales and marketing reduced compared with the previous year, both in absolute figures (€ -108,000) and as a percentage (-4.4%). The same applies to general administration costs that fell absolutely by € 62,000 and relatively by 3.3% compared with the previous year. The balance for research and development rose in the first quarter due to higher depreciation

on capitalised development services by € 117,000 (7.7%) compared with the previous year (see reporting research & development).

The net result in the first quarter was € 0.1 million (Q1/2007: € -0.1). This corresponds to a profit per share of € 0.04 (Q1/2007: € -0.04).

Segment information

Our **Basler Components business division** has successfully continued its growth course in the first quarter. Sales revenue from digital camera solutions rose by 16% in the period under review to reach a level of € 7.3 million (Q1/2007: 6.3 million). Orders received rose by 8% year-on-year to achieve a new record high of € 7.9 million (Q1/2007: € 7.3 million). We understand these consistently positive results on the sales side as a result of our investments in the extension of our sales and marketing activities and the expansion of our product portfolio.

The segment result before interest and taxes achieved € 1.0 million in the first quarter (Q1/2007: € 0.8 million) and grew therefore 25% above the previous year. A deciding factor in the improvement was the significantly improved gross margin, which we have achieved due to our progress in reducing material and production costs and – additionally – due to a more favourable product mix.

A particular highlight in the first quarter 2008 was Basler Components' entry into the growth market for digital video surveillance. With this step we want to expand the prospects in our component business, by transferring our now ten years' experience in development and sales from digital industrial cameras to the rapidly growing future market for video surveillance and thereby gain a better level of interest on our investments in sales, marketing and technology. We are therefore implementing the targets expressed in the annual report 2007, according to which our company should in future operate in larger markets than previously. The first members of the new product family "Basler IP Cam" will be presented in May 2008 at the "IFSEC 2008" exhibition in Birmingham. Furthermore, Basler Components started full volume production of the new Gigabit-Ethernet based line scan camera family „Basler Runner“ in the first quarter, which has previously comprised seven models of camera. Together with the addition to our two camera families "Basler Scout" and "Basler Pilot" we have created the basis to extend our market leadership achieved in the previous financial year in the Gigabit-Ethernet camera segment.

Business development in the **Basler Solutions segment** was characterised of revenues slightly below plan, a negative result according to plan and orders received above plan. Basler Solutions achieved a turnover of € 4.9 million in the first quarter. Thus, the revenue was around 6% below the previous year's figure (Q1/2007: € 5.2 million). Due to this turnover level, the earnings before interest and taxes in the Basler Solutions segment were still negative, amounting to

€ -1.0 million (Q1/2007: -0.7 million €). The first quarter 2008 was, however, very successful in terms of bookings for Basler Solutions. With orders received totalling € 14.2 million (Q1/2007: € 3.7 million) the highest value ever was achieved. CapEx in the flat panel display industry and in the solar industry were above previous year's levels. Due to our leading technology and our consulting expertise we have been able to win several important projects against strong international competition. The sales highlight of the first quarter 2008 was the decision by AU Optronics, globally the third largest manufacturer of flat screen monitors, to equip two new production lines completely with color filter inspection technology from Basler. With this order, worth in excess of € 6 million, Basler Solutions was able to report the largest single order to date in the company's 20-year history. The inspection systems will be installed during the financial years 2008 and 2009.

On the cost side, too, Basler Solutions made good progress in the first quarter 2008. Staffing costs were around 12% below the previous year, while it was even possible to half other costs compared with Q1/2007. Operating costs therefore sank by almost 25% below the previous year's value overall. As described in the annual report 2007, we have decided to implement a change of strategy in the solutions business. It is our intention to focus on our core competencies in the area of vision technology and to team-up with leading partners in the areas of automation and machine building in the particular market segments. This change of strategy has already borne initial fruit in the first quarter 2008: We will process the order from AU Optronics in close collaboration with a Taiwanese machine builder and simplify order processing compared with earlier projects. At the same time, we concluded a blanket agreement to supply inspection solutions for testing thin-film solar modules in the period under review. Our customer in this application is one of the leading global machine builders in the thin-film technology segment. The partnership will allow our customer to focus completely on their core competencies in the process technology segment, while we can concentrate on vision technology know-how in the form of software, high-speed image processing hardware and lighting technology, which we acquired in the flat panel display market. The initial successes achieved in the first quarter with our new strategy make us confident that we are on the right track and will be able to gradually increase the performance of our solutions business over the coming quarters

Research & development

The full costs of Research & Development in the first quarter stood at the previous year's level of € 2.0 million (Q1/2007: € 2.0 million). The level of depreciation has risen slightly compared with Q1/2007 to € 1.4 million, accompanied by the market introduction of new products (Q1/2007: € 1.2 million).

Workforce

The number of full time equivalents in the first quarter of 2008 was seven posts below the previous year's value and was 306 at the end of the period under review. The regional distribution appeared as follows:

- Head office in Ahrensburg, Germany: 260
- Subsidiary in USA: 16
- Subsidiary in Taiwan: 15
- Subsidiary in Singapore: 9
- Representative offices in China, Korea and Japan: 6

Cash flow

The operative cash flow during the first quarter was € 2.9 million (Q1/2007: € 2.3 million), which equates to a 26% improvement compared with the previous year. Liquid funds on hand increased during the first quarter of 2008 from € 3.9 mill. to 4.6 mill..

Basler Stock

Basler shares opened 2008 at a rate of € 10.73 and showed a downward trend in the period under review to close at € 7.20 on 31.03.2008.

We understand this disappointing development in the performance of our shares in the first quarter to be a result of two factors: The global financial crisis led to a significantly lower level of investor interest for small and micro-cap companies. Furthermore, vision technology companies at home and abroad have achieved consistently weaker results in 2007 than in 2006, which also led to price markdowns during the first quarter. Our objective is to convince the capital market of the attractiveness of investing in Basler shares by improving fundamental key performance indicators and by making our turnover successively less dependent on cyclical technology markets. We see the results of the first quarter 2008 as the first step in this direction and will communicate our progress to investors as part of our investor relations work.

As decided at the Annual Meeting 2007, the convertible The board of directors and the supervisory board held the following shares and convertible bonds as of 31.03.08.

in T€	Shares		Convertible bonds	
	31.03.2008	31.03.2007	31.03.2008	31.03.2007
Supervisory board				
Norbert Basler (Chairman)	1,8 Mio.	1,8 Mio.	106.907	106.907
Prof. Dr. Eckart Kottkamp (Vice Chairman)	-	-	-	-
Konrad Ellegast	-	-	-	-
Board of directors				
Dr. Dietmar Ley (Chairman)	135.282	135.282	23.800	23.800
John P.Jennings	2.000	2.000	3.000	3.000

bonds have been extended by two years as of 30.09.2007. Overall our staff and the management have invested 45,690 shares in convertible bonds. Ms Nicola-Irina Basler holds 106,907 shares.

The board of directors and the supervisory board declare that the recommendations for conduct issued by the corporate governance code commission set up by the Federal government as amended on 14.06.07 were complied with throughout the financial year 2007 and will be complied with in the future. The following recommendations have been excluded:

Item 5.3. – Formation of supervisory board committees

The supervisory board shall not form any committees, since Basler AG's supervisory board consists of three members only, thereby guaranteeing efficient processing of all concerns that form part of the supervisory board's responsibilities. Furthermore, the generally accepted minimum number of members in a committee is three members.

Item 5.4.7. – Supervisory board remuneration

The remuneration of the supervisory board members is set out in the articles of association. The level of remuneration takes account of both the position of Chairman and of Vice Chairman. Due to the current level of fixed remuneration, a variable component is currently not planned for the supervisory board members.

The updated declaration of compliance with the code can be viewed 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 at Basler AG:

Dr Dietmar Ley (CEO), Tel. + 49 (0) 4102 – 463 100, ir@baslerweb.com

Outlook

The first quarter of the financial year 2008 went positive for Basler AG. We exceeded the previous year's values for turnover, earnings and cash flow. Our costs are lower than planned. The very pleasing orders received in both business segments mean a considerably better visibility than a year ago.

Our components business has continued to show a positive stable development on the sales side and with the entry into the market for video surveillance we have given the starting signal for additional mid-term growth in this segment. In terms of the gross margin, we expect an annual average of a level above the previous year's level but below the very good first quarter value, as the above-average strong margin product mix in Q1/2008 will normalise over the course of

the year. At the same time, in our plans we assume falling average sales prices as a result of exchange rate fluctuations. To be able to combat a possible further rise in the euro against the US dollar without losing margin or market share, we shall keep up our efforts for a continued reduction in manufacturing costs.

Our solutions business is running more stable than a year ago thanks to the very good orders received in the first quarter. In the two current most important target markets for the solutions business – the flat panel display industry and the solar industry – we are assuming that the demand for new investment goods will remain intact. In the coming quarters we will continue to work intensively on implementing our new strategy, in order to increase earning power and reduce the dependency on individual technology markets. Due to the ongoing macro-economic risks we maintain our previous forecast for the financial year 2008. We expect turnover growth in the lower to mid single figure percentage range, an increase in pre-tax result in the mid to high single figure percentage range and a positive cash flow.

Affirmation by legal representatives

We affirm to the best of our knowledge that this report, in accordance with the accounting principles to be applied to the interim report on the interim consolidated financial statements, provides a true and fair view of the group's asset, financial and earnings situation, that the course of business, including the operating result, and the group's financial situation are represented in the group's interim annual report in such a manner that the report provides a true and fair view of the actual situation, and that the annual report describes the essential opportunities and risks of the expected development of the group during the remainder of the financial year.

The board of directors

Dr Dietmar Ley – John P. Jennings



Consolidated profit and loss statement (IFRS)

in k€, result per share in €	01.01.- 31.03.2008	01.01.- 31.03.2007
Income from sales	12,184	11,542
Cost of sales	-6,404	-6,139
Gross profit on sales	5,780	5,403
Sales and marketing costs	-2,349	-2,457
General administration costs	-1,844	-1,906
Research and development		
Full costs	-2,045	-2,041
Activation of intangible assets	1,763	1,766
Depreciation on activated intangible assets	-1,352	-1,242
Balance – Research and development	-1,634	-1,517
Other internal income	452	438
Operative profit	405	-39
Interest expense	-150	-126
Annual surplus for profit tax	255	-165
Profit tax	-123	37
Net period surplus	132	-128
Number of shares (diluted)	3,500,000	3,500,000
Operating profit per share	0.04	-0.04
Number of shares (diluted)	3,668,882	3,714,285
Earnings effect to be taken into account for the dilution resulting from the convertible loan	24	24
Completely diluted operating profit per share	0.04	-0.03

Consolidated cash flow statement (IFRS)

in k€	01.01.- 31.03.2008	01.01.- 31.03.2007
Net period surplus	132	-129
Depreciations on fixed asset objects	1,701	1,578
Interest outpayment/Interest inpayment	220	92
Increase/decrease in the accruals	117	-391
Change in deferred taxes	40	-61
Change in the capital resources without affecting the payment	35	18
Profit/loss from the outflow of fixed asset objects	-6	2
Increase/decrease in the reserves	-174	-1,167
Increase/decrease in the receivables from deliveries and services	882	1,240
Increase/decrease in other assets, which are not allotted to the investment or financing activity	-279	-501
Increase/decrease in the down payments received	452	357
Increase/decrease in the payables from deliveries and services	-23	1,151
Increase/decrease in other liabilities, which are not allotted to the investment or financing activity	44	104
Cash flow from the ongoing business activity	3,141	2,293
Inpayment from the outflow of tangible/intangible fixed asset objects	77	-1
Outpayments for investments in tangible/intangible fixed assets	-2,366	-2,160
Cash flow from the investment activity	-2,289	-2,161
Free cash flow	852	132
Inpayments/outpayments from borrowing/repayment of loans from credit institutions/banks	0	-1,000
Interest outpayment/Interest inpayment	-220	-92
Cash flow from the financing activity	-220	-1,092
Changes in the funds that affect the payment	632	-960
Funds at the beginning of the period	3,945	3,268
Funds at the end of the period	4,577	2,308
Funds available at the end of the fiscal year		
Means of payment	4,577	2,308
Tax outpayments	0	0

Consolidated balance sheet (IFRS)

Assets in k€	01.01.- 31.03.2008	01.01.- 31.12.2007
A. LONG-TERM-ASSETS		
I. Fixed Assets		
1. Intangible assets	2,089	1,805
2. Tangible assets	13,120	12,708
3. Sachanlagen	2,971	3,076
Total	18,180	17,589
II. Deferred tax assets	6,744	6,325
Total	24,924	23,914
B. Short-TERM-ASSETS		
I. Inventories		
1. Finished goods	1,336	1,384
2. Work in process and semi-finished goods	1,586	1,268
3. Raw materials and supplies	4,063	4,167
4. Trade goods	194	186
Total	7,179	7,005
II. Short-term financial assets		
I. Short-term receivables		
Trade accounts receivable	4,595	5,001
Receivables of Percentage of Completion	5,374	5,850
Total	9,969	10,851
2. Other short-term financial assets and accruals	1,392	1,162
III. Claim for Tax refunds	481	429
IV. Cash and cash equivalents	4,577	3,945
Total	23,598	23,392
Total assets	48,522	47,306

Consolidated balance sheet (IFRS)

Liabilities in k€	01.01.- 31.03.2008	01.01.- 31.12.2007
A. SHAREHOLDER'S EQUITY		
I. Subscribed capital	3,500	3,500
II. Capital reserve	1,220	1,220
III. Equitation of currency exchange	232	207
IV. Accumulated earnings	21,279	21,147
Total	26,231	26,074
B. LONG-TERM DEPT		
I. Long-term liabilities		
1. Silent partnership	1,023	1,023
2. Convertible bond	2,139	2,139
3. Long-term liabilities to banks	7,412	7,711
II. Deferred tax liabilities	6,577	6,117
Total	17,151	16,990
C. SHORT-TERM DEPT		
I. Short-term liabilities to banks	600	300
II. Other provisions	1,598	1,514
III. Short-term other liabilities		
1. Convertible bond	1,591	1,614
2. Trade liabilities	581	129
3. Other liabilities	737	434
IV. Tax provisions	33	251
Total	5,140	4,242
Total liabilities	48,522	47,306

Primary Group Segment Information (IFRS)

First Quarter 2008

in k€	Basler Solutions		Basler Components		Reconsolidation		Group	
	01.01.- 31.03.2008	01.01.- 31.03.2007	01.01.- 31.03.2008	01.01.- 31.03.2007	01.01.- 31.03.2008	01.01.- 31.03.2007	01.01.- 31.03.2008	01.01.- 31.03.2007
Segment revenues	4,877	5,221	7,306	6,321	0	0	12,183	11,542
Segment results (EBIT)	-1,039	-738	1,025	800	419	-101	405	-39
Segment assets	14,823	15,679	17,990	14,903	2,515	2,558	35,328	33,140
Segment liabilities	640	574	24	7	-83	1,299	581	1,880
Segment investments	725	944	1,392	1,063	249	153	2,366	2,160
Segment depreciations	953	921	565	476	183	181	1,701	1,578

Secondary Group Segment Information (IFRS)

First Quarter 2008

in k€	Europe		Reconsolidation		Group	
	01.01.- 31.03.2008	01.01.- 31.03.2007	01.01.- 31.03.2008	01.01.- 31.03.2007	01.01.- 31.03.2008	01.01.- 31.03.2007
Segment revenues	12,183	11,542	0	0	12,183	11,542
Segment results (EBIT)	-14	62	419	-101	405	-39
Segment assets	32,813	30,582	2,515	2,558	35,328	33,140
Segment liabilities	2,117	2,007	249	153	2,366	2,160

Consolidated Changes in Statement of Shareholder's Equity

First Quarter 2008

in k€	Nominal capital	Capital reserve	Equation of currency exchange	Accumulated earnings	Total
Shareholder's equity as of 01.01.2007	3,500	1,268	114	20,066	24,948
Difference from currency conversion			15		15
Group net profit for year				-129	-129
Shareholder's equity as of 31.03.2007	3,500	1,268	129	19,937	24,834
Difference from currency conversion			78		78
Group net profit for year				1,210	1,210
Payback Convertible Bond		-48			-48
Shareholder's equity as of 31.12.2007	3,500	1,220	207	21,147	26,074
Difference from currency conversion			25		25
Group net profit for year				132	132
Shareholder's equity as of 31.03.2008	3,500	1,220	232	21,279	26,231

Schedule of events for 2008

Finance

May 07, 2008	Small and Mid Cap Conference - Close Brother Sydler AG, Frankfurt
May 20, 2008	Shareholders' meeting in Hamburg, Germany
August 6, 2008	Publication of second-quarter results 2008
November 6, 2008	Publication of third-quarter results 2008
November 10 – 12, 2008	Eigenkapitalforum (Equity Capital Forum), Frankfurt, Germany

Trade fairs and conferences

Basler Components

May 12 – 15, 2008	IFSEC – Birmingham, UK
June 10 – 12, 2008	The Vision Show – Boston, USA
September 15 – 18, 2008	ASIS – USA
September 30 – October 2, 2008	Vision Show – Paris, France
October 7 – 10, 2008	Security – Essen, Germany
November 4 – 6, 2008	Vision Show – Stuttgart, Germany

Basler Solutions

May 10 – 12, 2008	Asia Solar Energy Photovoltaic Exhibition and Forum – Shanghai, China
June 11 – 13, 2008	Display Taiwan 2008 – Taipei, Taiwan
September 1 – 5, 2008	PVEU Conference & Exhibition – Valencia, Spain

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