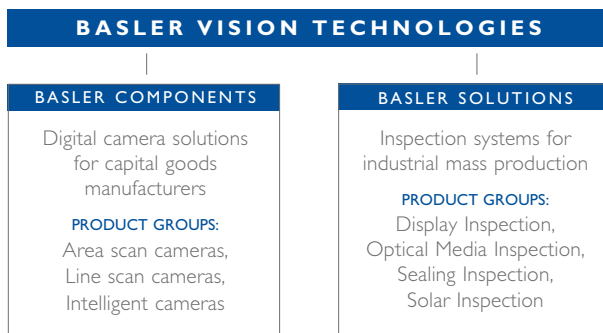


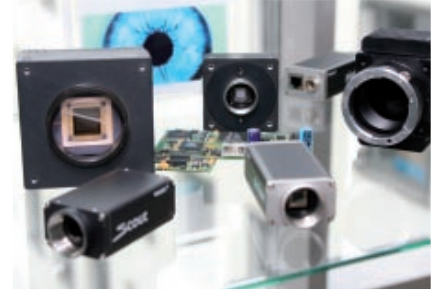
ANNUAL REPORT 2007

Key data

in mn €	2007	2006	+/- in %
Income statement			
Turnover	51.5	52.1	-1
Gross result	25.3	27.3	-7
Gross margin (in %)	49	52	-3% points
EBITDA	9.6	11.8	-19
EBIT	2.4	5.5	-56
Result before taxes	1.8	4.9	-63
Net result	1.1	3.0	-63
Number of shares (in mn.)	3.5	3.5	-
Result per share (in €)	0.31	0.85	-64
Balance sheet			
Balance-sheet total	47.3	45.4	+4
Short-term investments	23.4	20.3	+15
Tangible assets	3.1	2.6	+19
Equity capital	26.1	25.0	+4
Equity capital ratio (in %)	55	55	-
Borrowed capital	21.1	20.5	+3
Borrowed capital ratio (in %)	45	45	-
Cash flow			
From current business activity	6.7	8.6	-22
From investment activity	-8.3	-8.1	+2
From financing activity	2.3	-0.6	+483
Employees			
Total number of employees	308	303	+2
Employees in R&D (in %)	29	30	-1% point
Employees in Germany	262	259	+1

Corporate structure





Our vision and our mission

Vision Technology is the driving force of technical progress in industrial, medical, scientific and other consumer applications. It will make production more efficient and medical care more effective. It enables a more sustainable use of our resources and will also make our private lives more comfortable.

Our mission is to become the world's leading Vision Technology company through innovative & easy-to-use products that make our customers more competitive.

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LETTER TO OUR SHAREHOLDERS



fltr:
John P. Jennings, Chief Commercial Officer
Dr. Dietmar Ley, Chief Executive Officer

Dear shareholders & business partners,

The year 2007 was – for the Vision Technology sector – a below-average year. In the atmosphere of a highly positive economic situation for the manufacturing systems engineering sector, downward cycles in several highly significant buyer industries for our sector inhibited growth in previous years. These cyclic effects also affected the Basler AG: our sales remained slightly under the level attained in 2006, and our earning results decreased significantly.

For our components activity, 2007 was a milestone year: "Basler Components" has – for the first time, ten years after its founding – generated more than half of the total sales for the entire group. With an entire line of new products and a further-improved distribution, we have increased our sales in a stagnating market atmosphere by 18% – and established ourselves as #2 in the market for digital (industrial) camera solutions. In view of steadily increasing demand for our cameras, we have updated our production to the state of the art and prepared for further growth in unit production. Parallel to this, we have made preparations for our entry into the market for digital surveillance cameras (so-called IP cameras), a market growing by double-digit percentages – which, even today, is larger than all markets in which we have previously been active. We are highly satisfied with the growth achieved in 2007 where sales and market share are concerned. The development of our profitability in the elapsed fiscal year remained lower than our expectations, because – due to increased production costs for which we had not planned and the unfavorable development in exchange rates – we were unable to turn the additional sales into proportional results growth. The improvement in regard to production costs, therefore, will be a focus of our work in the year 2008.

Our system operations suffered a great deal from the downward cycle in the flat-display industry, which has been by far the most important buyer sector in the course of the last several years. In this industry, the investments in new machines decreased by approx. 35% last year compared to the previous year. With a market share which remained high, this meant for "Basler Solutions" a 17% decrease in sales. The downward cycle – unexpected in this magnitude and duration at the first of the year – was the main cause of our lack of success in achieving our projection neither in the area of sales nor in our result. With our solutions for the photovoltaics industry, we made good progress last year. We have significantly increased the number of customers in comparison to the previous year, obtained the first framework orders, and expanded our product portfolio. In the coming years, we expect continuously increasing sales numbers in this future-oriented industry. In the course of the year 2007, "Basler Solutions" has highly consolidated its structural organization, adjusted its product portfolio, adapted its investments in R&D to the associated growth potentials and thereby been able to improve its profitability in the second half of the year.

The year 2007 will remain in our minds as the year in which we drew the consequences of the – for us and our shareholders – unsatisfactory development in our profitability, planned significant changes in our corporate strategy and began to decisively implement these modifications. We have resolved to achieve the following:

- due to the continuous success of our components operation during the past 10 years, generate our future growth on the group level by extending this activity,
- due to the recurring setbacks in cyclic industries, significantly reduce our dependence on these markets in the next several years,
- to concentrate the development of new business more strongly than in the past on large-scale markets, in order to achieve interest yield for our investments in marketing and technology,
- increase the profitability of our longer-standing business activities by strictly managing the associated expenses,
- grant top priority to cutting production expenses in all fields of our business,
- continuously cut our administrative expenses (initially in terms of absolute values and later in relation to sales).

The executive board is convinced that with these measures to shift the company's focus, it has clearly improved the future conditions for steadier growth and for a higher revenue potential.

Ahrensburg, February 27, 2008



Dr. Dietmar Ley



John P. Jennings

REPORT OF THE SUPERVISORY BOARD

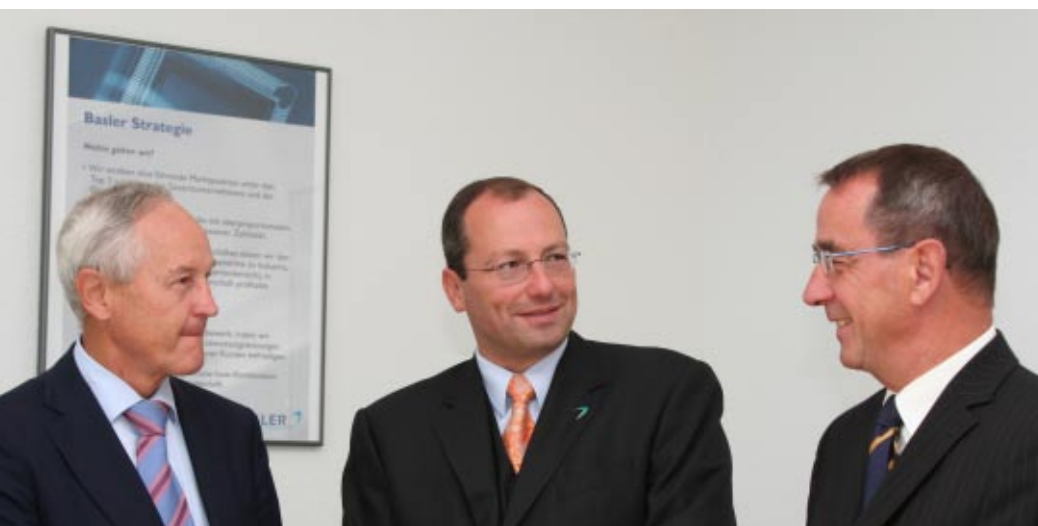
Dear Ladies and Gentlemen,

In the fiscal year 2007, the Supervisory Board has fulfilled its incumbent obligations according to the law and the company's articles of incorporation – and offered its support to the Executive Board's management function. In this process, the Executive Board informed the Supervisory Board once a month, orally and in writing, on the economic situation of the Basler AG, its subsidiaries abroad and its divisions, and discussed the business and economic situation in detail with the chairman of the Supervisory Board.

In the fiscal year 2007, four regularly occurring Supervisory Board meetings took place, in which all members of the board participated: on March 1, 2007, on May 21, 2007, on Sept. 19, 2007 and on Dec. 13, 2007. In addition, two more meetings were conducted in which specific or current issues were discussed: on Feb. 12, 2007, all members participated, while Mr. Konrad Ellegast was absent with an apology on June 7, 2007. In the fiscal year 2008, a regular meeting of the Supervisory Board took place on Feb. 27, 2008, and a further meeting was conducted on Jan. 21, 2008; at both meetings, all members of the Supervisory Board were present. Committees as set forth in § 171, Section 2, Clause 2 of the Stock Corporation Act were not formed, due to the size of the Supervisory Board (three members).

The Executive Board and the Supervisory Board closely coordinate their cooperation for the benefit of the company. The basis for this co-operation is frank and trusting discussion. The Executive Board has coordinated the company's strategic orientation with the Supervisory Board, and accordingly reported, at regular intervals, the status of the implementation. In significant decisions which were of fundamental concern for the company, the Supervisory Board was involved. The Executive Board has informed the Supervisory Board at regular intervals of all relevant issues concerning the company's business development and the risk situation. The chairman of the Supervisory Board is in regular contact with the CEO, and was informed by him of all current developments and unusual occurrences. The Supervisory Board consented to those business dealings which, according to the law and the company's articles of incorporation, required its consent. These include decisions and measures of basic significance for the company's situation with regard to assets, finances, or revenue. Significant issues from the elapsed fiscal year were:

- Consultation on and conclusion of the annual balance sheet and of proposals for the shareholders' meeting
- Developments in the economic climate, as well as those specifically associated with the market – and their effects on the company's result and turnover situation
- Further development of the corporate strategy
- Re-structuring of external capital financing
- IT security
- Instruments for corporate governance
- Development of new business dealings via strategic partnerships or acquisitions
- Organizational re-orientation of the group as a whole
- Planning and budget in segments and in the group as a whole
- Obligation to comply with the Corporate Governance Code
- Personnel decisions on the Executive Board



ftr:
Prof. Dr. Eckhart Kottkamp (Deputy
Chairman of the Supervisory Board),
Norbert Basler (Chairman of the Super-
visory Board), Konrad Ellegast (Member
of the Supervisory Board)

The annual auditor selected by the shareholders' meeting on May 21, 2007 – the BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft – was appointed by the chairman of the Supervisory Board to perform the audit, effective upon receipt of the letter from Nov. 17, 2007. The annual auditor participated in the Supervisory Board meeting which took place on Feb. 27, 2008, in which consultations occurred regarding the submitted annual statement of account, and reported on the significant results of the audit.

The accounting, the annual statement of account dated Dec. 31, 2007 and the situation report for the Basler AG, along with the group's annual statement of accounts, dated Dec. 31, 2007 and the group's situation report have been audited by the annual auditor; the BDO Deutsche Warentreuhand AG (based in Lübeck), found to be compliant with applicable laws and the company's articles of incorporation, and affixed with the respective remark of confirmation. The Supervisory Board positively acknowledged the result of these audits.

The Supervisory Board, on its part, examined the annual statement of accounts for the company as well as the group, along with the situation report and the group's situation report, in the context of applicable legal regulations. No objections were raised. The Supervisory Board approved the annual statement of accounts for the Basler AG, compiled by the Executive Board, and with that, determined the following:

In accordance with the Corporate Governance Code, the Supervisory Board regularly verified the efficiency of its work and – in the course of sensible modifications in the preparation and design of its documentation for meetings – increased its level of efficiency.

REPORT OF THE SUPERVISORY BOARD

The members of the Supervisory Board do not maintain any business relationship with customers, suppliers, creditors or other business partners in the elapsed fiscal year, and with that, no conflicts of interest have occurred with this mandate.

The report compiled according to §312 of the Stock Corporation Act by the Executive Board on relations with affiliate companies was audited by the annual auditor and affixed with the following remark of confirmation:

"Following our audit and evaluation in accordance with our obligations, we confirm that:

- the factual information indicated in the report are correct, and
- as far as the legal transactions specified for this reporting year are concerned, the level of performance was not inappropriately high."

The Supervisory Board positively acknowledged also the result of these audits. It states, following the concluding result of its own audit, that no objections are to be raised regarding the Executive Board's statements on relations with affiliate companies.

In the elapsed fiscal year, changes have occurred in the makeup of the Supervisory Board: the current member of the Supervisory Board, Konrad Ellegast from Ötjendorf, was re-appointed by the stockholders' meeting on May 21, 2007 for a three-year term of office. In the context of the subsequent Supervisory Board meeting, Norbert Basler from Großhansdorf was appointed chairman and Prof. Dr. Eckart Kottkamp from Großhansdorf was appointed vice-chairman of the Supervisory Board.

The elapsed fiscal year was marked by highly varied influences in both areas of operations:

Within system operations, the company had to deal with very difficult conditions in the market. The activities surrounding the latest product line, Photovoltaic Inspection, are running in a highly satisfactory manner, but due to the still-minimal business volume, could only make a small contribution. Also, the improvement in market conditions during the last quarter, which the company could utilize to its advantage, was by and large no longer able to lead to a satisfactory result in the area of system operations.

By contrast, the components business was able to continue its positive development and once again increase its market penetration. Meanwhile, the company is the fastest-growing provider of cameras for industrial applications, and as far as the market share is concerned, has advanced to second place. For the first time in the company's history, sales volume in the area of components has surpassed that in the area of system operations. However, the restructuring of our electronics production – a necessary result of the rapid increase in the number of units produced – has led, in the course of the elapsed fiscal year, to a temporary decrease in gross margins. Primarily, though, the unfavorable development of the exchange-rate in relation to the US dollar has contributed to a decrease in gross margins and revenues.

With that, the result of the fiscal year 2007 is unsatisfactory: no sales growth took place, and revenues lie below the expectations stated at the first of the year – also significantly below the strategic target value of 10% (EBT). The company's market capitalization – and with that, the development of the share value – progressed at an accordingly disappointing rate.

The measures initiated by the Executive Board regarding the context of the changes in corporate strategy will, in the future, increase the Basler AG's independence of fluctuation in demand in individual sales markets, as well as increase the level of efficiency in our market canvassing and reinforce our stability in withstanding global influences such as i.e., developments in the exchange rate.

With the significant expansion of our core business, the expansion of these activities into the market for security and surveillance technology, a change in position within system operations and an overall increase in our cost efficiency, the company has created good conditions to – also under fluctuating and difficult conditions in our sector – meet the expectations geared to a high-revenue growth company in the future.

With that, by and large, 2007 was a particularly challenging fiscal year: It is to be attributed to all participants in the company that despite rather disadvantageous market conditions, we have succeeded in achieving a substantial result and at the same time, improving the basis for success in the next several years. The Supervisory Board would like to take this opportunity to expressly thank all employees, executives and members of the Executive Board of the Basler AG for the work they have done in the elapsed fiscal year:

Ahrensburg, February 27, 2008
For the Supervisory Board



Norbert Basler
Chairman of the Supervisory Board

THE STOCK AND CORPORATE GOVERNANCE

The stock market value of vision technology stocks developed generally negatively in 2007, which was characterized by volatility worldwide. The main reason for this was the declining demand for vision technology products in important target markets such as the electronics, semiconductor, and flat panel display industries. Because the Basler Group was also affected by these factors, the Basler stock could not profit from the generally positive German capital market environment, but rather lost 17% of its value compared to the end of the year 2006.

Capital market environment

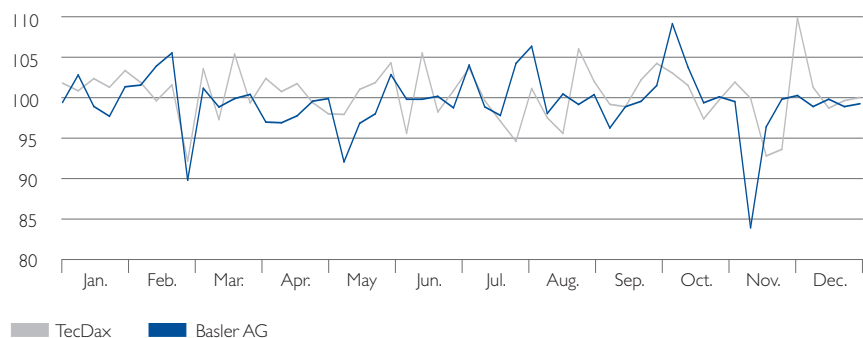
During the reporting period, the positive mood on the stock market in 2006 gave way to increasing nervousness. Share prices on worldwide stock markets were shaken repeatedly by events associated with the real estate crisis in the USA. Increasing prices for energy and raw materials, the continuing weakness of the dollar, and new geopolitical risks all lead to the concern that the continuing good shape of the world economy could deteriorate in a short period of time.

German stock indices (DAX: +22%, TecDax: +30.18%) developed more positively than average with two-digit growth rates despite this environment. The important European stock indices (EuroStoxx-50: +7.1%, EuroStoxx: +5.8%) grew in the single digits. The USA (DowJones: +7.8%; S&P-500: +4.2%) saw primarily single-digit growth. Exceptions to this were the NASDAQ-100 technology index with an increase of +18.6% and the SEMICONDUCTOR semiconductor index with a decrease of 9.5%. The Japanese market lost value in the single-digit percentage range (Nikkei: -1.1%, TOPIX: -5.6%).

The Basler stock

Basler stock opened 2007 at a share price of 13 €. The share price reached its peak for the year of 14.85 € towards the end of the first quarter. After a short term price decline to approx. 11 € in the middle of the second quarter, the price traded in a range between 11 and 12 € until the end of the third quarter. The stock price increased after the report of the first Basler framework agreement with the solar industry to values between 13 and 14 €, only to sink back to the value of 11 € after the reporting for the third quarter. The year's low was marked at a value of 10.54 € in November. The closing price on the trading day of the year was 11 €, which was 17% below the closing price of trading year 2006.

Relative price development in comparison to TecDax



Key figures on stock price

	2007	2006	2005	2004
Market capitalization in million € (on 12/31)	38.5	46.3	40.1	52.5
Annual closing price in € (on 12/31)	11.00	13.22	11.45	15.00
Highest price in € in the course of the year	14.85 (02/23)	15.15 (05/05)	18.29 (02/07)	15.75 (10/05)
Lowest price in € in the course of the year	10.54 (11/09)	10.60 (01/26)	11.00 (12/22)	10.50 (03/29)
Annual development in %	-17	+16	-23	+43

The unsatisfactory price development of the Basler stock in trading year 2007 was significantly affected by the rapid decline in demand for new machines and equipment in the flat panel display industry. The Basler Group had a sales decline in flat panel display inspection machines of more than 5.5 million € compared to 2006 due to this influence alone. As a consequence of this, the gross result sank by approx. 3 million €. The second essential negative influence factor was the development of the exchange rate between the Euro and the US dollar in the second half of the year and the resulting lower average selling prices for our camera products in the North American and Asian markets. The price declines of the Basler stock in the second and fourth quarters therefore stood in direct relation to the adaptation of sales and earnings forecasts by the company.

Many of the world's leading vision technology companies suffered in a similar way from the described influences in the past year.

The development of stock market prices in the entire vision technology sector was therefore downward and disappointing for investors.

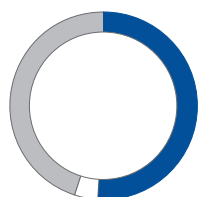
For further information and explanations, please go to www.baslerweb.com/share.




Information on the stock

ISIN:	DE0005102008
Abbreviation:	BSL
Prime standard industry:	Industrial
Industry group:	Advanced Industrial Equipment
Authorization segment:	Prime Standard/Regulated Market
Designated sponsors:	Close Brothers Seydler AG
Number of shares emitted:	3,500,000
Member of the indices:	CDax, Prime AllShare, Technology AllShare, GEX*

* GEX is the indicator for the value development of medium-sized companies on the stock market

Shareholding structure



	Norbert Basler	51%
	Dr. Dietmar Ley	4%
	Freefloat	45%

Contact

Our investor relations department will be glad to answer any of your questions:

Basler AG
Investor Relations
Phone +49 4102 - 463 0
Fax +49 4102 - 463 46 100
ir@baslerweb.com
www.baslerweb.com/share

Directors' Dealings 2007

No director's dealings took place in fiscal year 2007.

Communication

In the difficult environmental conditions of the past year we have placed great value on informing our investors promptly and openly of the situation of the company at the regular reporting dates and beyond.

In addition to various roadshows with institutional investors in Frankfurt, Zurich, and Paris, the board of directors took part in two investors' conferences, including the equity capital forum of the German Stock Exchange (Deutsche Boerse) in November. We explained the annual and quarterly balance sheets to our investors and analysts in four teleconferences. Many investors also took the opportunity in 2007 of making contact with the investor relations team directly by telephone or e-mail.

In the past year a total of three analysts of various banking and research firms observed the company (previous year: 4). The current recommendation can be found at www.baslerweb.com/share in the area Stock >> Analyst studies.

The trading-side consulting of our company on the capital market ("designated sponsoring") is performed by Close Brothers Seydler AG. Close Brothers Seydler is the leading provider of these services in Germany and regularly achieves the best evaluation grades by the Deutsche Börse.

The general shareholders' meeting took place in Hamburg on 05/21/2007 in the Hamburg Chamber of Commerce. The shareholders present represented 64% of the voting shares and agreed to the decision presentations of the administration with at least 97.88% of the present votes.

The focus of investor relations work in fiscal year 2008 will be explaining the changed strategy of the company to the capital market and reporting to investors on our progress in measures to improve the earnings situation. It is our goal to improve the attractiveness of the Basler stock for investors and thereby to increase the valuation of the company on the capital market a) through improved fundamental data in general, b) by reducing the share of our sales that is in cyclical markets, and c) by entering newer, larger markets. The first steps on this path were taken in the course of fiscal year 2007, further steps will follow in 2008.

Regular information

If you would like to be informed about our company regularly, use our contact form at www.baslerweb.com/aktie/ or contact our investor relations department directly.

Declaration for the Corporate Governance Code

The management board and supervisory board of Basler AG declare that they follow the recommendations of the "Government Commission of the German Corporate Governance Code" made available by the Federal Ministry of Justice in the official part of the electronic Federal Bulletin. This code is composed of basic legal regulations on the guidance and monitoring of German companies listed on the stock exchange and contains nationally and internationally recognized standards of good and responsible company management. It is also intended to promote the trust of national and international investors, customers, employees, and the public in the management and monitoring of German companies listed on the stock exchange.

With this obligation, the management board and the supervisory board would like to publicly document that they want to implement responsible company management and monitoring oriented toward value increase for the stakeholders. This is intended to promote and deepen the trust of current and future shareholders, customers, other persons in the interested public, and employees.

Compliance statement as per §161 AktG

The management board and the supervisory board declare that the behavior recommendations of the Code Commission appointed by the federal government in the version of 06/14/2007 were met in fiscal year 2007 with two exceptions and that these recommendations will also be met in the future with two exceptions.

The exceptions are the following recommendations:

Number 5.3. – Formation of committees in the supervisory board

Committees are not formed in the supervisory board of Basler AG. The supervisory board consists of three persons. This ensures efficient work on all concerns relating to supervisory board work at all times. The formation of committees is also not considered sensible the generally usual quorum for committees is already three persons.

Number 5.4.7. – Compensation of supervisory board members

The compensation of supervisory board members is specified in the articles of the company. The chairmanship and vice-chairmanship in the supervisory board is accounted for in the amount of compensation. A variable compensation component is not provided for members of the supervisory board due to the current level of fixed compensation.



For the management board
Dr. Dietmar Ley (chairman)



For the supervisory board
Norbert Basler (chairman)

STRATEGY AND PRODUCTS





Pilot

BASLER
VISION TECHNOLOGIES

STRATEGY AND PRODUCTS

Vision Technology is the technology of acquiring images and transmitting that image data to computers where it is analyzed with the aid of software.

Nowadays, Vision Technology is applied primarily to the functions involved in industrial mass production. Significant examples of its application are quality inspection or the control of production. In the course of quality inspection, for instance, Vision Technology systems can inspect the surfaces of products for damage, recognize the size and shape of defects and determine whether or not the actual quality meets specifications. In production control, for instance, machines and robots are controlled via image data in the course of carrying out assembly functions.

Our markets

The current volume of the worldwide Vision Technology market amounts to over 5,9 bn. US-Dollar per year as published by the A/A (Automated Imaging Association).

A large portion of this market is served by Vision Technology companies with solutions for industrial mass production. The most important buyer sectors for Vision Technology – the semiconductor, electronics and flat-screen TV/monitor industry – are in the technology sector. Basler addresses these key industries with a variety of products from surface-inspection solutions for the flat-screen TV/monitor industry to cameras for a variety of industrial applications. For this “classic” Vision Technology segment, current market studies project a growth in the mid-to high one-digit percentage range.

In addition to the already targeted Vision Technology markets, new markets with two-digit growth rates are constantly emerging. However, even in established markets, a strong increasing demand for Vision Technology solutions can develop since increasing demands on the part of customers necessitate a change in technology. With our skill in consulting and technology, we seek such growth markets in a targeted fashion. The following four examples clearly illustrate how we are entering new markets:

Q-Cells

The solar industry is one of the markets with the world's strongest growth rates. By the year 2020, the sales numbers for solar companies (in Germany alone) are set to quadruple – to more than 15 billion Euros. As a result, the demand for solar wafers and modules increases, which, in turn, leads to a shortage of supply and an increase in the price of the raw material silicon.

Founded in late 1999, Q-Cells AG started its production of solar cells made of silicon in the first half of the year 2001 with only 19 employees. In late 2007, approximately 1,600 employees worked at Q-Cells. This company is the world's second-largest solar-cells manufacturer – and, in the comparison of group-independent suppliers, by far the largest in the sector. The solar-energy industry is growing very rapidly worldwide, and Q-Cells is continuing to make massive expansions in its production capacity. The factories operated by Q-Cells AG are equipped with the most highly modern installations and equipment. The entire production process – from the receipt of the silicon wafers to the subsequent quality inspection – is automated. In the Q-Cells production lines, there are innovations which have often been developed on close cooperation with the equipment suppliers for these installations.



Solar-modules on the roof
of Q-Cells in Thalheim

This was the case with the inspection systems made by Basler Vision Technologies. The challenge lay in the development of a fully automatic "Vision System" integrated into the production process to promptly recognize and discharge defective wafers.

With the highest possible degree of precision, these thin wafers are inspected for the finest hairline cracks, so-called "micro-cracks", which interrupt the crystalline structure – and in the subsequent steps of the production process, can cause the wafer to break. This faulty production can, to a certain extent, lead to significant downtimes in the production lines. Even if a micro-crack does not always lead to breakage, at least the electrical performance of the solar cells produced from these wafers can be significantly impaired. A prompt discharge of such defective wafers prevents further processing – and with that, also the waste of production costs. In this manner, the solar inspection solutions from Basler Vision Technologies aid the manufacturers of solar wafers in their efforts to reduce the level of consumption of raw materials and increase the output of the highly capital-intensive production installations.

STRATEGY AND PRODUCTS



Fish-processing-machine from Baader

Baader

The steadily increasing health consciousness on the part of the population as a whole – and the resulting need for first-class quality in foods – is the foundation of the market for quality inspections during the manufacture of foods and luxury foods, which has been growing for several years.

The company Nordischer Maschinenbau Rud. Baader GmbH + Co. KG – founded 1919 in Lübeck – is a leading worldwide manufacturer of innovative, top-quality machines for the food-processing industry. Today, Lübeck – located in northern Germany – is the location of world headquarters.

Subsidiaries, dealers, agents and “service stations” are set up in more than 70 locations worldwide. The traditional mainstay of the BAADER Group is the broadly diversified production equipment portfolio – which ranges from fish-processing machines to complete processing lines.

Since the company's origin, BAADER has placed special emphasis on the most highly modern production technology. A complete quality-assurance system provides for definite quality. In order to address this need in the area of fish sorting and processing, BAADER – in close co-operation with Basler AG – has developed solutions which enable (via the application of Vision Technology) a complete monitoring of the fish-processing chain. The benefit to the customer lies in the reliable detection of the size and position of the fish on the conveyor belt and in the rejection of other fish. In the salmon-filleting machines by BAADER, each salmon filet is analyzed with Basler technology for color, dimensions and position on the conveyor belt. These values then control the subsequent cutting tools – and significantly reduce the incidence of errors and optimize yield compared to manual trimming.

This is one way in which the close co-operations between Baader and Basler contributes to a significant increase in quality in the fish-processing industry.

Vertex Golf

Vertex Golf is a leading supplier of top-quality systems for the analysis of movements in sports – and of 3-D simulators for golf and the entertainment sector. Vertex Golf has developed its own video and motion-analysis systems – which are used by golf courses, large-scale manufacturers, club operators, instructors and numerous golf academies around the world. With these systems, many parameters can be measured – such as weight shifting, balance in the course of the swing – up to the trajectory of the ball following the stroke, along with the rotation and distance. All that takes place in a specially designed “room teeing ground”.

Vertex Golf has formed a partnership with Basler to integrate high-speed digital cameras into their own swing-analysis software. To this end, Vertex uses various camera models from Basler, with various image-repetition frequencies and resolutions. In one example – in which the analysis of putting is the focus of the process – Vertex uses a certain camera function, in order to film a super-slow-motion replay of this movement with 600 images per second.



Software designed for golf-drive-analyse of Vertex Golf

Recently, Vertex Golf has integrated the new “Basler Pilot” cameras into its high-end analysis teeing ground. The combination of high-speed image recording at the highest resolution, along with the flexibility allowed by the GigE-Vision interface, were a decisive factor in the use of the new camera. Connector-cable lengths of up to 100 meters also allow trouble-free placing of the cameras around the individual player, so that each swing angle can be precisely recorded.

Giant Studios

Giant Studios has developed technology for “motion tracking” which is used primarily for the film industry. The demand for visual special effects and animated films in current film productions is rapidly increasing. Giant Studios – with its technology – is able to facilitate the realistic motion of such animated characters. In the first step in this process, reflectors are attached to real actors' most important joints. During filming, the stage is lit with a specially designed light. Then, several cameras

STRATEGY AND PRODUCTS

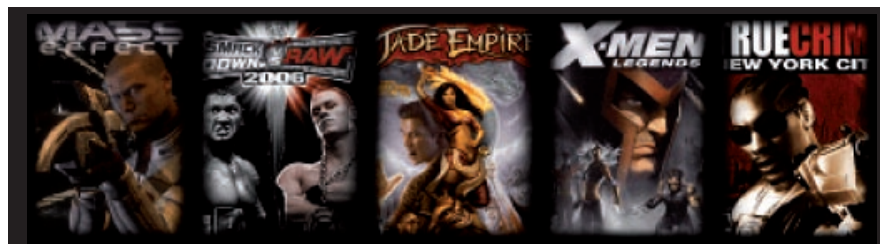
are positioned so that they capture the scene from various perspectives. Following the collection of the data and their processing by special software, spatial and temporal “motion sequences” are available in “skeleton form” to describe how the movement progressed in the scene which has been recorded to represent the actor’s joints. In the last step, these “skeletons” are replaced by animated characters or real bodies and the result is a realistic film.

In the past, simultaneous image recording from several perspectives at high speed meant a great deal of expense and effort for the necessary hardware (cameras, image- recording devices, PCs and network infrastructure). For its latest generation of film technology, Giant Studios has decided to use the intelligent “Basler Excite” cameras for image recording and pre-processing. Nearly 100 “Basler Excite” cameras calculate – for each recorded image – a series of positions, and transmit them via their integrated Gigabit-Ethernet interface to a central server. The number of necessary hardware components for the motion analysis was significantly minimized by the computing operations which take place in the camera – while at the same time, stability, quality and maintainability of the entire system have greatly improved.

Today, one can admire the success of the newly developed image recording process by Giant Studios in many successful films – some of the latest examples include “Lord of the Rings”, “King Kong”, “Lion, Witch and the Wardrobe” and “Happy Feet”.

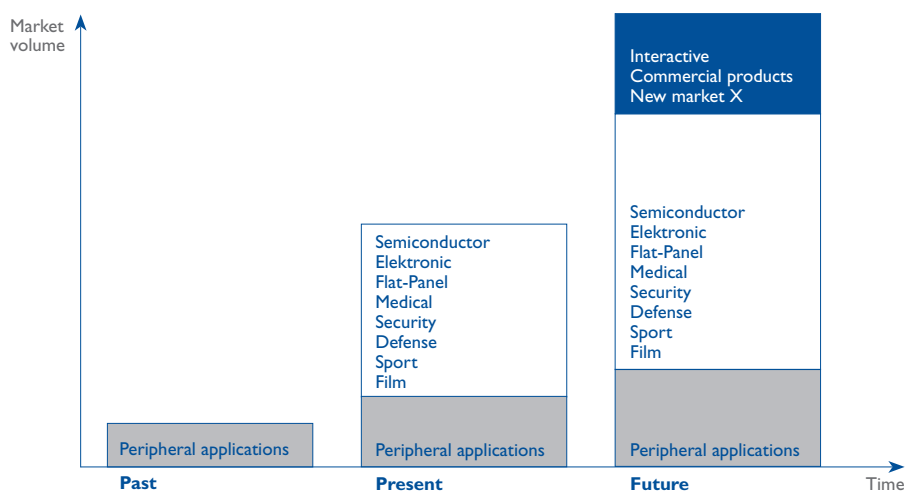


Examples of Giant Studios films employing Basler Vision Technology



You can be certain that the “Basler Excite” cameras will play a leading role in the near future – in a film studio somewhere, when the director shouts: “Action”!

Vision Technology Market



Our present situation

In 2008, Basler will celebrate the 20th anniversary of the company's founding. In the course of these two decades, our business model has changed considerably. Founded in 1988 as a system integrator for image-processing solutions of all kinds, the company developed in the early 1990s to become a specialized component supplier for the optical disk industry. Our main business operation for more than ten years lay in the development and production of testing machines for the inspection of CDs, and later, DVDs. Although this business segment comprised over 80% of the total group's sales in the record-setting year 2000, the situation for 2008 looks quite different. Due to the continuing decrease in demand for production lines in this industry, less than 10% of the entire group's sales will be generated with this product line in 2008. Since the mid-1990s, we have built up several new business operations and in the process, benefited from experience gained in inspection machines for the optical disk industry. In 1998, we also founded a completely new business unit which focused on digital cameras for OEM customers for a variety of industrial applications. In the year 2007, we generated more than half of total sales for the entire group with this business. We expect that in the coming years, the sales structure of our company will continuously shift towards the focus on components products.

Few companies from the Vision Technology sector have more powerful brands than Basler. In terms of product innovations, there are even fewer companies which can show a track record equivalent to ours. However, the development trend in our earnings during the past few years is just as dissatisfying for the entire organization as it is for our shareholders. Our financial result from 2006 was mediocre; 2005 and 2007 were disappointing. Group-wide sales have been mostly stagnant during

STRATEGY AND PRODUCTS



Digital industrial cameras
of Basler Components

the last three years. The main cause of this disappointment is the divergence in the development of our two business segments "Basler Components" and "Basler Solutions".

Our components business has, during the last three fiscal years, increased by more than 80% in terms of its sales numbers from 15.4 mn € in 2005 to 27.6 mn € in 2007. Average annual sales growth for Basler Components has amounted to more than 25% – since its founding ten years ago. With this accomplishment we achieved the #2 position worldwide in 2007 for digital cameras for industrial applications, and have resolved to become market leader in the near future. The "recipe" for our success is simple: we have created a strong brand with good employees, are active on a global scale and can offer products which are technically superior and easy to use. We are active in a large market which we can serve with standardized products.

In contrast to this, the sales numbers in our solutions business have decreased by 25% since 2005, from 32 mn € to 24.5 mn € in 2007. Basler Solutions addresses four industries: the flat-screen industry, the optical disk industry, the rubber/elastomer industry and the solar industry. Apart from the strongly expanding solar industry where we anticipate stable, profitable sales growth in the double-digit percentage range, the demand for new capital-intensive goods in our other three target markets is marked by strong fluctuations, the market volume is stagnating, and the profit margins show a downward tendency. Despite the high volatility of the past few years with our product lines we have maintained our strong market share and in some cases have been able to increase it. However, the complexity associated with addressing these four markets is significantly higher than that of our components business.

We have drawn the following conclusion from the unsatisfactory development in sales numbers and earnings during the last three years:

We must participate in larger Vision Technology markets than we do today.

We have learned that small (Vision Technology) markets are unattractive in general, since the competition is similar to that in larger markets and rewards are much smaller upon achieving successful market position. These markets also often display irrational behavior on the part of competitors like a lack of price discipline and a weak emphasis on profitability. In some cases this behavior led to a further fractionalization of an already-small market into several niche markets (which define themselves via products with a high degree of customer-specific adaptations). As a result of the increased complexity, the scale advantages of mass production are lost – and profits decrease.

Due to these disadvantages, we have reduced the sales share of these activities in small-scale markets from more than 50% in the year 2005 to less than 35% in 2007. On the other hand, we have invested more intensively in R&D and distribution and marketing in our components business compared to our solutions business.

In the future, we seek to generate greater sales than before in larger market segments with a worldwide sales volume of more than 50 mn € and annual growth rates higher than 5%. One example of this new direction began in early 2007 when we started preparations for our entry into the security and surveillance camera market. We see our greatest opportunity for growth in this market and it allows us to build on some of the knowledge and experience in our core digital camera business. Even though this market is in its initial phase, it is larger than any other market in which we have participated in our history. Current market studies project several hundred million Euro in sales for digital surveillance cameras in the year 2007 with projected growth rates of more than 30% per year.

We can become No. 1 in the digital camera business for industrial applications – and we are motivated to achieve this aim.

We are proud of our 10-year growth history in the market for digital cameras for industrial applications but we are by no means satisfied with the current results. Our ultimate aim is to gain the rank of market leader.

Technologically we are already a leader, beginning with the introduction of our cameras based on the Firewire™ technology in the year 2003. We have further extended this position by becoming the market leader in 2007 for Gigabit-Ethernet based cameras. We are currently the only manufacturer with a complete product line in the up-and-coming two most important market segments for digital cameras for industrial applications. With our standardized software platform, our customers can switch seamlessly from one camera technology to another, which enables them to save both time and money. We believe that our success is rooted in the close cooperation with our customers and our readiness to invest with foresight in both of these new technologies.

In addition, we have been able to establish successful partnerships in the Vision Technology industry. Two of the largest suppliers for image-processing software/image-processing computers have selected Basler due to our superior product quality and customer service, as their exclusive or preferred camera partner. We strive to accelerate the extension of our strong position by such partnerships and possibly also by acquisitions.

On the distribution side we have made further efforts to establish the largest and most efficient global sales organization by establishing in 2007 additional branch offices in Japan and Korea, and significantly expanding distribution in Europe and the U.S. In the components business, the departments of sales, marketing and customer service have approx. 80 employees who offer direct support to our customers. In cooperation with our highly experienced and loyal partner distribution network we are able to establish the closest relationships in the industry with our customers.

We must become the leader in reducing manufacturer costs within the components operation

Our previous successes within the components operation are based primarily on leading-edge technology, leading-edge distribution and a strong brand. In the coming years, we anticipate a decrease in average selling prices due to new competition from Asia. For the continued expansion of our market position, therefore, it is necessary to also become the leader in manufacturing costs.

To this end, in the department of development, purchasing and production, the continuous reduction of manufacturing costs has become the top priority. With the introduction of our new product-development process we have better synchronized these functions than in the past. As a result, we will reach our expense targets more reliably and more quickly in the course of the development of new products.



Software-Platform for
digital industry cameras
of Basler Components

With the introduction of our new product lines "Basler Scout" and "Basler Pilot", we have made significant progress in the costs structure compared to our previous product generations. With these jointly developed lines, (over 40 new camera models) which are based on a common hardware and software platform, we will have highly competitive products on the market for years to come.

In the course of 2007 our purchasing department significantly decreased the material costs for our cameras, primarily as a result of the improvement of our supplier network (in terms of both quality and quantity). We are determined by the extension of our procurement processes to also make comparable progress in 2008 and beyond.

With the help of external consultants we launched the first levels of the new Basler production system in our components production area. The major goals of the new Basler production system are the reduction of cycle times and warehouse inventories, the increase of flexibility in production and a reduction in the costs associated with scrap. During 2007 we reduced the necessary production times for our cameras by 20% and reduced the costs associated with scrap by 25%.

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For the fiscal year 2008, we anticipate similar results. In addition to the investments in improved processes, we have also invested a significant amount in the procurement of new production and testing equipment, doubled the ready space for further growth, and commissioned cleanrooms for camera assembly and final testing/inspection. These measures have led (in 2007) to a 47% increase in the number of units produced compared to the previous year. In circuit-board assembly we have been able to increase our efficiency in the course of the year by 30% – and are now able to produce the same amount in two shifts with less personnel that previously required three shifts. However, despite this progress, we did not achieve all our goals for 2007 in the production department. We will need a few more months than originally planned to achieve the target costs for some of our products. Also, in the area of circuit-board assembly equipment, we must still implement some of the same techniques which enabled us to make progress in camera assembly. Further improvement of our production processes will remain just as high a priority in 2008 as in the recent past.



Fine adjustment in the camera production of Basler Components

We must reduce the risk of a larger-scale slump in returns due to high fluctuations in demand

One of the characteristics of the Vision Technology market is fluctuations in the demand due to the wide use of our products in the cyclical technology sector. Drastic decreases in demand (such as, in 2007 within the flat-screen TV and monitor industry), however, mean significant strain on the company's earnings situation.

Therefore, we have made it our aim to reduce our dependence on highly volatile markets in two ways: first, we seek to reduce our dependence on volatile markets by gradually reducing our investments in such markets. One example of this strategy in action is our investment activity in the optical disk industry. Due to a worldwide stagnation in equipment investments within this sector, the market for inspection equipment has shrunk – from its peak levels in the year 2000 (approx. 100 mn Euro) to approx. 25 mn Euro in the year 2007. We anticipate no market improvement in this situation in the medium term. As a result, we have systematically reduced our investments in R&D, distribution and marketing for the last few years. Our primary competitors remain at least significantly – if not completely dependent on this market and thus have been negatively affected to a greater extent by the drop in equipment investments than Basler. We rely on the prospect that large volume customers in the optical disk industry recognize and reward the increased stability of our company which has resulted from the diversification during the past several years. If this happens we will be able to generate, even with minimal new investments in this market, further profits. Otherwise we will not hesitate to further reduce our activities on this market and utilize our qualified employees on other market opportunities.

Second, we seek to gradually transfer our solutions operation to a common platform architecture, and concentrate more strongly than before on OEM customers in the areas of machine building and systems engineering. The advantage of an increased standardization of our system technology lies in the ability to provide to our customers and applications consistent technology on a broader scale. Partnerships with OEM customers are an interesting option for us, since we have increased our concentration on our core skills in the sector of Vision Technology and can thus offer our customers better-priced and generally improved solutions. Our partners can then take over the ancillary functions involved in the respective application and offer on-site support to the individual end customers. If this strategy should prove successful, we will generate sales in a greater number of markets than we do today and thereby be able to better compensate sales fluctuations within individual markets than we could in the past.

We must more carefully weigh our investment decisions in our business unit for system solutions and reduce the level of complexity.

We have only recently realized the costs involved in the current level of complexity in our department "Basler Solutions". This includes the large number of products for four different industries, the diversity of the respective technologies applied, the highly varying requirements demanded by these sectors in terms of the type of our solutions and the differences in buying behavior on the part of our customers. Based on the sales numbers this leads to a significantly higher level of complexity than in our components operations.

We have learned from this experience to ensure that before we enter a new area of operation we are able to apply our existing technologies and organization to these new operations with the lowest possible level of adjustment. The consolidation of all of the product lines in the systems business in 2006 into one joint corporate department under central management has already brought about improvements by canceling out those products which indicated a low level of profitability, assigning priorities across product lines, and subjecting new investments to analysis based on consistent business administration criteria.

When it comes to making decisions on personnel and investments, we must increase our level of fiscal discipline.

In the course of the year 2007, we have reduced the number of management positions at Basler, which will result in a savings of almost one million Euros in 2008. Several of these savings came about as a result of organizational changes – others by a consistent questioning of the necessity of the respective positions.

Also, in 2007, we merged the formerly separately organized areas of operations in the "Systems" department into the new, single department "Basler Solutions". This measure should serve the improved prioritization of investment decisions related to procurement across various product lines, the avoidance of redundant structures, the simplification of the transfer of employees within the organization and the promotion of more standardized processes. Even though the integration process has not yet reached its conclusion, the results which have emerged thus far are promising.

At last, in late 2007, we modified the planning and posting of administrative expenses within the company. The goal of this modification is to allocate, to the greatest extent possible, the respective administrative expenses to the departments in which they were used. This will also lead to increased cost transparency and awareness within the company. The resulting direct responsibility on the part of the various departments for a large percentage of our administrative costs will lead to improvements in our operating expense ratios in 2008 and beyond.

Our future

In the future we are committed to be a reliable growth company with solid profitability.

To be a reliable growth company with solid profitability requires the ability to conceptualize the future in order to capitalize on the major growth trends of our era



Final assembly „Basler-Vario 2“-
inspection system

For the Vision Technology sector, we anticipate the following significant trends:

- Vision Technology will be integrated everywhere; in various devices, from mass-produced cameras to integrated devices, up to inspection machines valued at many million Euros. We are the only larger-scale manufacturer which can cover the complete range of image-processing technology and the majority of these market segments. In the next few years, we anticipate additional strategic options which extend beyond our current core business that will offer us additional opportunities for growth.
- There is a race to critical mass in our components market. The worldwide market presently consists of 50-100 worldwide competitors, many of which are less than 10 mn € in annual sales and are heavily dependent on only one of the 3 major worldwide regions. Balanced global sales infrastructure will be essential in order to survive and thrive; we have it, few others do. There will be a shakeout as the industry progresses. The strongest and most profitable survivors will be those who get the largest the quickest and are able to build economies of scale in development

STRATEGY AND PRODUCTS

tools, sales infrastructure, marketing, procurement and production. We are well positioned for this race and diligently trying to further build on our strengths and address our weaknesses.

- The customers of the future will be on the lookout for partners like us, in order to focus their energies on their own core competencies and thereby become more competitive. Our strong customer relationships and our in-depth understanding of the image-processing technology market will enable us to aid our customers with leadership in innovation and technology. Our leadership in camera and surface-inspection technology, our consistent product quality and durability and our innovations place us in the position to create added value for our customers and help them to set themselves apart from the competition.
- Brand awareness will be critical in this highly fractured market. Basler is one of the most recognized brands in vision technology worldwide and represents leadership, quality and ease of use.

In our components business, we seek to become the world's largest supplier of digital cameras for industrial applications. On the road to become the market leader in the course of the last three years we have increased our relative market share from 30% of the market leader to more than 70%. We anticipate the following highly promising trends in the market for camera components:

- The core market for Vision Technology is growing and will continue to grow at an annual rate in the high single digits.
- In addition to growth in the core market, new applications will be added to the product spectrum which do not originate from the classic sectors of industrial mass production (i.e., automotive, medical engineering, advertising, sports, entertainment, vending machines). Gradually, an increasing number of companies are recognizing the potential benefits of Vision Technology for their respective applications.

With our current market position and established infrastructure in the components sector we are in an excellent position to pursue these newly emerging opportunities since our products are compatible to a large number of these applications and we already enjoy a solid reputation in several of these industries. Every year, our increasing production volumes gives us a better position in the purchasing process for significant components and assembly groups.

Our worldwide leading distribution and customer-service departments place us in the position, on the regional level and global level, to assist customers around the world. Even through our components products are less complex than ready-to-use solutions may seem, our consulting expertise and our expertise in the integration of our cameras into the customer's product have a significant influence on the long-term customer relationship.

In our solutions area of operations, we will utilize our leading skills in surface inspection and in the mastery of the multi-disciplinary (optics, lighting, electronics, software) Vision Technology to be able to offer modular OEM products – along with ready-to-use solutions. We will reduce the complexity of our solutions area of operations by consistently standardizing our technologies and maintaining and building further cooperations with highly capable partners in the automation and manufacturing systems engineering sectors. The top priority for our solutions area of operations is not sales growth but rather an improvement in earnings.

Here at Basler, we are not merely very well prepared for the future of Vision Technology – we are also looking forward to helping shape it. Even if our day-to-day business still has some room for improvements, we are still in an advantageous position within a strong market with a promising future and the right employees to implement our common vision. In the book "Doing What Matters", author James Kilts writes: "Only rarely does an outstanding strategic idea or technological breakthrough lead to a sustainable competitive advantage. In reality, one must be better at doing things than the others are." Never before in our company's history have we been better prepared to do things "better than the others".



"Basler Scout" and
"Basler Pilot" cameras

CONSOLIDATED FINANCIAL STATEMENTS





MANAGEMENT REPORT

of the Consolidated Financial Statements 2007

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1. Business and framework conditions

1.1 Company structure

The Basler Group develops, produces, and sells component products and complete solutions worldwide based on vision technology. The company, with headquarters in Ahrensburg Germany, operates its own subsidiaries, including sales and service branches in North America and at several sites in Asia. The Basler Group operates in the market with two divisions:

- “Basler Components” offers digital camera solutions for use in machines and equipment. The products are used for image acquisition, primarily in applications in industrial mass production, medical technology, biosciences, and intelligent traffic systems. The target customers are manufacturers of capital goods (OEM customers).
- “Basler Solutions” offers its customers ready-to-use solutions for quality inspection in industrial mass production processes. The most common application of the inspection systems is fast surface inspection. Buyers include customers in the flat panel display industry, the rubber/elastomer industry, the optical disk industry, and in 2007 for the first time in significant scope, the solar industry. The solutions are delivered both to the manufacturers of machines and equipment (OEM customers) and to producers of mass production goods (end customers).

1.2 Economic environment and industry development

1.2.1 Macroeconomic situation

Investments in new equipment goods increased in 2007. In the Euro-zone countries expenditures for equipment investments increased by approx. 7% compared to the previous year according to provisional estimates. The development in the USA and Japan was weaker: Investments there increased by approx. 2% (USA) and by approx. 3% (Japan) compared to the previous year. However the economy slowed down at the end of the year. Other material factors were the continuing real estate crisis in the USA, increasing raw materials prices, and the rapid rise of the Euro.

The change in exchange rate between the Euro and the US-dollar in the second half of 2007 led to a worsening of competitive conditions for European companies exporting to dollar denominated regions. The exchange rate-related peak impact of 15% in the year 2007 could only be partially compensated for by price increases due to competitive conditions.

1.2.2 Global market development for vision technology equipment

Due to the worldwide increase in expenditures for capital goods in 2007, the environment for capital goods manufacturers developed positively during the reporting period. This is especially true of the Euro-zone, where the increase in investments in new machines and equipment was greatest. However, the investment climate in the traditionally important Asian target markets for vision technology equipment; i.e. in the semiconductor, electronics, and flat panel display industries, was marked by a strong downward cycle in 2007. Demand decreased by a double-digit amount for vision technology companies with activities in these markets.

The forecasts of the most prominent industry associations of North America (Automated Imaging Association, AIA), Europe (European Machine Vision Association, EMVA) and Germany (Verband Deutscher Maschinen- und Anlagenbau, VDMA) assume a resultant growth in the low to middle single digit percentage range for the global vision technology market in 2007. As in 2006, greater growth is expected for component products, while sales of ready-to-use solutions should be stable or show a slight decrease.

2 Profit, finance and asset situation

2.1 Sales development and order situation

2.1.1 Group

The sales of the Basler Group in fiscal year 2007 were practically unchanged compared to 2006 at € 51.5 million (Basler Group 2006: € 52.1 million). Sales were therefore below the range forecasted in March 2007 of € 54–59 million.

While we exceeded our sales expectations in the components business, the sales goal in the systems business was not reached. Due to this development, in 2007 Basler achieved more than half of group sales with its components business for the first time.

Order bookings at group level in 2007 were 2% below the previous year's value at € 56.6 million (2006: € 57.5 million).

2.1.2 Basler Components

The "Basler Components" division had sales revenue in 2007 of € 27.5 million and therefore grew by 18% (2006: € 23.3 million). The growth experienced by the Components division resulted in 53% of group sales during the reporting period.

Order bookings at "Basler Components" increased 25% to € 30.7 million.

"Basler Components" therefore continued the robust two-digit sales growth of the previous year. The declining demand for new investment goods in important Asian mass production industries was more than compensated for by higher growth in the European market. In 2007, Basler was again among the fastest growing manufacturers of digital camera solutions, and, ten years after the founding of the components business, has established itself as the second largest supplier on the market. The essential success factors behind this were the successful market introduction of the two new product families; "Basler Scout" and "Basler Pilot", and the successful expansion of the worldwide sales organization.

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2.1.3 Basler Solutions

The "Basler Solutions" division achieved sales amounting to € 24.0 million in 2007. This is a reduction of 17% (2006: € 28.8 million). Order bookings were also weaker in 2007 than in the previous year and amounted to € 25.9 million (2006: € 32.8 million).

One of the primary reasons for the lower sales and order receipts was an approx. 35% lower demand for capital goods in the flat display industry. Which led to lower sales for Basler than in the previous year.

Investments in machines and equipment in the optical disk industry decayed from the level of the previous year due to continued delay in the introduction of new (high definition) data media formats and minimal investment in standard format lines. Sales of inspection machines for the sealing industry were stable in comparison to the previous year.

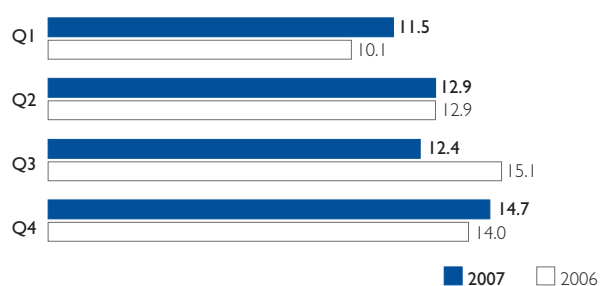
The entry into the photovoltaic industry market went successfully for "Basler Solutions" in 2007. After a small number of pilot installations in the previous year, the first large orders with leading manufacturers of solar wafers and thin-layer solar modules were concluded and processed. The newly developed solutions for recognizing micro-cracks in solar wafers were the focus of customer interest.

2.1.4 Sales development during the period

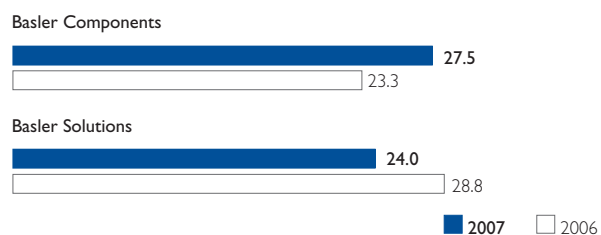
The sales of the Basler Group were distributed differently in 2007 than in previous years. While sales in earlier years were stronger in the second and third quarters than in the first and fourth quarters, in 2007 the sales in the second and third quarters were only slightly over the value reached in the first quarter. The fourth quarter of 2007 was easily the strongest quarter of the entire fiscal year with sales of € 14.7 million. The reason for this was the continuing weak demand for flat panel display inspection machines in our solutions business which lasted into the third quarter.

Seasonal effects had minimal influence on sales developments, as in earlier years

Sales development by quarters 2007 and 2006 in million €



Sales development by division in 2007 and 2006 in million €



2.1.5 Customer structure

In 2007, more than 50% of group sales were made with customers from the "Basler Components" division.

In 2007 as in 2006, 8% of sales went to the largest individual customers. The three largest customers in 2007 had a share of sales of 19% (2006: 19%), and the ten largest customers had a share of sales of 30% (2006: 34%).

3 Profit situation

3.1 Group

The group profits made in fiscal year 2007 were both substantially below the expectations communicated to the capital market at the beginning of the year and below the values achieved in 2006.

In March of 2007, we planned a pre-tax profit in the range between € 3.5 and 6 million; a pre-tax profit of € 1.8 million was achieved for the entire year 2007. The value in the previous year was € 4.9 million. The pre-tax margin in the expired fiscal year 2007 was therefore 3.5% after 9.4% in 2006.

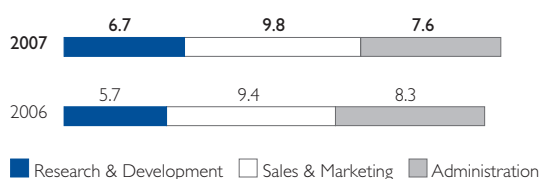
The gross margin fell from 52% in 2006 to 49% in 2007, and therefore declined disproportionately greater than the only slightly reduced sales.

The main factor in the size of the profit decline in 2007 was the weaker demand for our system solutions, as a consequence of which the gross profits in our "Basler Solutions" division decreased substantially. Special mention should be made here of the downward cycle in the flat display industry, where investments in new machines and equipment in 2007 was approx. 35% below the level of the previous year. This effect alone meant a sales loss of more than € 5.5 million and a gross profit decline of more than € 3 million – without losing market share. This means that the anticipated cooling of demand in the flat display industry forecast at the beginning of the year was substantially exceeded. Further factors pushing down the result can be found in our components business. Here the manufacturing costs were above our planned values during the entire first half of the year: In addition, the average selling prices for our cameras worsened in North America and Asia in the second half year due to the exchange rate. Operational expenditures at group level increased by 3% from € 23.4 million in 2006 to € 24.1 million.

This increase is due almost completely to higher write-offs for active development work in our "Basler Components" division. On the other hand, operational expenditures in our "Basler Solutions" division and in administration decreased substantially compared to the previous year:

The increased level of write-offs for "Basler Components" is in keeping with the changed company strategy according to which the majority of the growth in the coming years is to be generated by the components business. The increased write-offs mean an increased number of successfully concluded product developments compared to the previous year which will lead to increased sales and revenues in the following periods.

Development of operational expenditures in million €



3.2 Basler Components

Our "Basler Components" division made profit in 2007 amounting to € 3.0 million. This value was 30% below the value achieved in the previous year (2006: € 4.3 million).

The profits generated in the expired fiscal year remain below our expectations because the additional sales were not converted into a proportional growth in profits.

Two factors contributed to this disappointment. First, manufacturing costs in the first half year were above planned values. Second, the average selling prices for our cameras in the second half year sank more sharply than expected.

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of the Consolidated Financial Statements 2007

The main reason manufacturing costs were above planned levels in the first two quarters was special effects associated with commissioning our new component production system. Due to new legal requirements (RoHS legislation of the EU) and due to the coming introduction of newer, smaller electronics modules in our products we renovated our equipment and expanded production capacity due to the 45% increase in unit sales compared to the previous year. Production processes were also slimmed down to increase production efficiency. In addition, we started mass production in parallel of our two new product lines, "Basler Scout" and "Basler Pilot", which were already among the best-selling products in the first year of their life cycle.

The unexpectedly strong decrease of average selling prices in the second half of 2007 was directly associated with the rapid weakening of the US dollar compared to the Euro and the increasing price pressures it caused on the markets of North America and Asia.

Due to our strategy of strongly expanding the components business, operational expenditures for "Basler Components" increased by 29% from € 7.4 million (2006) to € 9.5 million. This cost increase is based primarily on the expansion of our worldwide sales and marketing organization, increased investments in new products (including the new development of our camera family for the security and surveillance market coming in mid-2008), on higher write-offs on development work started in previous periods, and on measures to increase productivity in camera production.

3.3 Basler Solutions

Our "Basler Solutions" division, made a loss in 2007, and therefore did not meet our plans.

The segment profit in 2007 was € -1.2 million. This value was 185% below the value achieved in the previous year (2006: € 1.5 million).

The reason for the unsatisfactory profit situation in absolute numbers and for the declining gross margin was sales of flat panel display inspection machines, which were 40% below plan. This

decline can be traced almost exclusively to the substantially weaker demand for new machines and equipment in the flat panel display industry last year.

Due to the unfavorable business development, the management of "Basler Solutions" reduced operational expenditures in the course of fiscal year 2007. Among other things, labor costs were lowered by combining the previously four separate systems business units, the product portfolio was slimmed down, and investments in research and development were adapted to the growth prospects of the product lines. Although the results of these measures first take effect outside of the period, operational expenditures have already been reduced from € 10.5 million in 2006 to € 10.2 million in 2007.

4 Financial situation

4.1 Principles and goals of financial management

The financial management of the Basler Group is oriented toward satisfying capital requirements in such a way that due date risks, evaluations of creditors, and costs for the capital are in a suitable relationship to each other. The financing structure is correspondingly solid. The long-term assets of the Basler group are financed by proprietary capital as in the previous year.

4.2 Financing sources and costs

In the third quarter, the financing of short-term fixed-term loans by our house banks was converted to a credit from the ERP innovation program of the Credit Institute for Reconstruction (Kreditanstalt für Wiederaufbau (KfW)) in the amount of € 7.5 million. This credit consists of two tranches of which one in the amount of € 4.5 million is subordinate. Due to the fixed interest rate, which is longer-term and already lower from today's point of view, a reduction in financing costs of € 0.3 million is expected for the total term to the end of 2013.

To cover any short-term financing requirements, Basler has sufficient lines of credit in the amount of € 3.5 million available at the house banks that are not being used at the end-of-period date.

On 12/31/07 the Basler Group had liquid assets available in the amount of € 3.9 million (previous year: € 3.3 million).

The equity capital coverage of the fixed assets remained at almost the same level at 148% (2006: 152%). The equity-to-assets ratio on 12/31/07 was unchanged at 55%. We are within our target range with this ratio because both the credit rating and the financing of the assets is secured at a reasonable cost.

4.3 Cash flow

The operational cash flow in the expired fiscal year was € 6.7 million (previous year: € 8.6 million), which is 13% of sales (previous year: 17%). After net investments of € 8.3 million (previous year: € 8.1 million), there is a free cash flow of minus € 1.6 million (previous year: € 0.5 million).

5 Asset situation

5.1 Balance structure

The asset situation of the group continued to be solid in the expired fiscal year. The group balance sheet total increased a total of 4% to € 47.3 million on 12/31/2007 (12/31/2006: € 45.4 million). The equity-to-assets ratio was 55%, as in the previous year.

Corresponding to the profits development, equity capital on 12/31/2007 increased 5% to € 26.1 million (12/31/2006: € 24.9 million).

5.2 Investments

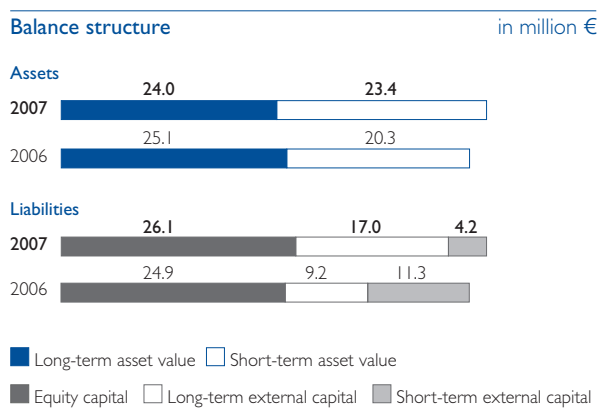
According to our company strategy, the sales growth of the Basler Group in the coming fiscal years will come primarily from the expansion of the components business. This is the reason that in 2007 investments in the "Basler Components" division were greater for the first time (2007: € 4.8 million, 2006: € 3.4 million). We invested € 2.8 million in the "Basler Solutions" division in 2007 (2006: € 4.0 million).

The focus of investments in fiscal year 2007, as in the previous years, was the further development and expansion of the product line. We have performed development projects in-house with a value of € 6.0 million (2006: € 6.7 million) and purchased development services from our development partners with a value of € 0.4 million (2006: € 0.2 million).

In addition to these investments in product development, in the expired reporting period we made larger investments in new machines and equipment for the production of electronic modules and cameras with a total value of € 1.0 million.

The investments in fixed assets in 2007 were € 1.5 million (2006: € 0.8 million). In addition, software and other intangible assets with a total value of € 0.4 million (2006: € 0.4 million) were purchased.

In fiscal year 2007, the Basler Group entered new leasing obligations for fixed assets in the amount of € 0.5 million (2006: € 0.8 million).



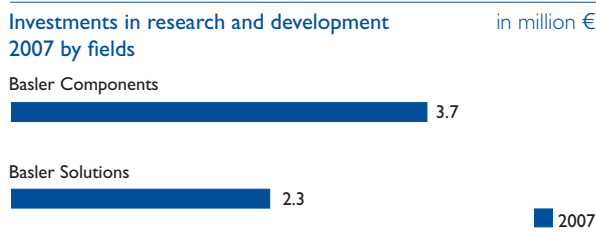
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6 Research and development

Expenditures for research and development (R&D) at group level decreased slightly in the reporting year (2007: € 6.9 million, 2006: € 7.4 million). The R&D rate group-wide in 2007 was 13.4% of sales (2006: 14.2%).

Because we want to achieve the majority of our growth in the coming years with the components business, R&D expenditures in our "Basler Components" division increased by 24% compared to the previous year (2007: € 4.1 million, 2006: € 3.3 million). In compensation, we have reduced the expenditures for R&D in our "Basler Solutions" division in comparison to 2006 and adapted them to the in-part decreased growth potential of certain product lines (2007: € 3.8 million, 2006: € 4.7 million).



6.1 Basler Components

While in 2006 all R&D expenditures of the "Basler Components" division went into expanding the core business; in 2007 we began the development of a product line for the security and surveillance technology market segment. Not only is the market for digital cameras in this sector (IP cameras) already larger today than the market for industrial cameras but greater growth is forecast for this market in the coming years.

Due to these additional investments, R&D expenditures for our components business grew in 2007 compared to the previous year.

6.1.1 Cameras for applications in industrial mass production

The major focus of R&D for the core business concluded with the start of mass production of over 40 new models of our two new product families; "Basler Scout" (in the first half year) and "Basler Pilot" (in the second half year), with which we plan to generate a large part of our camera growth in the coming years. Due to the tight cooperation between production and development, we succeeded in the fastest series start-up in the history of the division, and as a consequence are well positioned to take over market leadership in the future segment of gigabit Ethernet-based cameras.

The reasons for the very positive customer resonance were the innovative product design (primarily the current leading gigabit Ethernet interface technology), the completeness of the product assortment, and the easy migration from older product lines to the new families. One key to this easy migration is the "Basler Pylon" software package, which has been delivered to customers with our cameras since the second quarter. The development of this universal software package made it possible to simply and conveniently integrate all members of our new camera families and most of the cameras introduced in previous years into applications. Our customers can now switch between various camera models without having to make changes to the existing software. In this way, our customer's investments in existing software remain usable longer.

Due to the speed, cost and performance advantages of gigabit Ethernet technology over competing technologies this new market segment for industrial cameras is growing faster than all other segments. Only six months after the start of mass production our "Basler Scout" cameras have become the second most popular product in deliveries for 2007.

In order to be able to offer our customers the advantages of gigabit Ethernet technology for line scan camera applications as well, we began the development of the new "Basler Runner" product family in the first half of 2007 and presented the market with the first prototypes at the world's leading trade show for vision technology components, "Vision" in Stuttgart.

An additional focus of R&D activities in the core business in 2007 was the start of mass production of our "Basler Sprint" line scan cameras. These products are currently the world's fastest. They can record up to 140,000 lines per second, and are therefore twice as fast as competitive products. The development of further image sensors was begun in the course of the year in order to complement the "Basler Sprint" family in subsequent years.

6.1.2 Cameras for applications in security and surveillance technology (IP cameras)

To meet the demands of our strategy of expanding our components business into neighboring large market segments with reasonable cyclicality, we decided to prepare our entry into the IP camera segment in 2007. After the business plan presented by the management of the "Basler Components" division was authorized in the second quarter we began the development of a line of IP cameras in the second half of the year that will be launched in the near future.

During the development of these cameras we were able to benefit from our experience in building industrial cameras and reuse many technologies. For example, we used important parts of the hardware and software platform development on which our "Basler Scout" and "Basler Pilot" product families are based. This enables us to better utilize our significant R&D investment over the past years than we could with products of the core business alone. In addition, we have been able to profit from the development of our intelligent "Basler Excite" camera and the utilization of onboard micro-processors that allow our customers image evaluation within the camera. We have also appropriated several new technologies in recent months such as image compression, new transmission protocols, and web server technology.

The combination of leading technology from our proven industrial cameras with the newest technology trends from security and surveillance will allow us to position ourselves in the market for IP cameras as a technology and quality leader in order to gain market share. This is one of the ways we seek to maintain our growth momentum in the components business in the coming years.

6.2 Basler Solutions

Due to the sales and earnings declines associated with market down cycles in 2007 we reduced R&D expenditures for our "Basler Solutions" division during the course of the year. The main focus of the R&D activities in the expired reporting period was on the further development of our existing solutions for the flat panel display industry and on new development for the solar industry.

6.2.1 Solutions for the flat panel display industry

The most important milestone of R&D activities for the flat panel display industry in the past year was the final acceptance in December 2007 of the color filter inspection system delivered to AU Optronics Corporation, Hsinchu, Taiwan earlier in the year. Approximately one year after the installation of the first systems on site, we have thereby achieved high customer satisfaction with one of the world's leading manufacturers of flat panel displays and obtained a first-class reference for future projects.

In addition we have successfully concluded the development of a new computer platform for future system generations with which we can offer our customers significantly increased testing performance. Finally we have begun the development of a new generation of lighting technology to be used in the future for all solutions in the flat panel display industry. Higher contrasts in the image data will allow new evaluation functions, and lower operating costs will shorten amortization times of the systems. Both platform developments will contribute to "Basler Solutions" maintaining and expanding its technology leadership in the fields of LCD glass inspection and color filter inspection.

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6.2.2 Solutions for the solar industry

We see the solar market as rich in potential for manufacturers of capital goods in the coming years. In the past year, we have therefore increased our expenditures for expanding the product line for this industry. In doing so, we are addressing both the solar wafer market segment and the thin layer solar module segment. The customer advantage of the use of our solutions in the manufacture of solar wafers lies in increased process stability, increased output, higher product quality, and a better utilization of the scarce raw material silicon. In the manufacture of thin layer solar cells, we ensure consistent quality of the glass substrate which means higher efficiency to the end user.

In 2007 we reached important milestones on the way to continued growth of the solar industry. The high point of this was the successful conclusion of the development of our inspection system for recognition of micro-cracks. In November, this led to the first framework contract with Q-Cells AG, one of the world's leading manufacturers of solar cells. The intensive cooperation during development and the resulting continual improvement of our product allowed us to make important contributions to the improvement of our customer's production process.

Also important was the successful conclusion of the development of our first inspection system for checking thin film solar modules. With this development, we have earned a good starting position for the rapidly growing equipment market in the field of thin film solar modules.

Finally, in the second half of the year, we began the development of a new type of inspection system that allows testing of the quality of manufactured solar wafers through continuous measurement of the electroluminescence during production. During the electroluminescence measurement, the solar wafer is in a sense operated backward by feeding in electricity and thereby causing the solar wafer to illuminate, instead of radiating it with sunlight to generate electricity. The distribution of the light on the solar wafer and the radiated amount of light allow conclusions on the process quality. We found great customer interest with our prototypes in 2007 and expect the first orders for electroluminescence inspection systems in 2008.

6.2.3 Solutions for the rubber/elastomer industry

The focus of R&D activities in the field of our solutions for the rubber/elastomer industry was the redesign and improvement of our main product, the "BaslerVario II", which was introduced at the end of 2006. In addition to lowering the manufacturing costs, the focus was on expanding the system functions with the goal of a further increase in testing performance and throughput.

6.2.4 Solutions for the optical disk industry

The R&D activities surrounding our solutions for the optical disk industry primarily concerned furthering the development of our scanner for the new Blu-Ray disk storage format. The first devices were delivered in the course of the year and successfully accepted by customers.

We have reduced R&D expenditures in this field due to the delays in the introduction of new data formats caused by the continuing competition between the two storage formats, Blu-Ray and HD-DVD, and the resulting lower demand due to consumer confusion in this area. We are nevertheless in a good position to suitably participate in future equipment investments in Blu-Ray disk or HD-DVD when they do occur.

6.3 Patents

The Basler Group has expanded its portfolio of patents and brands in the expired fiscal year. At the end of 2007, a total of 17 patents had been granted (2006: 13), and another 16 were filed for granting (2006: 22). Alongside of this, eight trademarks are currently registered to the Basler Group (2006: 3), and another three are filed for registration (2006: 2).

7 Sites

In the third quarter of 2007, we expanded our presence in Asia with an additional sales site in South Korea. While the already existing branch in South Korea primarily services the local customers of "Basler Solutions" in the flat panel display industry, the newly opened branch will focus on the concerns of the customers of our "Basler Components" division.

Together with the already existing sites in Singapore, Taiwan, China, Japan, and South Korea, Basler had over 6 branches in Asia at the end of 2007.

8 Employees

8.1 Number of employees

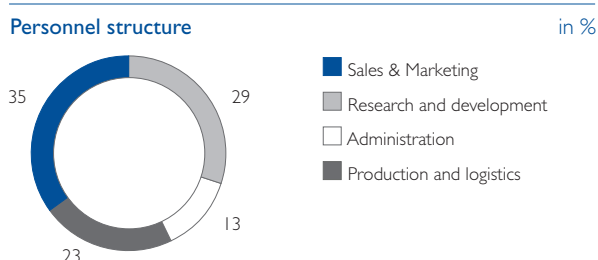
Basler is committed to a family-friendly and flexible working environment which is appreciated by many employees. As a result, Basler has a greater than average number of employees working part time compared to other companies. In order to allow a comparison of employee productivity with other companies we specify the number of employees in full-time position equivalents in this report.

The number of full-time position equivalents in the reporting year 2007 was 308 on the average. This corresponds approximately to the level of the previous year (2006: 303).

The fluctuation in the expired fiscal year was 4% (2006: 0.3%). The previously separate systems business units were combined organizationally into the "Basler Solutions" division. In addition, previously centrally organized administrative service functions were moved to our two divisions. New positions were created primarily in the "Basler Components" division with the focus on the sales, marketing, and production functions. A majority of these positions were filled internally with qualified employees from the "Basler Solutions" division.

8.2 Personnel structure

The personnel structure in the Basler Group did not change in fiscal year 2007. As in the previous year, the distribution on 12/31/07 looked as follows:



At the end of the year, a total of seven trainees in technical and business careers as well as four business academy students were employed. This corresponds to a training rate of 4%.

The regional employee distribution is as follows:

	2007	2006
Ahrensburg (Germany)	263	259
Exton (USA)	16	15
Jhubei City (Taiwan), including branch in Shanghai (China)	17	18
Singapore (Singapore)	8	9
Seoul and Cheonan City (South Korea)	3	2
Yokohama (Japan)	1	0

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8.3 Management board and other informations § 315 para. 4 HGB

With the expiration of his director contract, the previous finance director, Mr. Peter Krumhoff, left the company on Aug. 31, 2007.

This means the management board consists of two members. The chairman of the management Board, Dr. Dietmar Ley, is responsible for the two divisions, the finance area, the technology area, and the personnel area. John Jennings is responsible for the sales area and for the subsidiaries.

The Articles of Association of Basler AG provide as follows for the appointment and removal of management board members: "Members of the management board shall be appointed, their appointment shall be revoked and service contracts with members of the management board shall be entered into, amended and terminated by the Supervisory Board. The same applies for the appointment of a management board member as chairman and of further management board members as Deputy Chairpersons."

The powers of the management board regarding the issuance or repurchase of own shares are stipulated in the Articles of Association as follows:

"The management board is authorized, subject to approval by the Supervisory Board, to increase the registered share capital of the Company by May 20, 2012 by issuing up to 1,750,000 new no-par value bearer shares against cash and/or non-cash contributions either once or several times by a total of € 1,750,000.00. The shareholders shall be entitled to the statutory subscription right in this event.

However, the management board is authorized, subject to approval by the Supervisory Board, to exclude subscription rights of the shareholders for fractional amounts. Furthermore, the management board is authorized, subject to the Supervisory Board's approval, to exclude the subscription right of the shareholders against non-cash contribution for the purpose of offering the new shares of the Company to third parties against non-cash contribution for

the purpose of acquiring companies or participating interests in companies or claims against the Company or any company associated with it. The exclusion of the subscription right by the management board subject to the Supervisory Board's approval is also admissible if the capital increase against cash contributions does not exceed 10% of the Share capital of € 3,500,000.00 and the issue price is not significantly lower than the stock market price of the share already listed having the same features at the time of final determination of the issue price (Sec. 203 Para. 1 Sentence 1 in conjunction with Sec. 186 Para. 3 Sentence 4 AktG). The stock market price is the arithmetic average of the closing prices of the Company's share in the electronic trading system XETRA on the Frankfurt Stock Exchange or in any successor system during the last ten trading days prior to exercising the power of attorney.

The management board shall be authorized, subject to the consent of the Supervisory Board, to stipulate the further details of the capital increase and the conditions for issuance of the shares, notably the issue date."

The subscribed capital of the Basler AG at a value of € 3,5 millions is divided in 3,5 millions. no-par piece shares, which are expressed to the owner:

Mr. Norbert Basler has communicated to the society in accordance with § 21 WpHG that he holds more than 50% of the shares of the Basler AG.

Further circumstances after § 315 para. 4 HGB are not present.

9 Supplementary report

There are no relevant events to report after the end-of-period date.

10 Risk report

As a technology company, Basler AG is subject to a number of risks. For medium-sized companies like Basler, it is not possible to influence or master comprehensive fundamental risks. We therefore see risk management primarily as the business task of monitoring risks on the one hand and utilizing opportunities on the other. The task of management and all employees is to optimize the likelihood of occurrence of both factors for the good of the company.

10.1 Integrated risk management system

10.1.1 Internal monitoring system

The core point of our internal monitoring is sensible, impermeable function separation. This is ensured through the organizational structure, position descriptions, and processes. They are defined in the certified quality management manual and are checked regularly for compliance. This is performed through interdisciplinary audit teams composed of the most varied functions and hierarchy levels.

The security concept of the IT infrastructure is constantly being refined and regularly checked by external appointees. This also applies to compliance with data protection regulations.

10.1.2 Controlling

Strategic, operational, and functional controlling is performed in all areas of the company. The basis for this is formed by regular strategy checks as well as the creation of balanced scorecards and product roadmaps. This results in a systematic formulation of long and short-term business goals up to the division level and the cost center level.

Goal achievement (target/actual comparison) is checked at all management levels as part of regular meetings. Control measures are agreed to and their effectiveness is checked centrally.

10.1.3 Early warning systems

Information on future developments is documented, exchanged, and assessed at suitable points through regular meetings, reports, and logs across all levels in the company. This ensures that internal and external information can be promptly checked for risk relevance and that the results can be implemented in action throughout the company.

10.2 Peripheral risks

Peripheral risks exist for Basler in the development of target markets, competition, and the capital market.

The competition intensity in the vision technology market remained high in the expired year. The expenditures made at Basler in 2007 for innovation, sales, cost reduction, and quality increases will help mitigate this risk.

A basic weakening of the growth trend in the vision technology market is not expected today. However sometimes heavy demand fluctuations in individual buyer industries occur in regular intervals. This affects in particular the mass production industries based in Asia such as the semiconductor and flat panel display industries.

The growth of the components business with its more even mix of industries to more than 50% of group sales in 2007 led to a decrease in dependency on individual industries. However fiscal year 2007 has shown us that large-volume demand reductions in an industry important to us are still capable of substantially impairing the profit-making power of the company. However no risks arise from this that could threaten the existence of the entire company. To further reduce the susceptibility to demand fluctuations in the future, the board has decided to primarily expand the components business in the coming years and to limit investments in markets known to be highly cyclical. The company will also concentrate its investments in new business fields on larger markets in order to better scale R&D expenditures. Our entry into the market for IP cameras planned for fiscal year 2008 represents an important step in this direction.

The consolidation process in the vision technology industry, which is characterized by small and medium-sized companies, continued in 2007. It is our intention to take part actively in this process as one of the largest vision technology companies in Europe. A hostile takeover can almost be excluded with today's shareholder structure. The shareholder structure will nevertheless be continuously monitored.

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10.3 Operational risks

Risks of decreasing sales and revenues can often be recognized early based on customer satisfaction. The determination of customer value is therefore at the center of the evaluation of marketing and development activities. Basler also performed customer satisfaction measurements in both divisions in 2007 and optimized its marketing mix, among other things, on the basis of the favorable feedback.

The availability of existing and new knowledge plays a special role in a growth company. Basler carries out regular personnel planning in order to cover the required resources either internally or via external partners. In addition, regular development and performance assessment meetings are conducted for employee retention at all levels. In this way, we were able to fill the openings in our "Basler Components" division in large part with our own employees from the systems business.

Quickly changing technology markets pose high demands on the capability of a company to adapt its capacity quickly and efficiently to fluctuating requirements. Using a flexible working time model puts us in a position to compensate for fluctuations in the order situation. This lets us "breathe" with the market – within certain restrictions.

A prompt and qualitatively high-value product development system is the backbone of a successful technology company. In the field of development, we have uniquely defined processes and responsibilities and introduced planning tools that contribute to being able to conclude the great majority of development projects within the planned time and cost framework.

The availability of technologically high-value purchased components plays a decisive role for the delivery time of our products in individual cases. Continuous monitoring and analysis of the purchasing market are critical competencies for technology companies. It is still necessary to know which delivered parts must be available at what point in time and in what amounts. For both tasks, we have

developed processes in recent years with which we have shortened our delivery times and increased deadline faithfulness. However the constantly increasing expectations of our customers in this area require constant improvement of these numbers.

It is today a standard demand of our customers that the quality of our products and processes are checked and guaranteed as part of an integrated quality management system. We have been DIN ISO 9000/2000 certified since 2001 and are checked once a year by external auditors. In addition, we perform internal audits during the period to check and improve our processes.

The building and maintaining of a brand image is an essential component of successful product policy. The name and logo of Basler Vision Technologies are registered and protected trademarks and are therefore protected from illegal use.

10.4 Financial risks

Fluctuating currency correlations have an influence on the market success and gross revenues of exporting companies. 73% of our sales are achieved outside the Euro-zone, which means that exchange rate relations have an effect on company profits. To limit risks in this regard, suitable hedges for the exchange rate risks are obtained for the business volume transacted in foreign currency.

Liquidity-related tax risks are not recognizable.

Liquidity is ensured by strict accounts receivable management. A clearly formulated and strictly enforced system of accounts receivable management ensures the necessary liquidity and forecast reliability of pending investments for Basler:

A transparent monthly reporting system and a stable balance structure also contribute to limiting financing risks. This is supported by an early recognition system in the form of a 15-month rolling sales and finance system across all business units as well as a comprehensive characteristic values system. In this way, financing requirements are coordinated promptly and

promisingly with the credit-granting parties and, according to experience, are usually met by them. Our bank partners are integrated in our partner concept for suppliers and service providers. They are subject to appropriate selection criteria, evaluations, and constant checks for partner and performance capability. In this way we avoid the risk of short-term repayment demands by such credit institutes, which are often subjected to strategic changes.

10.5 Strategic risks and opportunities

The Basler Group continues to concentrate on capturing more of the growing vision technology market. Due to the down-cycle related sales and revenue decline in the systems business that occurred in 2007, the majority of our growth in the coming years is to be realized through the components business. Replacement technologies for vision technology are not in sight. The corporate strategy risk can therefore be estimated as slight.

The business models of the divisions are checked regularly for consistency with the company strategy. One way to promote consistency with corporate strategy is through the use of a balanced scorecard system (BSC). These balanced scorecards contain quantified strategic goals and congruent measures for the group, its divisions, and the departments. The medium-term plans at company and division level are updated once a year. A budget is created quarterly for the following 15 months. This is intended to help us recognize strategic risks promptly and take counter-measures in time.

10.6 Total risk

We have avoided the risks known at the end of fiscal year 2007 using concrete measures. These risks therefore do not lead to a recognizable danger to the existence of the company. Additional risks that could threaten the continued existence of the company are not currently recognizable.

There are no processes of special significance that cannot be assigned to normal business operations and are not described in the situation report.

11 Forecast report

11.1 Outlook

The leading German economic research institutes forecast that the growth of the world economy in the years 2008 and 2009 will continue. However the growth rate will be lower than in the two previous years due to the continuing real estate crisis in the USA, rising energy costs worldwide, and new geopolitical risks. The risk of a recession in the USA has increased. The boom in equipment investments should therefore have exceeded its peak for now. A lower growth in investments in new machines, equipment, and information technology than in 2007 is therefore predicted for the years 2008 and 2009. The strongly increased exchange rate of the Euro to the US dollar will have a slowing effect for German exporting businesses.

The forecasts of the most prominent industry associations of North America (Automated Imaging Association, AIA), Europe (European Machine Vision Association, EMVA) and Germany (Verband Deutscher Maschinen- und Anlagenbau, VDMA) assume a growth in the low to middle one-digit percentage range for the global vision technology market in 2008. This sales growth will, as in previous years, come with sinking average selling prices caused by continuing technological progress and increasing intensity of competition. As in previous years, larger cyclical demand fluctuations in the middle two-digit percentage range can occur – particularly in important Asian buyer markets for vision technology products.

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11.2 Company strategy

Due to the negative effects of the fall in demand in the flat display industry on the profit situation of the Basler Group in 2007, the management board has resolved to change the strategy of the company. The special focus is on the following aspects:

- Expanding the components business for the purpose of better scaling of investments in sales & marketing and research & development.
- Aligning new business development towards capital goods markets with, if possible, more than € 100 million volume and reasonable cyclicality. Addressing these markets primarily through the components business with the goal of achieving a more diversified customer structure.
- Consistent, disciplined management of mature product lines in the systems business directed toward future earnings potentials.
- Strengthening earnings power by either lowering or under-proportional growth of general administration and operating costs.

11.3 Sales and earnings forecast

After the Basler Group failed to reach our forecast result in fiscal year 2007, in fiscal year 2008 we will concentrate on consistently implementing the changes in company strategy to improve the stability of our forecasts compared to previous years and increase the earnings power of the company.

On the sales side, we plan in the future:

- **In our components business:**
 - An expanded product line
 - An expanded direct sales and marketing organization
 - An exchange rate-related decrease in average selling prices
- **In our solutions business**
 - An improved product mix due to increasing investments in the flat panel display industry and growing sales of our solutions for the solar industry

Due to these effects, we expect sales growth in the single-digit percentage range at the group level.

On the costs side, we plan:

- **In our components business:**
 - Slightly reduced manufacturing costs of our products compared to the previous year
 - Increasing operational costs, primarily due to the further expansion of the sales and marketing organization as well as entering the market for IP cameras
 - Increasing earnings from R&D work to be activated in 2008 and at the same time higher write-offs on R&D work activated in the past or to be completed in 2008
- **In our solutions business**
 - Lower operational costs due to the consolidation of the division organization concluded in 2007
 - Falling investments in fixed assets
 - Lower general administration costs

Based on these assumptions, we expect an increase in pre-tax profit in the two-digit percentage range.

12 Other information

12.1 Compensation system of the management board as per § 314 HGB

The following information on the management board compensation is legally required appendix information in accordance with the German Commercial Code (Handelsgesetzbuch (HGB) (see § 314 HGB)) as well as information required by the Corporate Governance Codex.

The compensation of the members of the management board is made up of various components. On the basis of the service contracts concluded with them, the members of the management board have a claim to a fixed compensation and an annually variable compensation as well as perquisites. The structure of the compensation system for the management board as well as the suitability of the compensation are checked and specified regularly by the supervisory board.

The total compensation for full goal achievement is designed variably at 70% fixed and 30% variable. The success-independent parts consist of the fixed salary and the perquisites, while the success-related components are implemented as variable compensation. The fixed compensation is specified according to legal stock requirements under consideration of the compensation usual in the market. The annually variable compensation of the management board is determined by the level of achievement of the goals given to each member of the management board by the supervisory board before the beginning of the fiscal year. Goal achievement is specified by the supervisory board after determination of the annual balance sheet for the respective fiscal year. At their discretion and in keeping with their obligations, the supervisory board of the company can also compensate extraordinary performance of individual or all member of the management board in the form of special success bonuses. As is usual in the market and the group and according to their management board contracts, the company grants all members of the management board further compensation, which in part can be seen as a cash-equivalent advantage and correspondingly taxed. This includes primarily the granting of a business vehicle and accident insurance protection. Secondary employment always requires authorization.

The terms of the contracts of the members of the management board are linked to the term of appointment to membership of the board. If the company is authorized to end the appointment without this also representing an "important reason" according to civil law for the simultaneous ending of the service contract, the member of the management board has a claim to a contractually specified severance payment. The contracts of the members of the management board provide for a post-contractual competition ban. The members of the management board are contractually forbidden to provide services to or accept them from a competitor for the period of one and one half years after leaving the company.

12.2 Report as per § 312 AktG

In accordance with § 312 of the German Stock Companies Act (Aktiengesetz (AktG)), we have compiled a report on relations to associated companies. This report closes with the following declaration of the management board:

"We hereby declare that, with respect to the legal transactions listed in the report regarding the company's relationships with affiliated companies and persons, Basler AG, Ahrensburg received adequate consideration given the circumstances we were aware of at the time when these legal transactions were entered into. The company neither implemented nor failed to implement other measures as defined by Section 312 AktG."

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Ahrensburg, February 01, 2008

Dr. Dietmar Ley

John Jennings

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated profit and loss statement (IFRS)

in k€	Notes	01/01–12/31/2007	12/01–12/31/2006
Income from sales	5	51,547	52,122
Cost of sales		-26,253	-24,864
Gross profit on sales		25,294	27,258
Sales and marketing costs		-9,755	-9,429
General administration costs		-7,686	-8,293
Research and development			
Full costs		-6,933	-7,401
Activation of intangible assets		6,027	6,700
Depreciation on activated intangible assets		-5,783	-4,979
Balance – Research and development		-6,689	-5,680
Other internal income	6	1,280	1,651
Operative profit		2,444	5,507
Interest expense	7	-630	-626
Annual surplus for profit tax		1,814	4,881
Profit tax	8	-733	-1,921
Net period surplus		1,081	2,960
Number of shares (diluted)		3,500,000	3,500,000
Operating profit per share (€)		0.31	0.85
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 (k€)		81	81
Completely diluted operating profit per share (€)		0.32	0.82

Trend in the development of equity capital

in k€	Registered capital	Capital reserve	Currency adjustment	Generated results	Total
Equity capital, 01/01/2006	3,500	1,268	97	17,106	21,971
Currency variance			17		17
Annual surplus				2,960	2,960
Equity capital, 12/31/2006	3,500	1,268	114	20,066	24,948
Currency variance			93		93
Annual surplus				1,081	1,081
Others		-48			-48
Equity capital 12/31/2007	3,500	1,220	207	21,147	26,074

Consolidated cash flow statement (IFRS)

in k€	01/01/–12/31/2007	01/01/–12/31/2006
Net period surplus	1,081	2,960
Depreciations on fixed asset objects	7,125	6,245
Interest outpayment/Interest inpayment	558	494
Increase/decrease in the accruals	-417	-41
Change in deferred taxes	840	1,814
Change in the capital resources without affecting the payment	93	16
Profit/loss from the outflow of fixed asset objects	3	24
Increase/decrease in the reserves	-242	-632
Increase/decrease in the receivables from deliveries and services	-1,370	-1,469
Increase/decrease in other assets, which are not allotted to the investment or financing activity	-750	-217
Increase/decrease in the down payments received	-6	-393
Increase/decrease in the payables from deliveries and services	-144	166
Increase/decrease in the interest payables from partner loans	0	0
Increase/decrease in other liabilities, which are not allotted to the investment or financing activity	-62	-320
Cash flow from the ongoing business activity	6,709	8,647
Inpayment from the outflow of tangible/intangible fixed asset objects	33	21
Outpayments for investments in tangible/intangible fixed assets	-8,371	-8,132
Cash flow from the investment activity	-8,338	-8,111
Free cash flow	-1,629	536
Inpayments/outpayments from borrowing/repayment of loans from credit institutions/banks	3,500	-100
Inpayment/outpayment of convertible loan	-636	0
Interest outpayment/Interest inpayment	-558	-494
Cash flow from the financing activity	2,306	-594
Changes in the funds that affect the payment	677	-58
Funds at the beginning of the period	3,268	3,326
Funds at the end of the period	3,945	3,268
Funds available at the end of the fiscal year		
Means of payment	3,945	3,268
Tax outpayments	83	93

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet (IFRS)

ASSETS in k€	Notes	12/31/2007	12/31/2006
A. LONG-TERM ASSETS			
I. Fixed Assets	10		
1. Intangible assets		14,513	13,805
2. Tangible assets		3,076	2,585
II. Deferred tax assets	11	6,325	8,703
Total		23,914	25,093
B. SHORT-TERM ASSETS			
I. Inventories	14		
1. Finished goods		1,384	1,364
2. Work in process and semi-finished goods		1,268	1,030
3. Raw materials and supplies		4,167	4,140
4. Trade goods		186	229
Total		7,005	6,763
II. Short-term financial assets			
1. Short-term receivables	13		
Trade accounts receivable		5,001	5,326
Receivables of Percentage of Completion		5,850	4,155
Total		10,851	9,481
2. Other short-term financial assets and accruals	15	1,162	504
III. Claim for Tax refunds	15	429	326
IV. Cash and cash equivalents	12	3,945	3,268
Total		23,392	20,342
Total assets		47,306	45,435

LIABILITIES in k€	Notes	12/31/2007	12/31/2006
A. SHAREHOLDER'S EQUITY	17		
I. Subscribed capital		3,500	3,500
II. Capital reserve		1,220	1,268
III. Equitization of currency exchange		207	114
IV. Accumulated earnings		21,147	20,066
Total		26,074	24,948
B. LONG-TERM DEBT			
I. Long-term liabilities			
1. Silent partnership	19	1,023	1,023
2. Convertible bond	19	2,139	0
3. Long-term liabilities to banks	19	7,711	511
II. Deferred tax liabilities	11	6,117	7,655
Total		16,990	9,189
C. SHORT-TERM DEBT			
I. Short-term liabilities to banks	19	300	4,000
II. Other provisions	18	1,514	1,931
III. Short-term other liabilities			
1. Convertible bond	19	0	2,727
2. Trade liabilities		1,614	1,758
3. Other liabilities		563	712
IV. Tax provisions		251	170
Total		4,242	11,298
Total liabilities		47,306	45,435

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Fixed Assets 2006 (IFRS)

in k€	Acquisition costs					
	As at 01/01/2006	Additions	Disposals	Transfers	Foreign exchange- differentials	As at 12/31/2006
Tangible assets						
Land and buildings on third-party land	385	22	- 4	0	0	403
Technical plant and equipment	3,725	416	- 886	460	- 11	3,704
Other furniture, fixtures and equipment	2,513	105	- 58	2	17	2,579
Assets under construction	468	272	0	- 462	0	278
Total tangible assets	7,091	815	- 948	0	6	6,964
Intangible assets						
Software, trademark rights, patents and licences	1,923	411	- 80	32	- 3	2,283
Finished own developments	9,483	2,866	- 2,941	5,040	- 1	14,447
Own developments in progress	5,887	3,834	0	- 5,040	0	4,681
Payments for third-party developments	557	206	0	- 29	1	735
Total intangible assets	17,850	7,317	- 3,021	3	- 3	22,146
	24,941	8,132	- 3,969	3	3	29,110

Consolidated Fixed Assets 2007 (IFRS)

in k€	Acquisition costs					
	As at 01/01/2007	Additions	Disposals	Transfers	Foreign exchange- differentials	As at 12/31/2007
Tangible assets						
Land and buildings on third-party land	403	103	0	0	0	506
Technical plant and equipment	3,704	876	-605	252	-11	4,216
Other furniture, fixtures and equipment	2,579	290	-48	6	-35	2,792
Assets under construction	278	200	0	-279	0	199
Total tangible assets	6,964	1,469	-653	-21	-46	7,713
Intangible assets						
Software, trademark rights, patents and licences	2,283	439	-149	59	-2	2,630
Finished own developments	14,447	2,913	-2,354	4,244	-1	19,249
Own developments in progress	4,681	3,114	0	-4,244	0	3,551
Payments for third-party developments	735	436	0	-38	1	1,134
Total intangible assets	22,146	6,902	-2,503	21	-2	26,564
	29,110	8,371	-3,156	0	-48	34,277

Depreciation						Book value		
As at 01/01/2006	Additions	Disposals	Transfers	Foreign exchange- differentials	As at 12/31/2006	As at 12/31/2006	Previous year	
131	37	-2	0	-1	165	238	254	
2,752	558	-876	-1	5	2,438	1,266	973	
1,565	257	-47	2	-1	1,776	803	948	
0	0	0	0	0	0	278	468	
4,448	852	-925	1	3	4,379	2,585	2,643	
1,363	414	-80	3	0	1,700	583	560	
4,585	4,979	-2,921	0	-2	6,641	7,806	4,898	
0	0	0	0	0	0	4,681	5,887	
0	0	0	0	0	0	735	557	
5,948	5,393	-3,001	3	-2	8,341	13,805	11,902	
10,396	6,245	-3,926	4	1	12,720	16,390	14,545	

Depreciation						Book value		
As at 01/01/2007	Additions	Disposals	Transfers	Foreign exchange- differentials	As at 12/31/2007	As at 12/31/2007	Previous year	
165	41	0	0	-1	205	301	238	
2,438	629	-597	0	-7	2,463	1,753	1,266	
1,776	263	-43	0	-27	1,968	823	803	
0	0	0	0	0	0	199	278	
4,379	933	-640	0	-35	4,636	3,076	2,585	
1,700	409	-148	0	0	1,961	669	583	
6,641	5,783	-2,332	0	-2	10,090	9,159	7,806	
0	0	0	0	0	0	3,551	4,681	
0	0	0	0	0	0	1,134	735	
8,341	6,192	-2,480	0	-2	12,051	14,513	13,805	
12,720	7,125	-3,120	0	-37	16,688	17,589	16,390	

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to the Consolidated Financial Statements 2007

I. General Information

1. The company

Basler AG, headquartered in Ahrensburg, Germany (address: An der Strusbek 60-62) develops, produces and distributes, along with its subsidiaries, Vision Technology – the technology of artificial sight. The systems and components involved in quality assurance play a key role in the improvement of industrial production processes.

The group operates in four different markets: Optical Storage Media, Rubber and Elastomer, Flat Panel Display, and Vision Components. It possesses subsidiaries in the U.S. (Basler Inc.), Taiwan (Basler Vision Technologies Inc.) and Singapore (Basler Asia Pte. Ltd.). In addition to domestic sales, Basler realizes its profits primarily in the U.S. and Asia. Important customers are in the industrial sector.

Since March 23, 1999, the Basler AG is listed on the Frankfurt Securities Exchange. The Basler AG has subjected itself to the regulations set forth by the "Prime Standard".

2. Compliance with IFRS

The group accounts for the Basler AG was compiled according to the IFRS regulations, taking into account all standards and interpretations as applicable within the EU.

All values – insofar as not otherwise stipulated – are indicated in thousand-Euro dimensions (abbr: k€).

Basler AG does not apply the already-published (however, not yet compulsory) applicable standard IIFRS 8 (Operating Segments) and the interpretation IFRIC 11 (IFRS 2 Group and Treasury Share Transactions) ahead of schedule. The Basler AG presumes that the application of this standard and/or its interpretation will not significantly influence the group-wide end-of-year statement of accounts when applied for the first time.

3. Consolidation sphere and methods

3.1 Consolidation sphere

All significant subsidiaries directly or indirectly managed by Basler AG in accordance with IAS 27 are included in the group's year-end statement of accounts. Jointly managed companies as set forth in IAS 31 (joint enterprises) are consolidated on a quota basis.

For significant affiliated companies, the balance sheet is created in accordance with IAS 28, according to the Equity Method, if a significant influence can be exerted.

An overview of subsidiaries and holdings can be found under cipher III/29.

3.2 Uniformity

The year-end statements to be consolidated – those of the Basler AG as the parent company and the involved subsidiaries – are compiled according to uniform balance and valuation methods.

3.3 Use of estimated values

In the course of the compilation of the group's year-end statement of accounts in compliance with the IFRS, it is necessary that the management provide estimates and projections on the information shown and the amount of assets, debts and the disclosure of potential assets and liabilities at the time of the drafting of the year-end statement of accounts, as well as on the amount of the sales and expenses indicated in the reporting period. The actual results could differ from these estimates.

3.4 Currency conversion

The functional currency of the subsidiaries is the currency of the respective country, except for Basler Asia PTE LTD which reports in Euros. As a result, on balance sheet date, the respective assets and liabilities are converted into Euros using the exchange rate applicable on balance sheet date. Turnover and expenses are converted using the average exchange rate of the reporting period. Accumulated exchange rate profits and losses are reported as a separate component of the equity.

Any business transactions made in a foreign currency (stated in the individual year-end statements of accounts) is converted using the target-date exchange rate based on the date of the respective business transaction. In this process, during the fiscal year 2007, profits of k€ 295 (previous year: 303 and expenditures of k€ 163 (Previous year: k€ 496). The profits are shown in the item "Miscellaneous Operative Earnings", the expenditures under "General Administrative Expenses" within the respective year-end statements of accounts.

For transactions within the European Union, the fixed exchange rates in € apply. Other significant exchange rates are indicated as follows:

Target-Date exchange rates as of	12/31/2007	12/31/2006
1 Euro	1.4721 US-Dollar	1.317 US-Dollar
1 Euro	47.89708 New Taiwan-Dollar	43.0276 New Taiwan-Dollar

Average exchange rates	2007	2006
1 Euro	1.3705 US-Dollar	1.2556 US-Dollar
1 Euro	45.06189 New Taiwan-Dollar	40.9007 New Taiwan-Dollar

Source: Exchange rates calculated by the ECB (except for the New Taiwan Dollar, which is calculated via the daily Interbank cash-desk rate.

3.5 Capital consolidation

The capital consolidation occurs according to the respective purchase method with which, at the time of purchase, the purchasing costs of the holding are offset by the share of equity capital. The respective subsidiary's assets and debts are valued with the applicable current market values, insofar as the applicable current market values deviate from the book values.

3.6 Intra-group balances

All intra-group profits and losses, sales revenues, expenses and earnings, along with claims and liabilities and/or reserves, are eliminated. On consolidation transactions which influence the results, latent taxes are accrued in accordance with IAS 12.

4. Balance-sheet-creation and valuation methods

Earnings and expenses are recorded based on the period in which they occurred. Customer-related production orders (here: construction contracts) are integrated into the balance sheet according to the percentage-of-completion method (POC Method). The applicable stage of production is calculated according to the "cost-to-cost" method. The showing of the orders occurs as assets, under the item "Claims from POC" or as liabilities, under "Liabilities from POC". Insofar as the cumulative service exceeds the amount of the partial payments, these are shown as assets; in the opposite case, these are shown as liabilities.

Claims and miscellaneous financial assets are shown as assets, under the item "Procurement Expenses". If the realization of such a claim should be endangered by a customer's insolvency, the adjustments of individual values are made on these in the full amount.

Insofar as the current market value of **financial assets** and **debts** is applied or indicated, this value is also calculated, as a rule, based on the market or stock-exchange value. If no active market exists, the current value is calculated based on the methods of recognized financial mathematics.

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In the item **Reserves**, raw materials, auxiliary materials and operating supply items are shown, along with merchandise and unfinished as well as finished products, insofar as these cannot be allocated to a customer's order. These are indicated at their purchase prices, based on the average prices, or based on the manufacturing costs. The manufacturing costs include, along with the individual costs, appropriate shares of the necessary material and production overhead, as well as production-related write-offs which can be directly associated with the manufacturing process. On lower net sale prices, write-offs are made. Interest on outside capital is not categorized under assets.

All reserves located in the Ahrensburg branch office – and the claims by the Basler AG to third parties – are assigned to the banking consortium consisting of the banks Bankhaus Lampe KG (Bielefeld), Berenberg Bank Joh. (Berenberg), Gossler & Co. KG (Hamburg) and HSBC Trinkaus & Burkhardt AG (Düsseldorf) as collateral.

The valuation of **tangible assets** occurs, as a rule, based on their procurement or manufacturing costs – less planned linear write-off. The specification of the expected useful life of these assets corresponds to the anticipated usage period for these assets in the company. Residual values have been omitted in the course of the calculation of the write-off due to their relative insignificance. Revaluations of the value of the tangible assets will not be performed.

The planned write-offs of tangible assets are based primarily on the following expected useful lives:

Assets	Useful life (in years)
Installations by tenants	3–11 (up to the end of the rental contract)
Technical installations and machines	3 to 5, 7 and 10
EDP equipment	3 to 5

Immaterial assets purchased for a price – primarily software – are shown under "Assets" at the respective purchase price, and written off in the course of their planned useful life of three years.

Development costs for future products from which Basler stands to benefit in the future are listed under Assets in the amount of their manufacturing costs and as of their completion date, written off according to plan in linear fashion, in the course of their useful life of three years. Platform developments from which, in turn, numerous individual products are developed, are written off according to plan in linear fashion, in the course of their useful life of five years. The value retention of the self-generated immaterial assets is verified in accordance with IAS 36.

Liabilities from leasing agreements concluded in the context of financing agreements are applied at the time of the conclusion of the contract, indicating the cash value of the leasing installments, additional liabilities at the amount of repayment or at the continued purchase price.

A **leasing relationship** is classified as an operative leasing relationship if all significant risks and opportunities associated with its ownership remain held by the lessor.

Financial debts are indicated at their continued purchase price. These include the silent partnership, bank liabilities and the outside-capital share of the convertible debenture bond.

Convertible debenture bonds are broken down into their equity-capital and outside-capital share, respectively (in accordance with IAS 32.31 ff.) and shown accordingly.

Latent taxes are formed in accordance with IAS 12 for differences in valuation between the tax balance sheets of the individual companies and the group's year-end statement of accounts. Tax-related losses carried forward which can probably be applied in the future, are listed as assets – in the amount of the latent tax claim.

The **cash flow statement** is created in compliance with the regulations set forth by IAS 7. The capital-flow calculation is divided into three areas: operative business activity, investment activity and financing activity. These are stated according to the indirect method. Convertible debenture bonds are broken down into their equity-capital and outside-capital share, respectively (in accordance with IAS 32.31 ff.) and shown accordingly.

The operative cash flow consists of the combined cash flows from operative business activity and investment activity.

II. Explanation of individual year-end statement items

EXPLANATIONS OF THE PROFIT-AND-LOSS ACCOUNT

5. Sales revenues

In the sales revenues of k€ 51,547 (Previous year: k€ 52,122), the order revenues of k€ 1,859 (Previous year: k€ 3,387) calculated with the aid of the POC method are included.

6. Miscellaneous operating earnings

The miscellaneous operating earnings include the following:

in k€	2007	2006
Rental earnings	818	917
Currency earnings	295	303
Earnings from the liquidation of reserves	93	155
Other	74	276
	1,280	1,651

7. Financial result

in k€	2007	2006
Interest earnings from bank credit balances	40	19
Interest expenditures from convertible debenture bond and bank loans	-669	-645
	-629	-626

The interest earnings and expenditures relate exclusively to those valuated financial assets (including liquidated funds) and financial liabilities (at their continued purchase prices).

8. Taxes on earnings

The paid or payable taxes on income and profit – as well as the latent tax accruals – are shown as taxes on earnings.

A potential earnings item is shown with a negative leading sign.

in k€	2007	2006
Current taxes from consolidated companies (on earnings)	-94	77
Latent taxes from consolidated companies (on earnings)	827	1,844
Tax expenditures/earnings	733	1,921

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in k€	2007	2006
Latent tax expenses or profit from losses carried forward (on earnings)	-100	414
Latent tax expenses from changes in the tax rate (on earnings)	193	0
Latent tax expenses or profit from temporary variances	734	1,430
Latent tax expenditures/earnings	827	1,844

9. Miscellaneous information

9.1 Production orders

The cumulative costs of the (as of the target date) still current production orders amount to k€ 3,586 (Previous year: k€ 3,622), the cumulative shown earnings amount to k€ 6,208 | | (Previous year: k€ 4,316).

9.2 Scheduled and extraordinary write-offs

In the fiscal year 2007 – as in the previous year – no extraordinary value adjustments were made on the capital assets.

The write-offs - with k€ 280 (previous year: k€ 198) are included in the costs for the sold (performed) services – with k€ 6,253 (previous year: k€ 5,443) in R&D expenses, with k€ 205 (previous year: k€ 163) in the marketing and distribution expenses, as well as with k€ 387 (previous year: k€ 441) in the item "General Administrative Expenses".

9.3 Personnel expenditures

in k€	2007	2006
Wages and salaries	16,934	16,552
Social security contributions	3,030	3,097
	19,964	19,649

9.4 Material expenditures

in k€	2007	2006
Expenses for raw, auxiliary and operating supply items, as well as purchased goods	18,576	17,969
Expenses for purchased services	426	361
	19,002	18,330

9.5 Reconciliations for result per share

in k€	2007	2006
Result (non-diluted)	1,081	2,960
Interest expenditures taking into account the tax effect	93	75
Result (diluted)	1,174	3,035

in k€	2007	2006
Number of equity shares	3,500,000	3,500,000
Potential number of shares from convertible debenture bond	168,882	214,285
Number of shares (diluted)	3,668,882	3,714,285

EXPLANATIONS OF THE BALANCE SHEET

10. Development of capital assets

As of 12/31/2007, Basler applied fully written-off capital assets with a purchase value of k€ 4,937 (previous year: k€ 2,829).

Otherwise, as far as the capital assets are concerned, please refer to the separate description.

11. Latent taxes

To the variances in initial value and valuation for the individual balance-sheet items, the following latent taxes (allocated to assets and liabilities) can be attributed:

in k€	12/31/2007	12/31/2006
Latent taxes (assets)		
From tax losses carried forward	5,192	7,026
Reserves	958	1,352
Miscellaneous	175	325
	6,325	8,703
Latent taxes (liabilities)		
Trends in development attributed to assets	3,398	4,662
Claims	2,619	2,964
Miscellaneous	100	29
	6,117	7,655

The calculation of the effective tax burden, which is calculated under application of the German corporate income tax rate of 15.83% + excise tax and taking into consideration of the respective deductions of tax breaks – and results in a combined legally codified tax rate of 26.74 %, is broken down as follows:

in k€	2007	2006
Tax-related transition calculation		
Annual surplus before taxes on earnings	1,816	4,881
Applicable tax rate	26.74 %	37.34 %
Anticipated tax expenses	487	1,823
Tax-rate variances		
Effect from subsidiaries abroad	50	11
Effect from tax-rate changes	193	0
Expenses and earnings which are not to be taken into account in terms of taxation	3	89
Actual tax expenses/earnings	733	1,921
Group tax quota	40.36 %	39.36 %

The change in the applicable tax rate compared to the previous year results from the change in the tax rates which occurred in the context of the reform of (corporate) taxation from 2008, especially the cut in the corporate tax rate from 25% to 15%.

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to the Consolidated Financial Statements 2007

As of 12/31/2007 the following tax losses carried forward applied (in k€):

in k€	2007	2006
Germany, corporate income tax	19,085	18,824
Germany, excise tax	18,599	18,612
U.S., nationwide	143	157
Singapore	0	0
Taiwan	235	80

The tax losses carried forward in Germany are valid indefinitely. Due to the legal situation, of the losses carried forward, a maximum of k€ 1,000 + 40% of the excess tax profit can be applied annually.

In the U.S., the tax losses carried forward are terminable to 2027.

The tax losses carried forward in Taiwan are (at the longest) applicable until 2012.

Due to the submitted planned business activities, the Basler AG assumes that the tax losses carried forward can be offset by future profits.

12. Liquid and similar funds

The liquid funds consist of cash in banks and cash on hand in the amount of k€ 3,945 (Previous year: k€ 3,268).

13. Claims

The total value of the claims from deliveries and services, in the amount of k€ 5,001 (previous year: k€ 5,326) becomes due within a year, as in the previous year:

The claims from deliveries and services are value-adjusted by k€ 148 (previous year: k€ 13). In the fiscal year 2007, value adjustments of k€ 144 (previous year: k€ 18) were allotted to contribute to success-contingent earnings.

Value adjustments on claims are maintained additionally at Basler, on separate accounts. The value adjustments have developed according to the following trend:

Status as of 01/01/2007	Currency discrepancies	Allocation	Consumption	Liquidation	Status as of 12/31/2007
13	0	144	9	0	148

in k€	2007	2006
Book value as of 12/31	5,001	5,326
Of those (as of 12/31) share which is neither value-diminished nor overdue	3,364	3,801
Of those share which is not value-diminished and up to 60 days overdue	1,369	1,013
Of those share which is not value-diminished and more than 61 days overdue	268	512

Of the total claims, k€ 9,797 (Previous year: k€ 7,938) are to be allotted to claims from long-term production. The sum total of partial payments received amounts to k€ 4,07 (Previous year: k€ 3,996), of these amounts, k€ 3,947 (Previous year: k€ 3,783) are deducted from the claims arising from long-term production.

The maximum loss risk corresponds to the book values applied to the balance sheet (if applicable, less the value adjustments taken into account as of the balance-sheet target date) of each financial asset.

The current market values do not vary significantly from the book values.

14. Reserves

For the reserves, total value adjustments (as of 12/31/2007) in the amount of k€ 2,027 (Previous year: k€ 1,934). Of that amount, k€ 93 were allocated to the fiscal year 2007 (Previous year: k€ 236).

In the finished products and merchandise, the total value of the test, loan and demo devices provided temporarily to customers amounts to k€ 402 (Previous year: k€ 637) is included. This manner of showing simplifies the transaction of the subsequent sale to the customer. The demo devices used for longer periods of time (i.e., for trade fairs) are shown in the item "Capital assets" and written off in the course of a useful life of three years.

15. Short-term financial assets, tax-refund entitlements and accruals/deferrals

in k€	12/31/2007	12/31/2006
Tax claims	429	326
Accruals and deferrals	164	119
Partial payments already made	490	53
Derivative finance instruments	236	22
Miscellaneous	272	310
	1,591	830

The current market values do not vary significantly from the book values. The maximum loss risk corresponds to the book values applied to the balance sheet for each financial asset.

16. Operative leasing

The company building (and components of company and business equipment) is used in the context of Operative Leasing. The future min. rental and lease payments from interminable operative leasing relationships and rentals amount to:

Fiscal year	k€
2008	2,686
2009–2012	9,411
from 2013	13,069

Rental/leasing expenses in the reporting year amounted to k€ 2,776 (Previous year: k€ 2,719).

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to the Consolidated Financial Statements 2007

From the sub-letting of the company building in Ahrensburg, Basler will receive the following minimum rent payments from already-concluded, non-terminable contracts:

Fiscal year	k€
2008	716
2009–2012	469
From 2013	0

17. Equity capital

17.1 Registered capital

The nominal capital held by the company amounts to € 3,500,000 and is divided into 3,500,000 individual share certificates without nominal value. The shares are registered to the respective owner.

The shares of the Basler AG have been listed on the Frankfurt securities exchange since 03/23/1999.

17.2 Capital reserve

The capital reserve consists primarily of the premium from the capital increase which occurred in the course of the IPO (in 1999).

17.3 Approved capital

In accordance with § 4, Section (3) of Basler's articles of incorporation, the executive board is authorized – with the consent of the supervisory board – to increase the nominal capital (05/20/2012) by issuing up to 1,750,000 new individual share certificates which are registered to the respective owner – against cash and/or investment in kind, on one or several occasions, to a total of € 1,750,000.00. In the process, the shareholders are to be granted a buying option. The management board, however, is authorized – with the consent of the supervisory board – to make maximum amounts an exception to this buying-option rule.

17.4 Contingent capital

The contingent capital II (in the amount of € 215,000) serves to grant conversion rights on the convertible debenture bond – the issuance of which was resolved at the shareholders' meeting on 07/01/2004 and extended at the shareholders' meeting on 05/21/2007.

17.5 Trend in the development of equity capital

in k€	Registered capital	Capital reserve	Currency adjustment	Generated results	Total
Equity capital, 01/01/2006	3,500	1,268	97	17,106	21,971
Currency variance			17		17
Annual surplus				2,960	2,960
Equity capital, 12/31/2006	3,500	1,268	114	20,066	24,948
Currency variance			93		93
Annual surplus				1,081	1,081
Others		-48			-48
Equity capital 12/31/2007	3,500	1,220	207	21,147	26,074

18. Trend in the development of short-term reserves

	01/01/2007	Currency Discrepancies	Allocation	Availments	Liquidation	12/31/2007
Personnel costs	1,194	16	613	978	42	803
Commissions	168	16	139	149	20	154
Taxes	151	0	62	83	30	100
Guarantees	163	0	160	163	0	160
Legal and consulting fees	95	0	92	94	1	92
Miscellaneous	160	13	205	173	0	205
	1,931	45	1,271	1,640	93	1,514

The reserves earmarked for personnel costs have been formed mainly to cover royalties for the reporting year, for vacation carried forward and for flex-time balances.

The tax reserves have been formed to cover the tax burden on the result in the reporting year and, if applicable, any previous years.

19. Finance liabilities

Basler reports the following financial liabilities (k€):

Description	Interest condition	Interest rate	End of term	Repayment amount
Silent partnership	Fix	10%	12/31/2001	1,023
Convertible bond	Fix	5.5%	07/31/2009	2,139
Loans	Fix	12%	03/30/2012	511
ERP loans,Tranche I	Fix	5.35%	03/31/2013	4,500
ERP loans,Tranche II	Fix	4.35%	03/31/2013	3,000

The applicable current market values of the aforementioned finance liabilities, along with the liabilities from deliveries and services and other liabilities, do not vary significantly from the shown book values. For the calculation of the equity capital share of the convertible debenture bond in the amount of k€ 225, an effective interest rate of 8.75% p.a. was assumed.

20. Derivative finance instruments and other finance instruments

As a company which does business on an international level, Basler is subjected to various market risks. To reduce currency risks, Basler applies currency futures. Since these business dealings serve to secure basic operative business, the respective terms amount to less than one year.

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On the balance-sheet target dates, the following positions (in k€) applied:

in k€	12/31/2007	12/31/2006
Nominal volume	4,000	3,100
Current market value		
Positive	236	22
Negative	-	-

The valuation takes place with the mark-to-market method. Positive current market values are shown under the short-term miscellaneous assets, negative values under miscellaneous finance liabilities. The net profit from the valuation at the current market value for the fiscal year 2007 amounted to k€ 214 (previous year: k€ 52).

As applies to the claims, the maximum loss risks conforms to the book values indicated on the balance sheet (if applicable, less the value adjustment taken into account as of the target date for the issuance of the balance sheet) of each financial asset, including the derivative finance instruments. Since, where the derivatives are concerned, our contractual partners are renowned financial institutions, one can assume that the obligations arising from derivatives transactions will be fulfilled.

21. Categories of finance instruments

The book values of the finance instruments – as of 12/31/2007 – are indicated as follows (in k€):

in k€	Finance instruments at the continued purchase prices (loans and receivables, other liabilities)	Finance instruments at the Fair Value (held for trading)	Book value according to the balance sheet
Claims and loans (including currencies and currency equivalents)	14,796 (Previous year: 12,749)	-	14,796 (Previous year: 12,749)
Additional financial assets	1,355 (Previous year: 808)	236 (Previous year: 22)	1,591 (Previous year: 830)
Long-term financial debts	10,873 (Previous year: 1,534)	-	10,873 (Previous year: 1,534)
Short-term financial debts	2,728 (Previous year: 9,367)	-	2,728 (Previous year: 9,367)

To record value depreciations (as well as net profits/losses) for the shown financial assets and financial liabilities, please refer to §§ 13 and 20 of this document.

III. Miscellaneous information

22. Type and management of financial risks

22.1 Derivative finance instruments/currency risk

As of the balance-sheet target date, USD futures in the amount of k€ 4,000 with a remaining term of < one year were applied to secure the exchange rate. The positive current market value shown under the item "Miscellaneous Assets" (in accordance with the market valuation) amounted to k€ 236.

22.2 USD-Sensitivity Analysis

A USD course of 1,61931 (10% acceptance) would have a positive effect of T€ 247 on the vat result, a USD course of 1,32489 (10% increase) a negative of k€ 302.

22.3 Address loss risk

Basler performs continuous verifications of its customers' creditworthiness, with the aid of internal and external valuations. Furthermore, the risk associated with claims from deliveries and services is minimized by the company's diversified customer base. There is also a precisely defined tracking process for outstanding claims. To further minimize this type of risk, a credit-line system aided by the ERP System – with documented escalation levels – is used.

As far as the specification of the maximum loss risk is concerned, please refer to our information indicated in §§ 13, 15 and 20 of this document.

22.4 Interest risk

All longer-term financial liabilities shown as of the balance-sheet target date are valued at their continued purchase prices and (as a result of the existing fixed-interest agreements) are not subject to an interest-rate change risk in the context of IFRS 7.

23. Capital management/liquidity risk

Basler controls its capital with the aim of maximizing the earnings generated by those involved in the company by positively adjusting the ration of equity capital to outside capital.

However, it is still imperative to ensure that Basler has sufficient reserves to also enable short-term growth. This aim is guided by the reference value "Financing reserve".

This reference value is calculated from the ration of "outside capital + available banking lines" to short-term assets without liquidated funds less liquidated funds.

The target value to be attained here amounts to 125%.

in k€	12/31/2007	12/31/2006
Outside capital	21,232	20,487
Available banking lines	3,500	5,900
Subtotal	24,732	26,387
Short-term claims	10,851	9,481
Reserves	7,005	6,763
Additional claims and miscellaneous assets/accruals and deferrals	1,591	830
Liquidated funds	-3,945	-3,268
Subtotal	15,502	13,806
Financing reserve	160%	191%

A change in this strategy compared to the previous year did not take place.

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Basler had access to additional credit lines in the amount of the amount of k€ 3,500 (in the previous year, k€ 9,900). These were not utilized (in the previous year, k€ 4,000).

The availability of these credit lines is associated with the compliance with certain balance-sheet reference values. As in the previous year, Basler complied with these agreements at all times.

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

in k€	2008	2009	2010 to 2012	from 2013
Silent partnership	102	102	1,228	-
Convertible bond	130	2,494 ¹	-	-
Bank liabilities	729	1,005	6,826	1,063
Liabilities from deliveries and services	1,614	-	-	-
Additional liabilities	512	-	-	-

¹ In this example, the event of re-payment is assumed.

24. Segment report

24.1 Primary segmentation

Basler addresses the vision technology market with its two corporate business domains:

- Basler Components develops and distributes digital camera solutions for customers in the original equipment manufacturing sector; specifically in the market segments of machine vision, medical technology and intelligent traffic systems.
- Basler Solutions develops and markets ready-to-use quality-inspection systems for use in mass production for various industries.

The company's products are developed primarily on the Ahrensburg premises and sold via a direct distribution structure, which encompasses subsidiaries in the U.S., Singapore and Taiwan), as well as via independent distributors in Europe, North America, Australia, Japan, and the rest of Asia.

The information in the overviews originates directly from internal reporting used by the top operative decision makers within the company for management purposes. An evaluation of the areas of operation based on financial debts and the corresponding interest expenses is not made for internal controlling, and is insofar not indicated in the segment reporting.

Segment assets are considered direct operational claims, reserves and the capital assets applied to business operations.

Segment debts are the partial payments received which can be attributed to business operations, liabilities from deliveries and services, and reserves.

The business development trend in the reporting year is depicted as follows (all numbers reflected in k€):

in k€	Basler Solutions		Basler Components		Reconciliation		Entire group	
	01/01 - 12/31/07	01/01 - 12/31/06	01/01 - 12/31/07	01/01 - 12/31/06	01/01 - 12/31/07	01/01 - 12/31/06	01/01 - 12/31/07	01/01 - 12/31/06
Segment revenues	24,022	28,831	27,525	23,291	0	0	51,547	52,122
Segment result (EBIT)	-1,242	1,454	3,026	4,303	660	-250	2,444	5,507
Segment assets	16,549	15,901	16,505	11,868	2,390	4,864	35,444	32,633
Segment debts	155	188	1	70	1,387	-123	1,543	135
Segment investments	2,760	3,982	4,794	3,409	817	741	8,371	8,132
Segment write-offs	4,094	3,505	2,321	1,840	710	900	7,125	6,245

24.2 Secondary segmentation

Basler's secondary segmentation is based on the place of production.

in k€	Europe		Reconciliation		Entire group	
	01/01 - 12/31/07	01/01 - 12/31/06	01/01 - 12/31/07	01/01 - 12/31/06	01/01 - 12/31/07	01/01 - 12/31/06
Segment revenues	51,547	52,122	0	0	51,547	52,122
Segment result (EBIT)	1,784	5,757	660	-250	2,444	5,507
Segment assets	33,054	27,769	2,390	4,864	35,444	32,633
Segment investments	7,554	7,391	817	741	8,371	8,132

25. Number of employees

The average number of employees (according to their respective functions within the company) is indicated in the following table:

	2007	2006
Production	72	69
Distribution	114	112
Development	93	96
Administration	50	47
	329	324

Basler strongly advocates a family-friendly, flexible work environment. A concrete indication of this approach is the high percentage of employees working in highly varied part-time work structures. In the equivalents to full-time positions, the following breakdown applies:

	2007	2006
Production	69	65
Distribution	108	106
Development	90	92
Administration	41	40
	308	303

26. Annual auditor's fee

A fee – exclusively for the auditing of the year-end statement of accounts – of € 51,680.37 (Previous year: € 51,859,30) was paid to the BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft in the year 2007.

27. Business involvement with closely related persons

Mrs. Nicola-Irina Basler holds 106,907 shares in the convertible debenture bond initially issued in 2004 (which was extended in 2007). This corresponds to an amount of € 1.496.698,00. Each individual share corresponds to a single stock-option right.

To them, the same conditions apply as to third parties.

Please also refer to our disclosures on the executive boards and supervisory board (Sec. 28 of this document).

28. Executive board and supervisory board

28.1 Executive board

In 2007, the following persons were members of the executive board:

Dr. Dietmar Ley, Doctor of Engineering CEO, in charge of product development, finance and personnel
Ahrensburg

John Jennings, MBA and graduate engineer Executive director of distribution and marketing
Ambler, USA

Peter Krumhoff, Dipl.-Bw. Finance and product manufacturing (until 08/31/2007)
Großhansdorf

28.2 Supervisory board

In 2007, the following persons were members of the supervisory board:

Norbert Basler Supervisory board chairman, graduate engineer

Prof. Dr. Eckart Kottkamp Supervisory board vice-chairman, Senior Advisor

Konrad Ellegast Regular supervisory board vice-chairmanmember, Advisor

Additional mandates held by the supervisory board members in 2007 in compliance with § 285, No. 10 of the German Commercial Code:

Norbert Basler Member of the supervisory board, Kuhnke AG, Malente
Member of the supervisory board, Plato AG, Lübeck

Prof. Dr. Eckart Kottkamp Chairman of the supervisory board, Hako-Werke GmbH, Bad Oldesloe
Chairman of the advisory council, Mackprang Holding GmbH & Co. KG, Hamburg
Chairman of the supervisory board, Lloyd Fonds AG, Hamburg
Member of the supervisory board, Deutsche Steinzeug Cremer & Breuer AG, Alfter-Witterschlick

Konrad Ellegast Member of the advisory council, C.Mackprang Jr. GmbH & Co. KG, Hamburg
Member of the advisory council, RIBE Richard Bergner Verbindungstechnik GmbH, Schwabach

28.3 Compensation of members of the executive board and supervisory board

The direct total compensation of the executive board amounted to € 466.890,07. The individual members of the executive board received (indirectly and directly) the following compensation in 2007(in €):

Name	Base salary	Success-contingent bonuses for 2007	Total
Dr. Dietmar Ley	182,437.51	0.00	182,437.51
John Jennings	154,379.01	29,617.55	183,996.56
Peter Krumhoff	100,456.00	0.00	100,456.00

The direct total compensation of the executive board amounted to € 545.039,00 in 2006. The individual members of the executive board received (indirectly and directly) the following compensation (in €):

Name	Base salary	Success-contingent bonuses for 2006	Total
Dr. Dietmar Ley	158,276.48	33,773.53	192,050.01
John Jennings	150,149.76	31,836.47	181,986.23
Peter Krumhoff	141,392.48	29,610.28	171,002.76

The total earnings for members of the supervisory board amounted (as in the previous year) to k€ 39 in 2007.

28.4 Share ownership on the part of the members of the executive board and supervisory board as of 12/31/2007

Name	12/31/2007 number of shares	12/31/2006 number of shares
Dr. Dietmar Ley	135,282	135,282
John P. Jennings	2,000	2,000
Peter Krumhoff	-	500

Name	12/31/2007 number of shares	12/31/2006 number of shares
Norbert Basler	1,800,000	1,800,000
Prof. Dr. Eckart Kottkamp	-	-
Konrad Ellegast	-	3,000

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Dr. Ley and Mr. Jennings both hold shares in the convertible debenture bond initially issued in 2004 (which was extended in 2007). Each individual share corresponds to a single stock-option right. To them, the same conditions apply as to third parties.

	Number of shares in the convertible debenture bond	Amount in €
Dr. Dietmar Ley	23,800	333,200.00
John P. Jennings	3,000	42,000.00

29. Holdings index

In addition to the Basler AG, the following companies are included (by full consolidation) in the group's year-end statement of accounts:

Company name	Share amount in %	Annual surplus, 2007 in k€	Equity capital in k€
Basler Inc., Exton/USA	100	-348	-317
Basler Asia Pte. Ltd., Singapore/Singapore	100	332	934
Basler Vision Technologies Taiwan Inc., Taipei/Taiwan	100	-260	-705

Additional holding relationships do not exist.

30. Corporate Governance

The required compliance statement according to § 161 of the Stock Corporation Law which reflects the acknowledgement of the German Corporate Governance Code has been submitted, and was made accessible to the shareholders on the company's Website, www.baslerweb.com.

31. Approval of the year-end statement of accounts

The end-of-year statement of accounts was approved by the executive board on 02/27/2008 – and released for publication.

Ahrensburg, February 04, 2008

Dr. Dietmar Ley

John Jennings

Audit Opinion

We have audited the consolidated financial statements of Basler Aktiengesellschaft, Ahrensburg, – consisting of balance sheet, income statement, notes, cash flow statements and statement of changes in equity – and the Group management report for the business year from 1 January to 31 December 2007. The preparation of the consolidated financial statements and the Group management report in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional provisions stated in Section 315a Para. 1 HGB are the responsibility of the Company's legal representatives. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with German principles of proper accounting and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the results of our audit the consolidated financial statements are in compliance with the IFRS, as adopted by the EU, and the additional provisions stated in Section 315a Para. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting. The Group management report is in accordance with the annual financial statements and provides on the whole a suitable understanding of the Group's position and suitably presents the chances and risks of future development.

Lübeck, February 04, 2008

BDO Deutsche Warentreuhand
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

Beecker
Auditor

Herbers
Auditor

EVENTS AND SITES

Target dates

Finance

March 12, 2008	Publication of fiscal year 2007 results
May 6, 2008	Publication of first-quarter results for 2008
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

January 22 – 24, 2008	Photonics West – San Jose, USA
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

January 16 – 18, 2008	Photovoltaic Technology Show – Shenzhen, China
February 27 – 29, 2008	1st International Photovoltaic Power Generation Expo – Tokyo, Japan
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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