Annual Report 2010

BASLER
VISION TECHNOLOGIES

Key figures

in €m				+/– in %
		2009 (adjusted)	2010 (adjusted)	
Sales revenues		33.7	51.0	51
Incoming orders		34.2	54.6	60
Gross results		11.8	22.2	88
Gross margin		35.0 %	43.5 %	
EBITDA		0.5	12.0	2.300
EBIT		–5.5	6.7	n. a.
EBT		–7.3	5.0	n. a.
Annual surplus / annual deficit		–10.1	8.0	n. a.
Number of shares (m / units)		3.5	3.5	0
Result per share (€)		–2.89	2.30	n. a.
Result per share (€) (completely diluted)		–2.89	2.30	n. a.
Cash flow from operational activity		8.1	11.8	46
Cash flow from financing activity		–5.0	–6.1	22
	12/31/2008 (adjusted)	12/31/2009 (adjusted)	12/31/2010 (adjusted)	
Total assets	64.4	52.5	58.9	12
Fixed assets	37.7	34.1	32.6	–4
Equity	27.8	17.7	25.5	44
Borrowed capital	36.6	34.8	33.4	–4
Equity ratio	43.2 %	33.7%	43.3 %	10 Pp.
Net debt	1.0	3.1	0.3	–90
Working Capital	17.6	9.5	12.6	33
Annual average number of employees / equivalents of full-time employment	311	257	248	–4
Share price (XETRA) in €	8.95	6.49	11.58	78
Shares in circulation, in million shares	3.5	3.5	3.5	0
Market capitalization	31.3	22.7	40.5	78

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Dear shareholders, business partners and friends,

The global economy returned to the growth path in 2010 and is in a significantly better condition at the beginning of 2011 than a year ago.

Fiscal year 2010 was also successful for Basler AG. In 2010, we concluded the strategic realignment begun in 2009 and benefited from our continued and determined investment in our camera business during the crisis. The

A. Bake, Dr. D. Ley, J. P. Jennings

significant decline in sales of 2009 was mostly recovered merely one year later. We also reached new record values for profit in 2010.

These are the most important figures and events at a glance:

- The group's turnover amounted to € 51.0 million, exceeding the previous year's figure by 51.3 %. The growth in sales in the components segment merits particular emphasis. Here, we increased by more than 70 % compared to 2009, we surpassed the threshold of sales of € 40 million for the first time with revenues of € 40.7 million, and exceeded the former record sales of the year 2008 by 37 %.

- The portfolio streamlining in the solutions segment was successfully completed with the sales of the product lines for the inspection of optical media, solar wafers, and rubber/elastomer sealings. The solutions segment is now fully focusing on inspection solutions for LCD glass. At € 10.3 million for 2010, the sales for the segment reached the previous year's level again despite the divestment of three product lines.

- The earnings before taxes (EBT) of € 5.0 million (2009: € –7.3 million) mark a new record value in the company's history. The pre-tax return amounted to 9.8 % (2009: –21.7 %), representing another record value. Based on revaluation of loss carry forwards resulting from improved business prospects the group's annual surplus increased to € 8.0 million (2009: € –10.1 million).

- Cash flow improved significantly despite the strong growth in sales. The operating cash flow reached € 11.8 million (2009: € 8.1 million, +45.7 %). After deduction of the investing cash flow a free cash flow of € 5.7 million resulted (2009: € 3.0 million, +190 %). This progress was caused by intense working capital management combined with shorter delivery times and collection periods for receivables, resulting from the strongly increased proportion of sales of the components segment in the group's turnover.

- Liquidity amounted to € 9.1 million on the reporting date and exceeded the previous year's value of € 5.5 million by 65.5 %.

- The debt to equity ratio at the end of the fiscal year amounted to 43.3 % (2009: 33.7 %) reaching again the pre-crisis level.

- The price for the Basler share climbed from € 6.80 to € 11.58 during the year 2010 and it reflects the continuous upward trend of the key figures.

LETTER TO OUR SHAREHOLDERS

Given these results from merely one year after the global economic crisis, Basler AG recorded the best results since the founding of the company. We owe this successful performance to the excellent achievements of our staff who implemented the strategic plan decided upon in 2009. Therefore, the Management Board would like to take this opportunity to express our gratitude and appreciation to the Basler team for its commitment, creativity, and loyalty.

The Management Board also thanks all investors who were invested in Basler shares during the reporting period just ended for their confidence in our company. We particularly thank our anchor shareholder and founder Norbert Basler for his continued support. Due to the results for fiscal year 2010 being above our expectations we are capable sooner than expected to pay a dividend to our shareholders. Our dividend strategy provides for a combination of a reliable base dividend, to be paid independent of the company's result and an additional dividend depending on the company's success. For fiscal year 2010, we will propose in the general meeting a dividend of 30 Cent per share consisting of a base dividend of 20 Cent per share and an additional dividend of 10 Cent per share.

In their forecasts for 2011, the leading economic research institutes assume that the upward trend started in 2010 will continue despite the unchanged macroeconomic risks, however on a lower level. The German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau – VDMA) expects sales in the engineering industry to grow in 2011 by 8 %. The VDMA forecasts growth of 5 % for the German image processing industry. Considering these estimations and assuming continuous business development, Basler AG is preparing for growth in sales in the middle single-digit percentage range at a profitability level similar to 2010.

The Management Board is confident to see Basler AG grow continually in sales and profit during the coming years, due to its focused strategic alignment, its attractive product portfolio, and particularly its teams working with competence and commitment towards the company's success.

Dietmar Ley	John P. Jennings	Arndt Bake
CEO	CCO	COO

Dear Ladies and Gentlemen,

In the elapsed fiscal year 2010, the Supervisory Board has fulfilled its incumbent obligations according to the law and the company's articles of incorporation, and has continuously monitored and advised the Management Board in its management activities. In the process, the Management Board has provided the Supervisory Board with written and oral reports on the economic position of Basler AG, its foreign subsidiaries, and its divisions on a monthly basis and has discussed the business and economic situation in detail with the chairman of the Supervisory Board.

In fiscal year 2010, four regularly occurring Supervisory Board meetings took place, which all members of the Supervisory Board attended. The meetings were held on March 23, 2010, May 18, 2010, October 4, 2010, and December 16, 2010. In addition, a further meeting was held on January 27, 1010, where current issues were discussed. All members also attended this extraordinary meeting. Committees as set forth in § 171, Section 2, Clause 2 of the Stock Corporation Act (AktG) were not formed, due to the size of the Supervisory Board (three persons).

The Management Board and the Supervisory Board cooperate closely for the benefit of the company. The basis for this co-operation is frank and trusting discussion. The Management Board has coordinated the company's strategic orientation with the Supervisory Board and has reported in regular intervals to the Supervisory Board about the state of implementation. The Supervisory Board was involved in all major decisions of fundamental importance to the company. The Management Board has informed the Supervisory Board at regular intervals about all relevant issues concerning the company's business development and risk situation. The chairman of the Supervisory Board is in regular contact with the CEO, and was informed by him about 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. This applies to decisions and measures of fundamental importance to the company's situation with regard to assets, finances, and revenue. Significant issues in the elapsed fiscal year were:

Prof. Dr. E. Kottkamp, N. Basler, K. Ellegast

- Consultation on and conclusion of the annual balance sheet for 2009 and of the proposals for the general meeting
- Cyclical and market specific developments and their effects on the company's result and turnover
- Situation of the relevant markets in the context of the abating global economic crisis
- Advancement of the corporate strategy
- Situation of the subsidiaries in the context of the adjustments of strategy

- Investments
- Corporate financing and banking relationships
- Liquidity and working capital
- Investor relations
- Planning and budget for the segments and for the group for fiscal year 2011
- Four year planning
- Disinvestments in the framework of the changed corporate strategy
- Act to Modernize Accounting Law and its repercussions on the company
- Internal monitoring system
- Committment to and amendments of the Corporate Governance Code
- Extension of the Management Board
- Remuneration of the Management Board

The BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, which was selected as annual auditor by the general meeting on May 18, 2010, was commissioned by the chairman of the Supervisory Board to perform the audit by a letter of September 30, 2010. The annual auditor participated in the Supervisory Board meeting on March 28, 2011, where the presented annual balance sheet was discussed along with the reported essential results of the audit.

The accounting, the annual balance sheet as of December 31, 2010, and the situation report for Basler AG, along with the group's annual balance sheet as of December 31, 2010, and the group's situation report have been audited by the annual auditor, the BDO Deutsche Warentreuhand AG, Lübeck, they have been found to be compliant with applicable laws and the company's articles of incorporation, and they have each been furnished with an unconditional audit certificate. The Supervisory Board took consenting note of the audit result.

The Supervisory Board, on its part, examined the company's and the group's annual balance sheets and the company's and the group's situation reports in the context of the applicable legal regulations. No objections were raised. The Supervisory Board approved of and therewith established the annual balance sheet as prepared by the Management Board.

In accord with the Corporate Governance Code, the Supervisory Board regularly reviewed the efficiency of its work and enhanced it in connection with useful modifications related to the preparation and the document composition for its meetings.

The Supervisory Board members do not act as consultants to or hold officer positions in executive bodies of clients, suppliers, creditors or other business partners. Consequently, conflicts of interest did not arise with their mandates during the past fiscal year.

The report compiled by the Management Board according to § 312 of the Stock Corporation Act (AktG) on relations with affiliate companies was audited by the annual auditor and furnished with the following audit certificate:

"Following our due audit and evaluation we herewith confirm that

- the actual information given in the report is correct and
- the company's performance was not inappropriately high for the legal transactions specified for the reporting year."

The Supervisory Board took consenting note also of this audit report of the annual auditor. The Supervisory Board states after the concluding result of its own audit, that no objections are to be raised regarding the Management Board's statements on relations with affiliate companies.

In the elapsed fiscal year, the following change has occurred in the Supervisory Board: Former Supervisory Board member Konrad Ellegast, Oetjendorf, was reappointed to his office for a five year term by the general meeting on May 18, 2010.

Restructuring accomplished – company on track

The elapsed fiscal year was the most successful in the company's history of 22 years: During the abating economic crisis and after an accordingly difficult preceding year the company concluded its restructuring in the context of its realignment, was able to exceed the pre-crisis sales level, and generated a record result, based on the new strategy.

This success is also attributable to a favorable economic situation in the relevant markets. It is, however, mainly due to a radical adjustment process that was pursued along the revised corporate strategy. The focus on the camera business along with the sale or abandonment of some product lines within the solutions business and a corresponding adjustment of the company organization resulted in a clear focusing of activities, in a reduction of complexity in the company, and in a substantial increase of the yield potential.

Once again, flexibility driven by strategy has proven itself as the main success factor. This ability of the company shall also in the future be constantly developed and thus represents the best preparation for tackling the challenges posed by the extant global uncertainties.

Flexibility is not only a structural property of the company but also very much so the result of a dynamic, target oriented, motivated, and alert staff, that also performs well under pressure and is managed in a transparent and trusting way. These qualities allowed us to overcome the global economic crisis and emerge significantly strengthened.

We can expect that sales and result will develop correspondingly positively and in particular also more stably than in the past. Both, the reached profitability and the expected stability enable the company to now attend to its duty already defined before the crisis namely of paying dividends to its shareholders.

In the expedient balance between the interests of the company, the staff, and the shareholders the financing of future growth is secured, the staff is given a stake in the success of the company, and the shareholders' expectations are accounted for as regards distribution of profit.

In December of the elapsed fiscal year, the Supervisory Board decided to extend the staff of the Management Board. Mr Arndt Bake has started his activities as Chief Operations Officer (COO) on January 01, 2011, in support of Dr. Dietmar Ley and Mr John P. Jennings. Mr Bake entered Basler AG ten years ago and has since continuously assumed increasing responsibilities. He will now manage the product management, production, and supply chain management divisions.

With the present organization of the Management Board, the company's management is consistently well prepared for successfully shaping the company's future.

All in all, the year 2010 was a year of transition from urgent crisis management to sustained business development. We are greatful to all involved that this has succeeded in such an outstanding way. The Supervisory Board expressly thanks all employees, executives, and the members of the Management Board of Basler AG for the work they have accomplished in the elapsed fiscal year.

Ahrensburg, March 2011
For the Supervisory Board

Norbert Basler Chairman of the Supervisory Board	Prof. Dr. Kottkamp Debuty Chairman of the Supervisory Board	Konrad Ellegast Supervisory Board

The Basler Share

Capital market environment

The global economy returned to the growth path in 2010 – the stock markets continued their recovery. The main drivers for the upturn were the expansionary monetary policies of the central banks, the mild outcome of the European stress test for banks, strong economic figures from China and Germany, increasing corporate profits, and increasing mergers and acquisition activity. The announcements by some European states of more restrictive fiscal policies as a consequence of the European debt crisis, a bailout scheme worth € 750 billion for ailing EU states, weak US labor market data, and a more restrictive monetary policy in China prompted occasional concern that the global economy could lose momentum in 2011.

In the stock exchange year 2010, the DAX (Deutscher Aktienindex – German stock index) increased by 16 %, driven by strong price gains of export-oriented companies. German small and mid caps increased even more strongly: The MDAX (German stock index for mid caps) increased by 35 % and the SDAX (German stock index for small caps) by 46 %. The weak performance of solar shares resulted in a comparatively only modest annual profit of 4 % for the TecDAX (German stock index for mid caps from technology sectors).

The Basler share

The closing price for the Basler share was at € 6.80 at the year end of 2009 and at the first trading day of the year 2010. The share price trended stable until summer of 2010 on a level around the € 7 mark.

The business development during the year having been better than expected and the related increase of the forecast on July 13, 2010, laid the foundations for the positive development of the share price in the second half of the year. Two further increases of the forecast on October 10, 2010 and on December 15, 2010 supported this upward trend. The Basler share closed on the last trading day of the year 2010 at a price of € 11.58, a 78 % increase over the price at the beginning of the year. At the beginning of 2011, the share price increased to above € 12 reaching a three-year high.

Dividend and appropriation of earnings

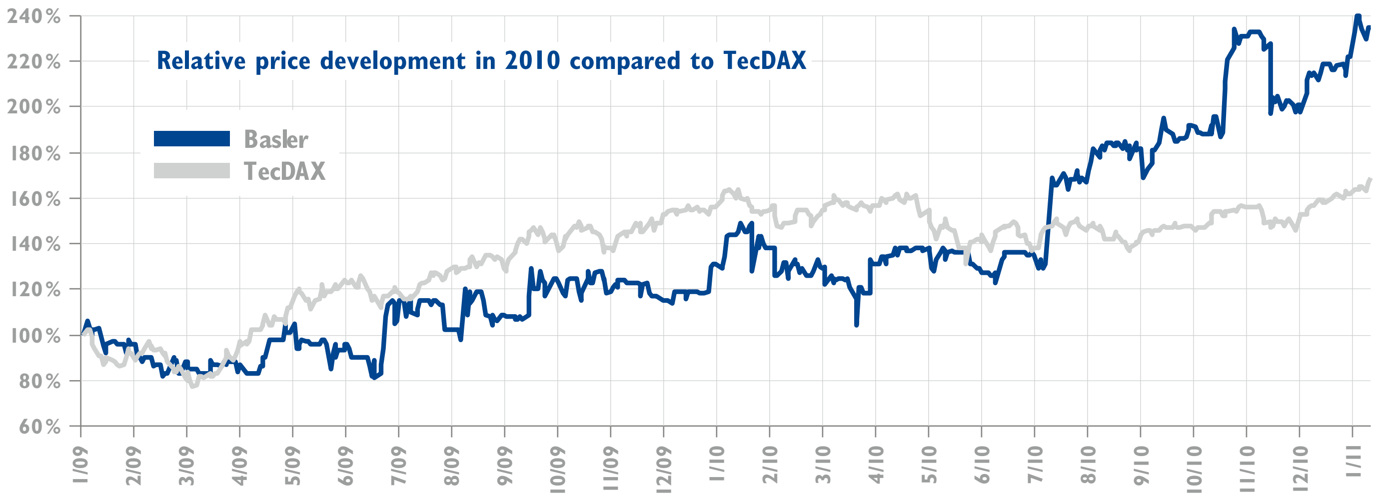
Against the background of the good business development in fiscal year 2010, Basler AG will propose this years general meeting to pay a dividend for the first time.

Our dividend strategy provides for a combination of a reliable base dividend, to be paid independent of the company's result and an additional dividend depending on the company's success.

On this base, the proposal will be made in the general meeting of May 19, 2011 to pay a dividend of 30 Cent per share consisting of a base dividend of 20 Cent per share and an additional dividend of 10 Cent per share.

Communication

Continuous and open communication with all capital market participants is very important to Basler AG. Based on the positive business development, increased attention from the capital markets was achieved. We communicate



with institutional investors in conference calls, individual conversations, roadshows, and at conferences. It is during the general shareholders meeting where we inform private investors about the development of Basler AG. Direct contact of analysts, investors, and private shareholders and the management is very important to us as we want our investors to know the persons who direct our business.

In the previous year, the analysts of SES Research and First Berlin prepared studies about Basler AG regularly (two in the preceding year). You can find the actual recommendations via *www.baslerweb.com/share* in the Share >> Analyst studies section.

General meeting

The general meeting took place in the Hamburg Chamber of Commerce on May 18, 2010. The investors present were given an extensive company presentation by Dr. Dietmar Ley, CEO, to familiarize them with the current situation of the company and the future strategic alignment. After the general debate the various items were approved by more than 99% of the voters present.

Contact details

For questions about our company or the Basler share, please contact our investor relations department:
Tel. +49 4102-463 0
Fax +49 4102-463 108
ir@baslerweb.com
www.baslerweb.com/share

Regular informations

Please use our contact form if you want to receive information about our company regularly at *www.baslerweb.com/share/* or directly contact our investor relations department.

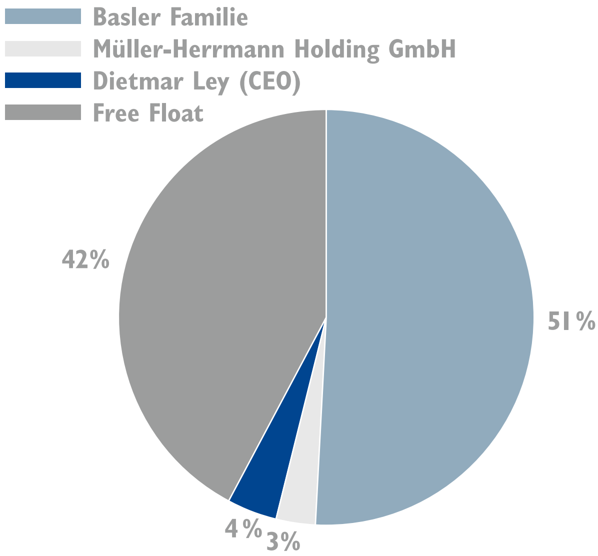
Share-related information

ISIN: DE0005102008
Symbol: BSL
Prime Standard branch: Industrial
Industry group: Advanced Industrial Equipment
Admission segment: Prime Standard / Regulated Market
Designated sponsor: Close Brothers Seydler AG
Number of shares: 3,500,000

Member of the following indices: CDax, Prime AllShare, Technology AllShare, GEX*

As regards trade, our share is supported on the capital market by Close Brothers Seydler AG (so-called designated sponsoring). Close Brothers Seydler is a leading provider of this service in Germay and regularly earns top ranks by Deutsche Börse.

Shareholder structure:



Share price key figures:

	2010	2009	2008	2007	2006
Market capitalization in € million (as of 12/31)	40.5	23.8	19.6	38.5	46.27
Annual closing price in € (as of 12/31)	11.58	6.80	5.60	11.00	13.22
Year high in €	12.15 (10/26)	6.80 (12/30)	11.25 (09/01)	14.85 (02/23)	15.15 (05/05)
Year low in €	5.41 (03/23)	4.22 (06/19)	5.05 (12/22)	10.54 (11/09)	10.60 (01/26)
Annual development	+78%	+21%	–51%	–17%	+16%

* GEX is the index for the performance of medium-sized companies on the stock market.

Declaration of conformity with the Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (Aktiengesetz – AktG)

The Management Board and the Supervisory Board hereby declare that Basler AG has complied since July 2, 2010, with the recommendations for conduct as amended on June 26, 2010, by the "Government Commission of the German Corporate Governance Code" ("code") appointed by the German Government, with the following exceptions.

Clause 2.3.3 – Personal exercise of rights

Basler AG intends to assist shareholders with absentee voting and proxy voting. The articles of incorporation of Basler AG do not provide for voting by absentee ballot. The shareholders of Basler AG are, however, given the possibility to instruct a proxy, nominated by the company, to exercise their voting rights. This allows voting prior to the official date of a general meeting of Basler AG. This allows voting prior to the official date of a general meeting of Basler AG. Management Board and the Supervisory Board take into account to propose a change of the article of incorporation to the shareholders meeting.

Clause 5.3 – Establishment of committees within the Supervisory Board

The Supervisory Board does not establish any committees. The Supervisory Board of Basler AG comprises three persons. This configuration ensures efficient work in all matters of the Supervisory Board, especially as the generally accepted minimum size for a committee is a membership of three.

Clause 5.4.1 – Composition of the Supervisory Board

For nominations to the general meeting, the Supervisory Board will also in the future continue to comply with legal requirements and will emphasize the candidates' professional and personal qualifications independent of gender. Consideration will also be given to the international activities of the company, to potential conflicts of interest, and to diversity. Basler AG does not have specific pertinent goals in this area.

Clause 5.1.2 sentence 2 and 5.4.1

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

Clause 5.4.7 – Remuneration of the members of the Supervisory Board

Remuneration of the members of the Supervisory Board is set forth in the articles of incorporation. Chairmanship and vice chairmanship of the Supervisory Board are given consideration regarding the amount of fixed remuneration. Given the current level of fixed remuneration, the addition of a variable component to remuneration for the members of the Supervisory Board is not provided for.

Ahrensburg, March 2011

Dr. Dietmar Ley
CEO

Norbert Basler
Chairman of the Supervisory Board

John P. Jennings
CCO

Prof. Dr. Kottkamp
Debutay Chairman of the Supervisory Board

Arndt Bake
COO

Konrad Ellegast
Supervisory Board

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MANAGEMENT REPORT

1 Financial statements

1.1 Group structure and business operations

Basler AG develops, manufactures, and sells digital cameras for industrial applications and video surveillance. In addition, Basler produces surface inspection solutions for the LCD industry.

The stock corporation with headquarters in Ahrensburg (Germany) is listed on the Frankfurt Stock Exchange and has subsidiaries in Singapore, Taiwan, and the U.S.A. as well as sales and service offices in Japan and South Korea, and a global network of distributors. Development and manufacturing are carried out in the German headquarters. Sales and service are performed in all locations of the group and its distributors.

Components segment

In the Components segment, Basler AG offers digital cameras for applications in the industrial cameras and video surveillance markets.

The manufacturers of industrial goods (OEM customers) are the target customers for industrial cameras. Our cameras are integrated in machines, equipment, and devices that are used e.g. in industrial mass production, intelligent traffic systems, and in applications of medical technology and life sciences. Basler is among the three global leading manufacturers of digital industrial cameras. Basler is global market leader in the fastest-growing market segment of Gigabit Ethernet cameras (GigE cameras).

We supply digital cameras (IP cameras) to system integrators, distributors, and OEM customers in the video surveillance market. Applications for IP cameras are in the areas of security technology, traffic technology, banking, and retail trade. Almost three years after presenting the first products, Basler has successfully accomplished market entry into the European and North American video surveillance markets.

Solutions segment

In the Solutions business segment, Basler produces surface inspection solutions for the inspection of LCD plate glass. Our customers are major LCD manufacturers (end customers) and machine and plant manufacturers (OEM customers). Basler is the global market leader in the surface inspection of LCD glass.

1.2 Business development

1.2.1 Economic environment

The global economy returned to the growth path in 2010. Confidence was restored in the political world's ability to act. In the beginning of the year, incentives to buy and invest contributed towards dissolving the freeze on investments. The recovery process of the global economy set a good pace particularly in the second quarter and in the beginning of the third quarter of 2010. The unexpectedly strong recovery allowed increasing the economic forecasts for many countries in fall. Having experienced real growth of approximately 4.8% in 2010, the global economy is in similarly good condition as it was before the global economic crisis. Towards the end of 2010 growth momentum declined particularly in the industrial countries. This was due to expiring stimulus programs and the largely concluded inventory build-up.

Among the big industrial nations (G7) Germany holds the top position in economic growth for 2010: Depending on the economic research institute real growth of the GDP between 3.3% and 3.7% was estimated for Germany.

The dynamics of the US economy remained unchanged on a low level in 2010. The labor market in particular causes great concern at an unemployment rate of almost 10%. In addition, private households still suffer from the losses due to the real estate crisis. Due to these factors the government has resolved on another stimulus program in November of 2010.

Similar to the U.S.A., Japan was also hardly able to benefit from the global economic upswing in 2010. The main reasons for this were the expensive yen and weakened domestic consumption after two years of deflation.

The emerging nations impressed with above average economic growth in 2010, especially China. Also here, however, the economic activity peaked in the second half of the year.

In Europe, it is mainly Germany, Sweden, Slovakia, and Poland where the recovery process was strongest. However, France, Italy, Spain, and numerous smaller member states have developed below avarage. For the first time, the twelve Eastern European member states grow in total more slowly than the entire EU. The marked economic differences between the euro member states and the renewed flare up of unsettled flash points caused great stress for the euro during the last months of the year 2010, thus increasing short-term fluctuations of the euro exchange rate relative to other currencies.

1.2.2 Macroeconomic and sector situation

After a real decrease by 18% in 2009, the sales of industrial goods increased by 17% in real terms in 2010. The largest growth was recorded for China and Japan.

Compared to the previous year, those countries within the EU that recovered first were those that were first affected by the economic downturn in 2008. It was mainly supplier products that developed particularly dynamically at the beginning of the upswing, while the late-cycle investment business reacted to the increasing demand only after a significant delay.

In its latest prognoses, the German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau - VDMA) estimated growth of 6% for the German machinery and plant construction industry in 2010. For 2010, VDMA assumes growth in sales amounting to 28% for the German image processing industry. Thus, the industry reached approximately the sales level of 2008, after the decline in revenue of more than 20% in 2009.

1.2.3 General conditions from corporate structure

In 2010, Basler AG concluded the strategic realignment started in the previous year and has focused business on the fast-growing Components business with digital cameras for industry and video surveillance and on surface inspection solutions.

The product lines for the inspection of solar wafers and rubber/elastomer sealings were sold to strategic investors in 2010, as they were no longer part of the core business.

1.2.4 Business development

Fiscal year 2010 was successful for Basler AG and significantly better than expected.

The decline in sales by 40 % in 2009, from € 56.5 million to € 33.7 million, could for the most part be compensated in 2010 by growth of more than 50 % to € 51.0 million. The earnings before taxes of € 5.0 million and the input tax yield of almost 10 % marked new record highs.

The business development during the year was characterized by contrasts. While the effects of the financial crisis could still strongly be felt in sales and revenue during the first quarter, a strong growth momentum developed starting from the second quarter, resulting in three consecutive increases of sales and earnings forecasts until the end of the fiscal year.

Both business segments developed differently in 2010. In the Components segment, revenue rose by more than 70 % compared to the preceding year, reaching the new record level of € 40.7 million and thus accounting for approximately 80 % of the group's turnover. In the Solutions segment, sales of € 10.3 million were approximately stable compared to the previous year.

Recovery in the Components segment was first felt on the Asian market. Growth in the first half-year was mainly driven by the rapid increase of equipment investment in the semiconductors and electronics industries. In addition, there were one-time effects due to restocking of inventories that were strongly reduced in 2009. In the second half-year demand in the Asian markets consolidated. In the third and fourth quarters the US and European markets took over as the driving forces for growth. The Gigabit Ethernet camera market increased particularly strongly growing by approximately 45 %. The revenue for Basler AG from GigE cameras increased by more than 100 % compared to the previous record value of 2009, allowing Basler to further extend its leading market share in this important market segment.

Despite sales in our Solutions business remaining nearly unchanged compared to the previous year, the sales development during the year was characterized by similar dynamics as in the Components business. Starting from very low sales in the first quarter, revenues increased continuously in the following quarters. The selling of LCD TV sets was the main driving force for growth, with an increase in 2010 by approximately 30 % to approximately 190 million units. This caused high utilization of existing production capacities and subsequent significant expansion investments, particularly so with the manufacturers in Taiwan and Korea.

1.2.5 Personnel

Basler is committed to providing a family friendly, flexible working environment. This offer is much appreciated by the staff. Accordingly, in comparison with other companies, a more than average number of employees are working part-time with Basler. In this report, we indicate the numbers of employees expressed as equivalents of full-time employment to allow comparison with the employee productivity of other companies.

The number of equivalents of full-time employment was 248 on average in the reporting year 2010.

The fluctuation of employees amounted in the fiscal year just ended to 3 % (2009: 3 %). New positions were created particularly in the Components business unit with emphasis on sales, marketing, and production. The majority of these positions could be filled internally with qualified employees from the Basler Solutions business unit.

Short-term, medium-term, and long-term development objectives are agreed between the managers and employees in annual employee development reviews. On this basis, qualifications were updated and extended via trainings, seminars, on the job trainings, and supported self-study. Basler AG counts here, as in the previous years, to a large measure on cooperative transfer of knowledge and competence by professionally and highly qualified own employees. The fulfillment of the highly prioritized employees' development objectives is a strategic objective in the balanced scorecard of the company.

The staff structure of the Basler group has been on average as follows:

	2010	2009
Production	48	57
Sales	90	96
Development	65	72
Administration	45	47
	248	**272**

At the end of the year a total of nine trainees in technical and commercial professions and business school students were employed. This corresponds to a proportion of trainees and students of 3.6 %.

The employees of the Basler group are distributed over our locations as at 12/31 as follows:

	2010	2009
Ahrensburg (Germany)	229	245
Exton (U.S.A.)	16	12
Jhubei City (Taiwan), including the office in Shanghai (China)	11	15
Singapore (Singapore)	9	8
Seoul and Cheonan (South Korea)	4	3
Yokohama (Japan)	1	1

1.3 Asset situation

In the group's annual balance sheet as at December 31, 2010, the company building in Ahrensburg is classified for the first time as a finace lease and is recorded separately as a fixed asset. In addition, the deferred taxes are recorded netted provided the conditions according to IFRS for netting are fulfilled. The previous year's figures were adjusted accordingly. We also refer to the statements given in the notes of the group's annual balance sheet as regards the effects on the group's consolidated balance sheet, the group's profit and loss statement, and the cash flow statement.

Basler's total assets increased in the reporting year to € 58.9 million (previous year: € 52.5 million). The group's fixed assets declined by 4.4 % to € 32.6 million (previous year: € 34.1 million) mainly due to depreciations of € 7.7 million being above the investments of € 6.4 million in the reporting year. The group's fixed assets mainly consist of the capitalized development costs of € 9.9 million (previous year: € 10.6 million) and the company building from finance lease of € 18.8 million (previous year: € 19.5 million). The group's fixed assets account for 55.3 % (previous year: 64.9 %) of the total assets.

The emphasis of the investment activity in fiscal year 2010 was on the further development and expansion of the product portfolio. In the fiscal year, € 5.1 million (previous year: € 4.7 million) were invested in own developments.

The investment in tangible assets amounted to € 1.0 million in 2010 (2009: € 0.6 million). The largest proportions of the amount were allotted to production tools and communications infrastructure. In addition, software and other intangible assets were acquired amounting to a total of € 0.3 million (2009: € 0.1 million).

The short-term assets increased corresponding to the business development by 43.8 % to € 25.3 million from € 17.6 million in the previous year. Of the short-term assets it was the inventories that experienced the most significant increase by € 2.4 million (+45.1 %) to € 7.4 million. The inventory turnover was at 2.3 (previous year: 2.4).

Due to the significant increase of the group's result the equity ratio improved from 33.6 % as at December 31, 2009, to 43.4 % as at December 31, 2010.

The long-term debts relate mostly to bank debt of € 5.0 million (previous year: € 5.8 million) and to liabilities from finance lease of € 16.4 million (previous year: € 17.4 million). The debts from silent partnership amounting to € 1.0 million are recorded as short-term debt due to the remaining residual term in the reporting year. The decrease of the deferred tax liabilities by € 3.3 million results from the netting with the deferred tax assets from loss carryforwards with Basler AG due to the reversal of an impairment loss of the deferred tax assets on loss carryforwards effected in the reporting year.

The increase of short-term debts by € 4.5 million to € 11.9 million results mostly from the reclassification of the silent partnership from the long-term debt (€ +1.0 million), from the increase of the other financial liabilities (€ +1.4 million) due to the taking out of new loans from closely affiliated persons, and an increased short-term repayment portion for the existing bank debt, and an increase of the short-term provisions (€ +1.8 million) especially due to increased social security contributions. The fixed assets are covered by equity by 78.5 % (previous year: 51.9 %).

1.4 Financial situation

Basler's financial management is aimed at meeting the demand for capital such that an appropriate balance is achieved between maturity risk, rating of the creditors, and cost of the capital. The long-term assets of the Basler group are completely financed by equity, as in the previous year, leaving the financing structure in a continued sound state.

The medium-term financing of the Basler group is ensured by loans from the ERP Innovation Programme of the Kreditanstalt für Wiederaufbau (KfW) with maturities until the beginning of 2016.

In fiscal year 2010, the restructuring of finance that was started in 2009 was continued. In the beginning of the year economic equity was strengthened by the taking out of subordinated loans. As a consequence of the very positive business development, the credit lines with the two main banks were increased to € 2 million in the fourth quarter.

Cash flow developed positively. The cash flow from operational activity increased by 45.7 % to € 11.8 million after amounting to € 8.1 million in the previous year. The working capital (receivables + inventories less liabilities from deliveries and services and advance payments received) increased by 29.6 %, the fixed capital (working capital plus fixed assets) by 3.2 %.

Due to cautious approval of individual investment projects the cash outflow from investment activity was increased by 22.0 % to € 6.1 million after € 5.0 million in the previous year.

Cash flow from financing activity developed in fiscal year 2010 as follows: A total of € 1.4 million of ERP funds and € 1.0 million of liabilities from finance lease was paid back as scheduled. New ERP funds of € 1.5 million were taken out, with half of the amount being subordinated. In addition, € 0.5 million of subordinated funds were taken out from closely affiliated persons to strengthen the economic equity.

Hence an overall cash outflow of € 2.1 million resulted from financing activity, after an outflow of € 5.3 million in the previous year.

The liquid assets increased by a total of € 3.6 million, amounting to € 9.1 million on the reporting date (previous year: € 5.5 million).

1.5 Profit situation

In fiscal year 2010, the profit situation developed favorably in line with the dynamic growth of sales revenues of more than 51.3 % to € 51.0 million, compared to € 33.7 million in 2009. Our Components segment increased sales by more than 70 % from € 23.4 million in 2009 to € 40.7 million in 2010, surpassing the previous record value of € 29.7 million from the year 2008 by more than 35 %. The sales revenue of the Solutions segment showed a stable trend at € 10.3 million compared to the previous year (2009: € 10.3 million).

The gross results from sales increased to € 10.4 million (+88.4 %). The gross profit margin (ratio of gross results to sales revenue) increased from 34.9 % in 2009 to 43.5 % in 2010.

The increase of the other operational profit by € 1.1 million to € 3.1 million results substantially from currency exchange gain, increased by € 1.1 million.

The sales and marketing cost, the general administrative expenses, and the other expense decreased as a whole by € 0.7 million to € 18.6 million.

In the context of the continued implementation of the strategic focusing started at the end of 2008, unscheduled depreciations on capitalized developments amounting to € 1.6 million (previous year: € 1.6 million) were carried out in 2010.

Due to the significant increase of the gross results and the decrease of the function costs the operative profit has significantly improved by € 12.2 million.

The financial result includes largely the interest paid for bank debt amounting to € 0.5 million (previous year: € 0.6 million) and for the lease liabilities amounting to € 1.2 million (previous year: € 1.2 million).

The earnings before taxes increased from € -7.3 million in 2009 to € +5.0 million. Due to the adjusted long-term planning, value adjustments to the capitalized loss carryforwards effected in 2009, had to be reversed, resulting in an annual surplus of € 8.0 million (previous year: annual deficit of € -10.1 million).

The earnings before taxes, interest, and depreciations (EBITDA) increased to € 14.4 million (previous year: € 3.1 million). Based on the information available at the time of preparation of the status report the asset situation, the financial situation, and the profit situation of the Basler group have developed soundly.

2 Report on forecast and opportunities

In its latest statistics, the VDMA reports a growth in sales of 18% for the German vision technology market for 2010. Due to the growth momentum levelling off in the second half-year of 2010, the VDMA expects in its current forecast a moderate growth in sales of 5 to 10% for 2011.

In accord with the federation's forecast the Basler group is prepared for a slight growth in sales in the middle single-digit percentage range for fiscal year 2011. This expectation is based on the assumption that the macro-economic general conditions will continue to gradually improve and that a major setback will not occur.

Based on the solid incoming orders in the second half-year of 2010, we assume growth in the high single-digit percentage range in the Components segment. According to our current view, the business with industrial cameras will continue growing in 2011. The major driving forces for this growth are the persistent trend towards Gigabit Ethernet based cameras and our leading position in this market segment. With our new Basler ace product line we extended our market share in GigE cameras in 2010 compared to the previous year. We are planning to increase our market share in the Gigabit Ethernet segment in 2011 with new Basler ace models, our updated Basler scout product line, and with the Gigabit Ethernet models of our Basler aviator series. After a global growth of sales of digital video surveillance cameras by more than 30% in 2010 the market research institutes assume double-digit percentage growth also for 2011. Particularly strong growth can be expected in the market segments of high resolution (megapixel) cameras and of cameras with dome housing - so-called dome cameras. In order to gain profit from these potentials for growth and to extend our market shares in the European and US markets we will further diversify our product porfolio in 2011 and strengthen our sales organization.

Due to missing sales in the product lines sold in 2010 we expect slightly declining revenues in the Solutions business. The expansion investments of the LCD manufacturers in Taiwan and Korea are likely to fall compared to 2010. Instead, major new investments are planned by all leading LCD manufacturers in China. Based on our very good positioning in terms of technology and price and our close relations with leading manufacturers we expect the sales trend for LCD inspection solutions to be on a similar level as in 2010.

We assume solid positive pre-tax earnings also for 2011, resulting from slight growth in sales combined with slightly less than proportionally increasing costs.

We expect the moderate macroeconomic upswing of 2011 to continue in fiscal year 2012. In the context of this development, equipment investment will increase in all regional markets affecting particularly the sales trend of our Components business favorably. Here, we are planning for increasing market shares for industrial and video surveillance cameras. For our Solutions business with customers in the LCD market, we assume lower equipment investment in 2012 than in 2011 due to cyclicity. The growth in sales to be expected in 2012 for the group will be accompanied by continuously strong investment in our Components business. The profit development of the company will be approximately stable compared to 2011. Based on the current planning, the liquid assets available to the Basler group will suffice for financing positive business development until the end of 2012 and beyond.

3 Supplementary report

The Supervisory Board of Basler AG has appointed Arndt Bake (43) to the Management Board of Basler AG as Chief Operations Officer (COO), effective on January 01, 2011. In his Management Board position, Arndt Bake will be responsible for product management, production, and supply chain management. Accordingly, since the beginning of fiscal year 2011 Basler AG is governed by three members of the Management Board consisting of Dr. Dietmar Ley (Chief Executive Officer, CEO), John P. Jennings (Chief Commercial Officer, CCO), and Arndt Bake (Chief Operations Officer, COO).

4 Risk report

As a technology company, Basler AG is exposed to a multitude of different risks. Medium-sized companies like Basler are not capable of influencing or controlling comprehensive fundamental risk. We therefore consider risk management primarily as the entrepreneurial task of monitoring risk on the one hand and taking advantage of opportunities on the other. It is the management's and all employees' task to do as much as possible to make both factors come true to the benefit of the company.

4.1 Risk management system

4.1.1 Internal monitoring system

The central issue of our internal monitoring is a meaningful and strict separation of functions. This is ensured by the organizational structure, job specifications, and processes. They are defined in our certified quality management manual and regularly checked whether they are adhered to. This is done by interdisciplinary audit teams consisting of employees from different functions and hierarchy levels.

By processes defined as a balanced composition of formal requirements and less formal considerations, we ensure that opportunities are quickly passed to the decision makers concerned. In the prosecution these opportunities are systemantized, confronted with corresponding risks, and finally assessed.

4.1.2 Controlling

Strategic, operational, and functional controlling are carried out in all divisions of the company. This is based on regular assessments of strategy and on the preparations of balanced scorecards and product road maps. Out of this a systematic definition of long-term and short-term business objectives results down to the levels of sections and cost centers.

The accomplishment of objectives (target-performance comparison) is checked on all management levels in regular meetings. On these occasions, control measures are agreed upon, centrally maintained, and checked with respect to their effectiveness.

4.1.3 Early warning systems

Using regular meetings, reports, and protocols, information about future developments are documented, exchanged, and assessed by the relevant instance, across all levels of the company. This ensures that internal and external information can promptly be examined with respect to its relevance for risk and that the results are translated into action across the company.

4.1.4 Accounting

The accounting processes of Basler AG are tied into the group-wide quality management system. As such, they are regularly audited as described above. The processes are on principle designed in accord with the "four-eyes" principle and a strict separation of functions. They are supported by the group-wide SAP system using a dedicated authorization concept. The closing processes are completely automated wherever possible and are governed by appropriate computer based workflows.

4.2 Business environment risks

Business environment risks are posed to Basler by the developments of the target markets, the competition, and the capital market.

An enduring weakening of growth of the vision technology market is not foreseeable today. Forecasts issued by federations and market research institutes assume persistent growth in the single-digit percentage range for classical applications in industrial mass production and growth in the double-digit percantage range for newer sales markets like e.g. video surveillance, traffic technology, and medical technology. There are, however, periodic fluctuations in demand in individual target markets. This applies particularly to consumer-related industries of mass production like the semiconductor, electronics, and LCD industries. Global economic downturns as could be observed starting from the second half-year of 2008 have effect on the vision technology market as far as they are related to declining equipment investment. It can be assumed for 2011 that the business environment risk will approximately remain constant compared to 2010.

For Basler, the Components business has grown in 2010 to achieve almost 80% of the group's sales and reduces with its wide mix of sectors and customers the dependence from the development of demand of individual sectors. The increasing proportion of sales to customers from outside industrial mass production improves the risk structure of sales even further. These factors increase the sustainability of our business model even further. Although broadly diversified activities also experience declines in sales in times of economic crisis, they are nonetheless less strongly affected than cyclic less diversified industries. For this reason, the Management Board maintains the strategy of preferably developing the

Components business and gradually reducing the group's proportion of sales in cyclic markets. Important steps into this direction are our investments into the market for video surveillance cameras, the development of more cost-effective product lines in the area of industrial cameras and the selling of the product lines for the inspection of optical media (end of 2009), for the inspection of solar wafers (May 2010), and for the inspection of sealings/gaskets (August 2010).

The intensity of competition in the vision technology market continued to be high in the year just ended. Basler's expenses in 2010 for innovation, sales, decreasing production costs, and quality improvement take account of this fact.

The consolidation of the vision technology sector that is characterized by small and medium-sized companies has continued in 2010. Due to the rising competitive pressure, this process is assumed to continue in the year 2011. We intend to actively participate in this process in the medium term being one of Europe's largest vision technology companies. Given the current shareholder structure, a hostile takeover of Basler AG can almost be excluded. The shareholder structure is nonetheless constantly checked for changes.

4.3 Operating risks

In a high growth company the availability of current and new knowledge plays a particular role. Basler performs personnel planning regularly in order to ensure the necessary resources either internally or with the help of external partners. Furthermore, employee development and performance reviews are held regularly on all levels, aiming at employee retention.

Very rapidly changing technology markets put high demand on a company's ability to adjust its capacities rapidly and efficiently to fluctuating demands. Using a flexible working time scheme we are capable of responding to fluctuations in demand. This allows us to "breathe" with the market – within certain limits.

Up-to-date product development of high quality is the backbone of a successful technology company. We have clearly defined processes and responsibilities in the development division and we have introduced planning tools that contribute towards concluding the great majority of development projects within the planned time frame and budget.

The availability of technologically high-grade components occasionally plays a critical role with respect to delivery times of our products. Accordingly, continuous monitoring and analysis of the procurement markets are critical competences for a technology company. It must, in addition, be known which vendor parts must be available at what time in what quantity. We have developed processes in recent years for both tasks, resulting in shorter delivery times and improved adherence to delivery times. Nonetheless, our customers' ever increasing expectations in these matters require continuous further improvement of these key figures.

Meanwhile, it has become a standard requirement of our customers that the quality of our products and processes is checked and guaranteed in the framework of an integrated quality management system. We have been certified since 2001 according to DIN ISO 9000/2000 and we are checked once a year by external auditors. In addition, we carry out internal audits during the year for checking and improving our processes.

Developing and cultivating a brand image is a major element of successful product policy. Name and logo of Basler Vision Technologies are registered and protected trademarks and are therewith protected against illegitimate use.

4.4 Financial risks

Fluctuating foreign exchange correlations influence market success, gross earnings, and cash flows of export-oriented companies like the Basler group. Thereby, exchange rates exert influence on the company's result. Basler has centralized these risks as far as possible and manages them with foresight. Interest and currency risks for the group result from the operating business. The instruments for hedging these financial risks are described in the comments for the related balance sheet items in the notes.

Our main purchasing contracts are expressed in euros. Basler is financed for the most part by equity and long-term fixed-interest loans. There is accordingly little dependence from interest rate developments.

Credit risk exists as default risk of financial assets. Liquidity risk exists as refinancing risk and therewith as risk of fulfillment in due time of existing payment obligations of the group. Market risk occurs in the group as interest rate risk, currency risk, and other price risk.

4.4.1 Price risk

The Basler group being a medium-sized group of companies, is not capable of opposing long-term currency trends. Basler can only confront this risk by continuous innovation and lean production costs. Due to this, the optimizations of production costs have highest priority in the conflicts of objective of product developments.

4.4.2 Liquidity risk

The financial management of the Basler group ensures the required flexibility for entrepreneurial decisions in the operating divisions and provides for the fulfillment in due time of extant payment obligations of the group.

Transparent monthly reporting and a stable accounting structure contribute towards containing liquidity risks. This is supported by an early detection system consisting of continuous sales and financial planning and by the use of a comprehensive system of key figures. This allows reviewing and fulfilling borrowing needs in time with the lending parties.

Tax risks with effect on liquidity can not be perceived.

4.4.3 Currency risks

Due to its international orientation and in the framework of normal business activities, Basler AG is exposed to currency risk deriving from cash flows outside its functional currency.

Currency risk applies to Basler from forward transactions for hedging the continuous cash flow in the USD foreign currency. As at December 31, 2010 five forward contracts existed amounting to a total of USD 4.8 million (previous year: USD 4.0 million). The average amount of hedged funds of USD amounted to USD € 5.0 million in fiscal year 2010 (previous year: USD 3.3 million) at an average maturity of 164 days (previous year: 183 days).

Financial instruments are exclusively employed for hedging currency positions in order to minimize currency risk due to exchange rate fluctuations. Basler uses standard forward exchange contracts as instruments. The hedging is not done for speculative purposes but serves exclusively for the general hedging of customers‘ cash flows.

Basler uses currency options for long-term hedging against negative developments of currency exchange rates of the US dollar relative to the euro. As at December 31, 2010 eight forward contracts existed amounting to a total of USD 21.0 million and maturing no later than December 31, 2012.

4.4.4 Credit risk

The maximum default risk in the group amounts to the book values of the financial assets. Default risks are taken into account via value adjustments and are monitored by a structured and strictly followed receivables management system. Therefore, business information and recommendations regarding credit limits are obtained for major customers. Items past due are pursued using classic three-stage default action and debt collection by telephone. No further deliveries are made starting from the second stage of the default action or if the item has been past due for more than 15 days. In this way small failures occurred in the fiscal year.

Spot exchange and forward transactions were only concluded with the main banks.

Against this background, the default risk is estimated to be low.

4.4.5 IT risks

As a technology company, Basler strongly depends on a flawlessly working IT infrastructure. Therefore, our IT systems are regularly maintained and backup measures are systematically carried out. A continuing dialogue between internal and external IT specialists ensures a high availability of the systems and their optimum performance.

Furthermore, the Basler group confronts the risks resulting from unauthorized data access, misuse of data, and data loss by means of adequate measures. Technological innovations and developments are continually monitored, checked, and employed if suitable.

4.5 Strategic risks

Basler continues to concentrate on developing the vision technology market. We are planning to realize the main portion of growth in the coming years via our broadly diversified Components business. Superseding technologies for vision technology are not in sight. The risk as regards business strategy can therefore considered to be low.

The business models of the business units are regularly checked for consistency with corporate strategy. The results enter into the company's hierarchy of objectives that is expressed by a balanced scorecard (BSC) system. These balanced scorecards include the quantified strategic objectives and the measures for reaching them and apply to the Basler group, its business units, and the divisions. Once a year, the medium-term plans are updated for the company and the business units. A budget is generated twice a year. In this way, strategic risk shall be recognized in time and countermeasures be taken at a sufficiently early stage.

4.6 Overall statement

The Basler AG keeps a risk management system for appropriately dealing with the risks relevant to our company.

The current economic forecasts for the years 2011 and 2012 published by the leading economic research institutes and industry associations are characterized by cautious optimism due to the remarkably swift economic recovery in 2010. It is agreed that the global equipment investment for the next year will increase moderately. The forecasts of federations and market research institutes indicate sustainable growth perspectives for the core bussinesses of Basler AG. Our new strategic alignment focusing on the Components business results in decreased dependence on individual customers and sectors. A major part of our investment in new markets and products aims at gradually increasing the proportions of sales outside of cyclic industries to further optimize the risk profile of our business model.

No events of particular importance had to be recorded that were not part of the normal business operations und that are not described in the situation report.

5 Research and development report

The expense at group level for research and development (R&D; personnel expenditures, depreciation, and other operational expense as well as directly attributable indirect costs) decreased from 17.9 % of the sales of 2009 to 12.9 % in 2010.

As already in the previous years, investments for the Components segment predominated in the expense for R&D in 2010. The emphasis of the development activities in the industrial cameras section was on extending the particularly compact and inexpensive Basler ace line of Gigabit Ethernet cameras, developed in 2009. Towards the end of the fiscal year we presented among others new high speed versions of the Basler ace based on modern CMOS image sensors. In addition, several new products for the Basler aviator range of models were developed. The Basler aviator now also features a Gigabit Ethernet interface. The Basler pylon suite of software drivers was extended by numerous features. Finally, preliminary studies were carried out for product families that are planned to be newly introduced into the market in 2011. In the video surveillance cameras segment the focus of development in 2010 was on completing our product line with vandal-proof dome housing (the so-called dome camera) and on newly developing the second generation of products. Our new IP cameras set themselves apart from the preceding generation by higher processing power, improved color reproduction, and lower production costs. In addition, the integration of new CMOS image sensors into the new camera platform was started in 2010.

In the Solutions segment, our investments in 2010 were mainly in the development of new platform technologies for the next generation of LCD inspection systems. Our new color filter inspection systems are the first result of these activities. They enable for the first time inspecting color filter structures that are directly applied to the surface of the transistor array of an LCD module. The so-called color filter on array (CoA) technology allows our customers to produce LCD modules at lower cost than previously possible. Besides this, we have also delivered new inspection systems in 2010 for the inspection of LCD glass that benefit from the newly developed platform technologies and new inspection functions.

By the end of fiscal year 2010, 31 patents by Basler AG were effective (previous year: 34). Of these, 13 patents were granted (previous year: 15). Another 18 patents were in the process of application (previous year: 19). In addition, 15 trade names and 3 designs were registered to Basler AG (previous year: 13 and 3, respectively). The slight consolidation of the patent portfolio results from the strategically motivated sales of product lines for the inspection of solar wafers and sealings.

6 Remuneration report

The following statements regarding the remuneration of the Management Board are statements for the notes as stipulated by the German Commercial Code and statements due to provisions by the Corporate Governance Code.

The remuneration of the members of the Management Board consists of diverse components. Based on their employment contracts, the members of the Management Board are entitled to a fixed and an annually variable remuneration as well as to fringe benefits. The structure of the remuneration system for the Management Board and the adequacy of remuneration are regularly checked and defined by the Supervisory Board.

On principle, approximately two thirds of the total remuneration are fixed and approximately one third is variable if the goals are fully accomplished. The portions not related to performance include the fixed remuneration and the fringe benefits while the performance-related components are implemented as variable remuneration. The fixed remuneration is defined for all members of the Management Board in accord with the requirements stipulated by the German Stock Corporation Act and with regard to market standards. The annual variable remuneration of the members of the Management Board is determined according to the degree by which the objectives have been accomplished as defined by the Supervisory Board before the beginning of the fiscal year for each member of the Management Board. The accomplishment of objectives is determined for each fiscal year by the Supervisory Board after completion of the related annual balance sheet. In addition, the company's Supervisory Board can at its due discretion remunerate extraordinary performance of individual or all members of the Management Board by a special bonus. According to market and company standards, the company grants all members of the Management Board additional benefits provided by their executive contracts. They are partly considered as non-cash benefits and are taxed accordingly. This includes mainly the car allowance and the granting of accident insurance coverage. Secondary employment is on principle subject to approval.

The contract periods for the members of the Management Board are linked to the terms of appointment as member of the Management Board. If the company is entitled to terminate the appointment without this also constituting a so-called "good cause" in terms of the civil law for terminating the employment contract the member of the Management Board is entitled to contractual severance pay. The contracts for the members of the Management Board provide for a post-contractual non-competition clause. The members of the Management Board are contractually prohibited from supplying services to or for a competitor within the period of one and a half years after their resignation.

7 Management Board and other statements as stipulated by § 315 Sec. 4 of the German Code of Commercial Law (Handelsgesetzbuch – HGB)

Since January 01, 2011, the Management Board of Basler AG consists of three members. Dr. Dietmar Ley, CEO, is responsible for the finance, product creation, and personnel divisions. John P. Jennings takes responsibility for the sales and marketing division and for the company's subsidiaries. Arndt Bake is responsible for the product management, supply chain management, and production divisions.

The Articles of Incorporation of Basler AG include the following provisions regarding appointment and dismissal of members of the Management Board:

"The appointment of the members of the Management Board, the revocation of their appointment, and the conclusion, modification, and termination of employment contracts with the members of the Management Board is effected by the Supervisory Board. The same applies for the appointment of a member of the Management Board as chairman and for other members of the Management Board as deputy chairmen."

The Articles of Incorporation of Basler AG can only be changed by the shareholders' meeting and only by three quarters of the share capital represented at the time of passing of the resolution.

The share capital of Basler AG amounting to € 3.5 million is divided into 3.5 million of no-par-value bearer shares.

Mr Norbert Basler has informed the Management Board of Basler AG that he owns 1.8 million shares and therewith commands 51.4% of the voting rights.

The authorization of the Management Board as regards the issue or buyback of own shares is regulated in the Articles of Incorporation as follows:

"The Management Board is authorized to increase the company's capital stock once or several times up to a total of € 1,750,000.00 by 05/20/2012 with the Supervisory Board's approval by the issuing of up to 1,750,000 new bearer stock certificates against cash contributions and/or contributions in kind. In doing so, shareholders are entitled to subscription rights.

However, the Management Board is authorized, subject to approval by the Supervisory Board, to exclude subscription rights of the shareholders for fractional amounts. Further, with the Supervisory Board's approval, the Management Board may exclude the shareholders' subscription rights in order to be able to offer the new shares of the company to third parties against subscription in kind for the purpose of acquiring companies or participating in companies or claims against the company or affiliated companies. The exclusion of the subscription right by the Management Board is permissible with the Supervisory Board's approval, even if the increase in capital against cash subscription does not exceed 10% of the capital stock of the amount of € 3,500,000.00 and the issue amount does not considerably fall short of the officially reported price of the already quoted stock of similar funding at the time of ultimately determining the issue price (§ 203 Sec. 1 sentence 1 in connection with § 186 Sec. 3 sentence 4 German Stock Corporation Act). The market price is the arithmetic average of the closing prices of the company stock in electronic trading at the Frankfurt Stock Exchange (XETRA trade) or a successor system during the last ten trading days prior to exercising the authorization.

With the Supervisory Board's approval, the Management Board is authorized to determine the details of the increase in capital stock and the conditions of issuing shares, in particular in determining the issue price."

The Management Board is in addition authorized to buy own shares not exceeding 10% of the current share capital until May 18, 2015. The authorization can be exercised partially of fully, once or several times, for one or several purposes. It may, however, also be exercised by companies that are dependent or majority owned by the corporation or on their behalf by third parties. According to the corporation's choice, the acquisition may be effected (i) via the stock market or (ii) via a public purchase bid directed to all shareholders of the company or a public invitation directed to all shareholders of the company to make sales offers or (iii) via a public offer directed to all shareholders to exchange shares for shares of a company listed within the meaning of § 3 Sec. 2 German Stock Corporation Act or by a public invitation to tender such an offer.

With the Supervisory Board's approval, the Management Board is authorized to use the shares thus obtained and previously obtained shares for all legally permissible purposes.

With the Supervisory Board's approval, the Management Board is in addition authorized to use the shares obtained according to this authorization and the previously obtained own shares to grant shares to other employees of the corporation, to members of the executive board and to employees of companies that are affiliated with the corporation within the meaning of §§ 15 et seq. German Stock Corporation Act as far as these persons are entitled to their purchase based on employee share ownership plans.

With the Supervisory Board's approval, the Management Board is in addition authorized to use the shares obtained according to this authorization and the previously obtained own shares to fulfil conversion rights, options, and conversion obligations, respectively, due to convertible bonds, partial debentures, and bonds with warrants implying conversion rights, options, and conversion obligations, respectively, issued by the company or by companies that are dependent or majority owned by the corporation.

With the Supervisory Board‘s approval, the Management Board is in addition authorized to withdraw own shares without further decision by the general meeting.

The shareholders‘ subscription rights for own shares are excluded as far as these shares are used in accord with the above authorizations.

The Management Board will inform the general meeting about each acquisition of own shares and their use. Further issues according to § 315 Sec. 4 German Code of Commercial Law (HGB) do not exist.

8 Additional information

8.1 Declaration regarding corporate governance according to § 289a German Code of Commercial Law (Handelsgesetzbuch – HGB)

You can find on our website the declaration of compliance with the Corporate Governance Code, explanations regarding our practices of corporate governance, and a description of the working practices of the Management Board and the Supervisory Board (*www.baslerweb.de*). Click Investors → Corporate Governance.

8.2 Report according to § 312 German Stock Corporation Act (Aktiengesetz – AktG)

According to § 312 German Stock Corporation Act [Aktiengesetz - AktG] we have prepared a report on the relations to affiliated companies. This report concludes with the following declaration by the Management Board:

“We declare that under the circumstances that were known to us at the time of executing the legal transactions, Basler AG, Ahrensburg, received reasonable considerations for the legal transactions as stated in the report regarding the relations with affiliated companies and persons, and that we were not disadvantaged. Other measures within the meaning of § 312 German Stock Corporation Act were neither taken nor omitted.”

8.3 Future-related statements

This status report contains statements related to the future development of Basler AG, as well as economic and political developments. These statements represent assessments we made on the basis of all information at our disposal at this time. Should the underlying assumptions not occur or additional risks occur, the actual results may vary from the currently anticipated results. Therefore, we are unable to accept a guarantee for these statements.

Ahrensburg, March 11, 2011

Dietmar Ley	John P. Jennings	Arndt Bake
CEO	CCO	COO

Group's annual balance sheet according to IFRS for the fiscal year from January 1, 2010 to December 31, 2010

Consolidated profit and loss statement

in € k	Notes	01.01.– 12/31/2010	01.01.– 12/31/2009
Income from sales	4	51,026	33,697
Cost of sales		–28,846	–21,925
of which depreciations on capitalized developments		4,182	4,929
Gross profit on sales		22,180	11,772
Other internal income	5	3,068	2,004
Sales and marketing costs		–8,736	–8,347
General administration costs		–6,205	–7,030
Other expenses	6	–3,647	–3,873
Operative profit		**6,660**	**–5,474**
Financial result	7	–1,645	–1,824
Earnings before tax		**5,015**	**–7,298**
Profit tax	8	3,033	–2,809
Group's period surplus		**8,048**	**–10,107**
Number of shares		3,500,000	3,500,000
Operating profit per share (€)		2,30	–2,89
Number of shares (diluted)		3,500,000	3,598,515
Earnings effect to be taken into account for the dilution resulting from the convertible bond (€ k)		0	0
Completely diluted operating profit per share (€)		2.30	–2.89

Group's annual balance sheet according to IFRS for the fiscal year from January 1, 2010 to December 31, 2010

Consolidated statement of consolidated income

in € k	Notes	01.01.– 12/31/2010	01/01/– 12/31/2009
Group's net profit for period		8,048	–10,107
result from changes due to currency conversion, directly recorded in equity		–257	11
surplus from cash flow hedges	19	78	0
Total result through profit or loss	19	–179	11
Comprehensive income		**7,869**	**–10,096**
of which attributable to third parties from outside the group		–	–
of which attributable to owners of the parent company		7,869	–10,096

Group's annual balance sheet according to IFRS for the fiscal year from January 1, 2010 to December 31, 2010

Consolidated cash flow statement

in € k	Notes	01.01.– 12/31/2010	01.01.– 12/31/2009
Operational activity			
Annual deficit / surplus of the group		8,048	–10,107
Increase / decrease in deferred taxes		–3,983	2,683
Interest outpayment / interest inpayment		1,767	1,843
Depreciations on fixed asset objects		7,744	8,592
Change in the capital resources without affecting the payment		–179	148
Increase (+) / decrease (–) in the accruals		1,764	–1,113
Profit (–) / loss (+) from the outflow of fixed asset objects		–113	–2
Increase (–) / decrease (+) in the reserves		–2,366	2,095
Increase (+) / decrease (–) in the down payments received		412	–367
Increase (–) / decrease (+) in the receivables from deliveries and services		–712	4,045
Increase (–) / decrease (+) in other assets		–528	–167
Increase (+) / decrease (–) in the payables from deliveries and services		–188	567
Increase (–) / decrease (+) in other liabilities		153	–161
Cash inflow from the business activity		**11,819**	**8,056**
Investment activity			
Outpayments for investments in fixed assets		–6,349	–5,433
Inpayment from outflow of fixed asset objects		258	418
Cash outflow from the investment activity		**–6,091**	**–5,015**
Financing activity			
Outpayment from repayment of bank loans		–1,350	–600
Outpayment for the clearance of financing liabilities		–1,025	–943
Inpayment from the taking out of bank loans		1,500	0
Inpayment from the taking out of loans from closely affiliated persons		500	500
Repayment of the convertible bond		0	–2,364
Interest outpayment		–1,767	–1,843
Cash outflow from financing activity		**–2,142**	**–5,250**
Changes in the funds that affect the payment in the fiscal year		3,586	–2,209
Funds at the beginning of the fiscal year		5,526	7,735
Funds at the end of the fiscal year		**9,112**	**5,526**
Cash in bank and cash in hand	16	9,112	5,526
Outpayment for taxes		0	43

BALANCE SHEET

Group's annual balance sheet according to IFRS for the fiscal year from January 1, 2010 to December 31, 2010

Consolidated balance sheet

in € k	Notes	12/31/2010	12/31/2009	01/01/2009
Assets				
A. Long-term assets				
I. Receivables with residual terms of more than 1 year		0	8	0
II. Fixed assets	10			
1. Intangible assets		11,250	12,278	14,774
2. Fixed assets		2,525	2,345	2,732
3. Buildings and land in finance lease	18	18,776	19,468	20,161
Total		**32,551**	**34,091**	**37,667**
III. Deferred tax assets	11	1,036	332	393
Total long-term assets		**33,587**	**34,431**	**38,060**
B. Short-term assets				
I. Inventories	12			
1. Finished goods		1,685	1,582	1,476
2. Work in progress and semi-finished goods		835	727	1,351
3. Raw materials and supplies		4,648	2,621	4,151
4. Trade goods		272	144	191
Total		**7,440**	**5,074**	**7,169**
II. Short-term financial assets				
1. Receivables from deliveries and services	13			
– Receivables from deliveries and services		6,241	4,268	4,572
– Receivables from production orders		718	1,971	5,719
Total		**6,959**	**6,239**	**10,291**
2. Other short-term financial assets and accruals	14	546	133	295
III. Claim for tax refunds	14	989	284	435
IV. Cash on bank and cash in hand	15	265	332	378
V. Bankguthaben und Kassenbestände	16	9.112	5.526	7.735
Total short-term assets		**25,311**	**17,588**	**26,303**
C. Assets retained for sale	17	0	527	0
Total assets		**58,898**	**52,546**	**64,363**

in € k	Notes	12/31/2010	12/31/2009	01/01/2009
Liabilities				
A. Shareholder's equity	19			
I. Subscribed capital		**3,500**	3,500	3,500
II. Reserves		1,131	1,131	1,131
III. Equitation of currency exchange		–91	166	155
IV. Accumulated earnings		21,006	12,880	22,987
Total shareholder's equity		**25,546**	**17,677**	**27,773**
B. Long-term debt				
I. Long-term liabilities				
1. Silent partnership	20	0	1,023	1,023
2. Long-term liabilities to banks	20	5,049	5,761	7,111
3. Other financial liabilities		4	0	0
4. Liabilities from finance lease		16,363	17,390	18,354
II. Deferred tax liabilities	11	29	3,309	686
Total long-term debt		**21,445**	**27,483**	**27,174**
C. Short-term debt				
I. Silent partnership		**1,023**	0	0
II. Convertible bond		0	0	2,228
III. Other financial liabilities	20	3,327	1,850	600
IV. Short-term accrual liabilities	21	3,050	1,286	2,398
V. Short-term other liabilities				
1. Payables from deliveries and services		1,310	1,502	934
2. Other short-term liabilities		750	396	853
3. Payables from finance lease	18	2,144	2,142	2,121
VI. Tax provisions		303	210	282
Total short-term debt		**11,907**	**7,386**	**9,416**
Total liabilities		**58,898**	**52,546**	**64,363**

Group's annual balance sheet according to IFRS for the fiscal year from January 1, 2010 to December 31, 2010

Consolidated changes in statement of shareholder's equity

in € k	Nominal capital	Capital reserve	Accumulated earnings	Total
Notes	(19.1)	(19.2)	(19.4)	
Shareholder's equity as of 01/01/2009	**3,500**	**1,131**	**23,365**	**27,996**
Adjustment			–223	–223
Shareholder's equity as of 01/01/2009 (adjusted)	**3,500**	**1,131**	**23,142**	**27,773**
Total income			–10,096	–10,096
Shareholder's equity as of 12/31/2009	**3,500**	**1,131**	**13,046**	**17,677**
Total income			7,869	7,869
Shareholder's equity as of 12/31/2010	**3,500**	**1,131**	**20,915**	**25,546**

Consolidated changes in statement of fixed assets 2010
(according to IFRS for the fiscal year from January 1, 2010 to December 31, 2010)

	Acquisition costs						
in € k	As at 01/01/2010	Additions	Disposals	Transfers	Transfers into assets retained for sale	Foreign exchange differentials	As at 12/31/2010
Tangible assets							
Lend and finanace lease	1,817	0	0	0	0	0	1,817
Buildings and finanace lease	24,391	0	0	0	0	0	24,391
Land and buildings on third-party land	797	28	0	0	0	11	834
Technical plant and equipment	4,032	804	–602	23	0	10	4,267
Other furniture, fixtures, and equipment	2,479	78	–190	32	0	21	2,420
Assets under construction	18	88	0	–56	0	0	50
Total tangible assets	**33,534**	**998**	**–792**	**–1**	**0**	**42**	**33,781**
Intangible assets							
Software, trademark rights, patents, and licenses	4,458	269	–357	7	0	2	4,379
Finished own developments	16,554	554	–7,351	4,639	0	0	14,396
Own developments in progress	3,351	4,531	0	–4,639	0	0	3,243
Payments for third-party developments	7	0	0	–7	0	0	0
Total intangible assets	**24,370**	**5,354**	**–7,708**	**0**	**0**	**2**	**22,018**
Assets	**57,904**	**6,352**	**–8,500**	**–1**	**0**	**44**	**55,799**

Depreciations								Book value	
As at 01/01/2010	Scheduled Depreciations	Unscheduled Depreciations	Disposals	Transfers	Transfers into assets retained for sale	Foreign exchange differentials	As at 12/31/2010	As at 12/31/2010	Previous year
0	0	0	0	0	0	0	0	1,817	1,817
6,740	692	0	0	0	0	0	7,432	16,959	17,651
392	67	0	0	0	0	11	470	366	405
2,743	457	0	–468	0	0	5	2,737	1,530	1,280
1,846	158	0	–183	0	0	20	1,841	579	633
0	0	0	0	0	0	0	0	50	18
11,721	**1,374**	**0**	**–651**	**0**	**0**	**36**	**12,480**	**21,301**	**21,813**
2,831	571	15	–353	0	0	0	3,064	1,316	1,627
9,157	4,182	1,601	–7,340	104	0	0	7,704	6,692	7,397
104	0	0	0	–104	0	0	0	3,243	3,247
0	0	0	0	0	0	0	0	0	7
12,092	**4,753**	**1,616**	**–7,693**	**0**	**0**	**0**	**10,768**	**11,250**	**12,278**
23,813	**6,127**	1,616	**–8,344**	**0**	**0**	**36**	**23,248**	**32,551**	**34,091**

Consolidated changes in statement of fixed assets 2009
(according to IFRS for the fiscal year from January 1, 2009 to December 31, 2009)

	Acquisition costs						
in € k	As at 01/01/2009	Additions	Disposals	Transfers	Transfers into assets retained for sale	Foreign exchange differentials	As at 12/31/2009
Tangible assets							
Lend and finanace lease	1,817	0	0	0	0	0	1,817
Buildings and finanace lease	24,391	0	0	0	0	0	24,391
Land and buildings on third-party land	729	63	–6	11	0	0	797
Technical plant and equipment	4,154	239	–508	149	0	–2	4,032
Other furniture, fixtures, and equipment	2,376	177	–110	43	0	–7	2,479
Assets under construction	55	166	0	–203	0	0	18
Total tangible assets	**33,522**	**645**	**–624**	**0**	**0**	**–9**	**33,534**
Intangible assets							
Software, trademark rights, patents, and licenses	3,251	109	–45	1,143	0	0	4,458
Finished own developments	15,334	839	–3,128	4,376	–867	0	16,554
Own developments in progress	3,891	3,836	0	–4,376	0	0	3,351
Payments for third-party developments	1,143	7	0	–1,143	0	0	7
Total intangible assets	**23,619**	**4,791**	**–3,173**	**0**	**–867**	**0**	**24,370**
Assets	**57,141**	**5,436**	**–3,797**	**0**	**–867**	**–9**	**57,904**

Depreciations								Book value	
As at 01/01/2009	Scheduled Depreciations	Unscheduled Depreciations	Disposals	Transfers	Transfers into assets retained for sale	Foreign exchange differentials	As at 12/31/2009	As at 12/31/2009	Previous year
0	0	0	0	0	0	0	0	1,817	1,817
6,048	692	0	0	0	0	0	6,740	17,651	18,343
269	75	0	48	0	0	0	392	405	460
2,570	538	0	–360	0	0	–5	2,743	1,289	1,584
1,743	199	0	–90	0	0	–6	1,846	633	633
0	0	0	0	0	0	0	0	18	55
10,630	**1,504**	**0**	**–402**	**0**	**0**	**–11**	**11,721**	**21,813**	**22,892**
2,283	560	31	–43	0	0	0	2,831	1,627	968
6,562	4,929	1,464	–3,122	0	–676	0	9,157	7,397	8,772
0	0	104	0	0	0	0	104	3,247	3,891
0	0	0	0	0	0	0	0	7	1,143
8,845	**5,489**	**1,599**	**–3,165**	**0**	**–676**	**0**	**12,092**	**12,278**	**14,774**
19,475	**6,993**	1,599	**–3,567**	**0**	**–676**	**–11**	**23,813**	**34,091**	**37,666**

I GENERAL INFORMATION

1 The Company

The Basler Group develops, manufactures, and sells on a world wide scale industrial goods of vision technology – the technology of machine vision. The Basler corporation has its headquarters in 22926 Ahrensburg (Germany), An der Strusbek 60–62, and maintains subsidiaries in Singapore, Taiwan, and the U.S.A. as well as sales and service offices in China, Japan, and South Korea. Development and manufacturing are carried out in the German headquarters.

Since March 23, 1999, the Basler AG has been listed at the Frankfurt Stock Exchange. The Basler AG has subjected itself to the Prime Standard regulations.

2 Foundations for Accounting

2.1 Compliance with IFRS

The consolidated financial statements of Basler AG were prepared according to the International Financial Reporting Standards (IFRS) as applicable within the European Union (EU) and in addition, according to the regulations of commercial law, as stipulated by § 315a Sec. 1 HGB. The European Commission has adopted for use in the EU all IFRS that were issued by the International Accounting Standards Board (IASB) and that were in force at the time of preparation of the present consolidated financial statements. These IFRS were also adopted by Basler AG. Accordingly, the consolidated financial statements of Basler AG are also in accord with the IFRS as published by the IASB. Therefore, the term "IFRS" will be used below throughout.

2.2 Standards with no effect on the consolidated financial statements

The following new or amended standards and interpretations were applied for the present financial statements. The application of the standards had no significant effect on the data reported in the present financial statements. They may, however, affect the accounting of future transactions and agreements.

- IFRS 1 – First-time adoption of the International Financial Reporting Standards
- IFRS 2 – Share-based payments
- IFRS 3 – Business combinations
- IAS 27 – Consolidated financial statements and accounting for investments in subsidiaries according to IFRS
- IAS 39 – Financial instruments: recognition and measurement
- IFRIC 12 – Service Concession Arrangements
- IFRIC 15 – Agreements for the construction of real estate
- IFRIC 16 – Hedges of a net investment in a foreign operation
- IFRIC 17 – Distributions of non-cash assets to owners
- IFRIC 18 – Transfers of assets from customers

2.3 Approved but not yet adopted standards

The following IFRS incorporated into EU law were issued as at the reporting date, their application is, however, only mandatory in future reporting periods. The Basler group has decided not to exercise a possible option of an early application in the case of standards and interpretations with mandatory application only in future reporting periods.

Amendment / standard	Publication date	Date of incorporation into EU law	Time of becoming effective
Amendments to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters	January 28, 2010	June 30, 2010	Fiscal years beginning after June 31, 2010
Revised IAS 24 Related Party Disclosures	November 04, 2009	July 19, 2010	Fiscal years beginning after December 31, 2010
Amendment to IAS 32 Classification of Rights Issues	October 08, 2009	December 23, 2009	Fiscal years beginning on or after February 1, 2010

Amendment / standard	Publication date	Date of incorporation into EU law	Time of becoming effective
Improvements to IFRS (issued May 2010)	May 06, 2010	Expected in the 1st quarter of 2011	Different ones; at the earliest for fiscal years beginning after July 1, 2010
Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement	November 26, 2009	July 19, 2009	Fiscal years beginning after December 31, 2010
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	November 26, 2009	July 23, 2010	Fiscal years beginning after June 30, 2010

The individual effects of the amendments will be investigated by the group.

2.4 Additional information

All amounts are stated in thousand euros (€ k) unless stated otherwise.

The fiscal year corresponds to the calendar year. Comparative figures of the previous year are indicated in the group's comprehensive financial statement, in the cash flow statement, and in the statement of the registered earnings and expenditures.

The group's annual balance sheet is prepared under the going concern premise.

2.5 Use of estimates

The preparation of the consolidated financial statement in accord with IFRS requires the management to make estimates and assumptions regarding the recognition and amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the reporting date, and regarding the amount of turnover and expenses reported during the period under review. The actual results may deviate from these assessed values.

2.6 Adjustments to the balance and changes to the methods of accounting and valuation

Adjustments to the balance

Due to the detection of an error by the Federal Financial Supervisory Authority the lease agreement for the factory- and office building in Ahrensburg was newly valued. The agreement is now classified as financing lease agreement. The buildings and land from finance lease and the financing lease liabilities are recorded separately in the consolidated balance sheet.

The following adjustments were realized:

As at January 01, 2009:

Balance sheet item	Original value	Adjustment value	Adjusted value
Fixed assets	17,506	20,161	37,667
Deferred tax liabilities	777[1]	–90	686
Long-term financial assets	8,134	18,354	26,488
Short-term other financial liabilities	1,787	2,121	3,908
Group's balance sheet profit	23,210	–223	22,987

For the year 2009:

Profit and loss account item	Original value	Adjustment value	Adjusted value
Cost of sales	–22,131[2]	206	–21,925
Gross profit on sales	11,566[3]	206	11,772
Sales and marketing costs	–8,462	115	–8,347
General administration costs	–8,153	1,123	–7,030

1 After offsetting with deferred tax assets; see comments on the changes to the methods of accounting and valuation.

2 After reclassification of the unscheduled depreciations on capitalized development costs in the "other expenses" item; see comments on the changes to the methods of accounting and valuation

3 See footnote 2

Profit and loss account item	Original value	Adjustment value	Adjusted value
Other expenses	–4,323[4]	450	–3,873
Operative profit	–7,368	1,894	–5,474
Financial result	–585	–1,239	–1,824
Earnings before profit tax	–7,953	655	–7,298
Profit tax	–2,626	–183	–2,809
Group's period deficit	–10,579	472	–10,107
Earnings per share in €	–3.02	0.13	–2.89
Fully diluted result per share in €	–3.02	0.13	–2.89

Cash flow statement item	Original value	Adjustment value	Adjusted value
Annual deficit	–10,579	472	–10,107
Increase / decrease in deferred taxes	2,499	184	2,683
Interest outpay-ment	604	1,239	1,843
Depreciations on fixed asset objects	7,900	692	8,592
Decrease in the accruals	–709	–404	–1,113
Increase (+) / decrease (–) of payables from deliveries and services	568	–964	–396
Decrease of other liabilities	-161	20	–141
Cash inflow from the operational activity	5,874	2,182	8,056
Outpayments for the clearance of financing lease liabilities	0	943	943
Interest outpay-ment	–604	–1,239	–1,843
Cash outflow from financing activity	–3,068	–2,182	–5,250

4 After reclassification of the unscheduled depreciations on capitalized development costs into the "other expenses" item; see comments on the changes to the methods of accounting and valuation

5 After offsetting with deferred tax assets; see comments on the changes to the methods of accounting and valuation.

As at December 31, 2009:

Balance sheet item	Original value	Adjustment value	Adjusted value
Fixed assets	14,623	19,468	34,091
Deferred tax liabilities	3,125[5]	184	3,309
Long-term financial assets	7,188	16,986	24,174
Short-term other financial liabilities	1,898	2,142	4,040
Group's balance sheet profit	12,631	249	12,880

Changes to the methods of accounting and valuation

Deferred tax assets and -liabilities related to the same taxable entity are recorded netted for the first time. In the reporting year, a total of € 5,088 thousand of deferred taxes were offset (December 31, 2009: € 2,943 thousand).

Unscheduled depreciations on capitalized developments (2010: € 1,601 thousand, 2009: € 1,568 thousand) are no longer presented as cost of sales but as other expense.

The previous years were each adjusted accordingly.

3 Accounting and valuation methods

3.1 Foundations for consolidation

All major subsidiaries that are directly or indirectly controlled by Basler AG as provided by IAS 27 are included in the group's annual balance sheet.

Parties under joint control within the meaning of IAS 31 (joint ventures) are consolidated proportionately.

Major associates are balanced under the equity method in accord with IAS 28 if significant influence can be exercised.

For a list of subsidiaries and investments, see note III.31.

Harmonization

The financial statements to be consolidated of Basler AG as parent company and of the subsidiaries included in the consolidation were prepared using uniform accounting and valuation methods. All intra-group business transactions, balances, and profit and loss are completely eliminated in the context of consolidation.

Currency conversion

The functional currency of the subsidiaries is the currency of the respective country, except for Basler Asia Pte. Ltd. which prepares the balance in euros. Consequently, on the balance sheet date, assets and liabilities are converted into euros using the applicable exchange rate on the reporting date. Turnover and expenses are converted using the average exchange rate of the period under review. Accumulated exchange rate gains and losses are reported as a separate component of the equity capital. In the fiscal year, equity capital was decreased by € 257 thousand (previous year: increased by € 11 thousand).

Business transactions made in foreign currencies in the individual financial statements of the consolidated companies were converted at the exchange rates applicable on the reporting dates of the transactions. In fiscal year 2010, profits amounting to € 1,483 thousand (previous year: € 404 thousand) and expenses amounting to € 1,171 thousand (previous year: € 629 thousand) accrued, respectively. The income is reported under other operating income and the expenses under general administrative expenses in the respective annual financial statements.

Transactions within the European Union are recorded using the applicable fixed euro exchange rates. Further relevant exchange rates are listed below:

	Applicable exchange rates as at	
	12/31/2010	**12/31/2009**
1 euro	US dollar 1.3362	US dollar 1.4406
1 euro	New Taiwan dollar 38.96382	New Taiwan dollar 46.2077

	Average exchange rates	
	2010	**2009**
1 euro	1.3257	US dollar 1.3948
1 euro	New Taiwan dollar 41.8818	New Taiwan dollar 46.0681

Sources: Exchange rates of the European Central Bank with the exception of the New Taiwan dollar which is based on the Interbank spot rate.

Capital consolidation principles

Capital consolidation is performed according to the purchase method where at the time of acquisition the acquisition costs for the holding are charged against the proportionate equity capital. Assets and debts of the subsidiaries are valued at their fair values if the fair values to be applied deviate from their book values.

All intragroup balances, earnings, and expenses as well as unrealized profits and losses from intragroup transactions are eliminated to their full amounts. Deferred taxes are delimited according to IAS 12 from consolidation procedures impacting on revenue results.

3.2 Earnings realization

Earnings are recorded when it is probable that the economic benefits will accrue for the group and when the amounts of the earnings can reliably be estimated. Earnings are assessed according to the applicable time values of the considerations received. Discounts, rebates and value-added tax or other dues are not considered. Moreover, the realization of earnings presupposes the following criteria for assessment to be satisfied.

Sale of goods and products

Earnings for goods and products are recorded after the relevant opportunities and risks related to the ownership of the goods and products sold were transferred to the buyer. Generally, this applies at the time of shipment of the goods and products. Earnings from customer-specific manufacturing across periods are recorded as earnings according to the degree of completion (percentage-of-completion method). The degree of completion is determined according to the costs accrued on the balance sheet date. The degree of completion is expressed as percentage of the estimated total costs of the related project. Earnings are recorded only to the amount of the accrued rebateable expenses if the result of an order can not reliably be estimated.

Rental income

Earnings from subleasing the office building in Ahrensburg are recorded in the period in which they arise and in accord with the regulations of the contract concerned.

Interest income

Interest income is recorded when the interest has accrued (using the effective interest method). Interest income is reported in the statement of comprehensive income as part of the financial income.

3.3 Taxation

Actual income taxes

The actual tax refund claims and the tax liabilities for current and previous periods are assessed as the amounts that are expected as refunds by and payments to the tax authority, respectively. The amounts are calculated based on the taxes and tax laws applicable at the balance sheet date.

Actual taxes referring to items directly recorded with the equity capital are not recorded in the income statement but with the equity capital.

Deferred taxes

Deferred taxes are accounted for under the asset and liability method. There, temporary differences at the balance sheet date are considered between the valuation of an asset or a debt in the balance sheet and the valuation for taxation.

Deferred tax liabilities are recorded for all taxable temporary differences with these exceptions:

- Deferred tax liabilities due to a first-time valuation of goodwill or an asset or debts resulting from a business transaction other than a business combination that has – at the time of the business transaction – neither bearing on the profit for the period under German commercial law nor on the taxable result.

- Deferred tax liabilities due to taxable temporary differences related to investments in subsidiaries, associates and stakes in joint ventures if the temporal course of the reversal of temporary differences can be controlled and if it is probable that the temporary differences will not reverse in the foreseeable period.

With the exceptions listed below, deferred tax assets are recorded for all deductible temporary differences, not yet used tax loss carryforwards, and unused tax credits to the likely extent that the taxable profit will be available, against which the deductible temporary differences, the not yet used tax loss carryforwards, and tax credits can be applied:

- Deferred tax assets due to deductible temporary differences related to a first-time valuation of an asset or debts resulting from a business transaction other than a business combination that has – at the time of the business transaction – neither bearing on the profit for the period under German commercial law nor on the taxable result.

- Deferred tax assets due to deductible temporary differences related to investments in subsidiaries, associates and stakes in joint ventures if it is probable that the temporary differences will not reverse in the foreseeable period or no sufficient taxable result will be available against which the temporary differences can be applied.

The book values of the deferred income tax assets are checked on every balance sheet date and are reduced by an amount so as to make it improbable that a sufficient taxable result will be available against which the latent tax asset can at least partly be applied. Deferred tax assets that have not undergone valuation are checked on every balance sheet date and are valuated by an amount so as to make it probable that a future taxable result will permit realizing the deferred tax asset.

Deferred tax assets and tax liabilities are assessed using those tax rates that will presumably be valid in the period when an asset will be realized or when a debt will be cleared. The assessments are based on the tax rates (and tax laws) valid on the balance sheet date. Future changes of tax rates are taken into account if material prerequisites for being effective are given in the context of the legislative process on the balance sheet date.

Deferred taxes related to items directly recorded with the equity capital are not recorded in the income statement but with the equity capital. Deferred tax assets and tax liabilities are offset against each other if the group has an enforceable claim to the offset of the actual tax refund claims against the actual tax liabilities and if they relate to the income taxes of the same taxable entities, where the taxes are levied by the same tax authority.

3.4 Government grants

Government grants are recorded if it is reasonably assured that the grants will be granted and that the company will meet the related conditions. Expense-related grants are regularly recorded as income for the period that is necessary for offsetting the grants against the corresponding expenses. Grants for an asset directly decrease the book value of the asset and they are recorded as income due to decreased depreciation.

In the case of non-monetary grants to the group, the assets and the grants are recorded at their nominal values and, if possible, are reversed and recognized in income in equal annual rates over the estimated useful lives of the assets concerned.

3.5 Treasury shares

Treasury shares acquired by the group are recorded at acquisition cost and are deducted from equity capital. The acquisition, sale, issue or withdrawal of treasury shares is not recognized in income. Possible differences between book values and considerations are recorded in the other capital reserve.

3.6 Financial assets and liabilities

Receivables and other financial assets are capitalized at acquisition costs on the settlement date. If a receivable is in danger of not being recoverable due to a customer's illiquidity, specific allowance is used to the full amount of the receivable.

When the fair values of financial assets or liabilities are assessed or stated, they are on principle based on the market values or stock exchange values. In the absence of an active market the fair values are assessed based on acceped methods of financial mathematics.

3.7 Inventories

Raw materials, supplies, operating materials, merchandise as well as unfinished and finished products are stated as inventories, unless they can be attributed to a customer order. Inventories are valued at the acquisition costs or the production costs and net selling price, whichever is less.

Costs that have accrued for taking inventories to their present location and for bringing them into their current states are balanced in the following way:

Raw materials, supplies, operating materials, and merchandise

- Moving averages

Finished and unfinished products

- Material costs, production costs, and services that can be directly allocated as well as appropriate portions of production overheads based on the normal capacities of the production facilities without considering borrowing costs.

The net selling price is the estimated sales revenue that can be realized in the normal course of business less the estimated costs accrued until completion and estimated distribution costs.

3.8 Tangible assets

Tangible assets are valued on principle at acquisition costs or production costs less accumulated scheduled depreciation. The useful lives applied for this purpose correspond to the expected periods of use of the assets within the company. Residual values were neglected in the calculation of depreciations due to insignificance. Revaluations of the tangible fixed assets are not performed.

The scheduled depreciations of property, plant, and equipment are largely based on the following useful lives:

Asset	Useful life in years
Fixtures installed by the lessee	3 to 10 (end of lease agreement)
Technical equipment and machinery	3 to 5, 7, and 10
IT equipment and systems	3 to 5
Parking garages	20
Commercial and office buildings	38 to 40

3.9 Intangible assets

Intangible assets acquired against payment, mainly software, are capitalized at purchase costs and amortized over their scheduled useful lives.

Research costs are recorded as expense for the period of their accrual. Development costs for an individual project are only capitalized as intangible assets if the following conditions can be proven to apply:

- the technical feasibility of completing the intangible asset, enabling internal use or sale of the asset;
- the intent of completing the intangible asset for its use or sale;
- the modality of the asset realizing future economic benefit;
- the availability of resources for completing the asset
- the possibility of reliably determining related expenses during the development of the intangible asset.

The development costs are balanced according to their initial valuation applying the cost model, i.e. using acquisition costs less accumulated amortizations and accumulated impairment losses. Amortization starts from the termination of the development phase and from the time when the asset can be used. Amortization is carried out over the period for which future benefit can be expected. The following useful lives are assumed:

Asset	Useful life in years
Capitalized development costs	3 to 7
Software, product development received against payment	3 to 6

The amortization cost is included in the group's profit and loss statement, in the cost for service performed, in the sales and marketing expenses, and in the general administrative expenses.

At least once a year and at particular instigation an impairment test is carried out during the development phase.

3.10 Presentation of the "cash and cash equivalents" cash flows

The "cash and cash equivalents" item includes cash in hand, cash in bank, and short-term deposits with original maturities of less than three months.

3.11 Leases

A lease is classified as "operating lease" if essentially all risks and opportunities associated with economic ownership therein remain with the lessor.

Liabilities from financing lease agreements are stated at the net present value of the lease payments at the time of conclusion of the contract while other liabilities are stated at the repayment values and/or amortized costs.

3.12 Borrowing costs

Borrowing costs are capitalized as part of the costs of qualified assets that require substantial periods of time for their production and that were started to be produced after January 1, 2009. They are added to the production costs of the assets until the date when the assets are essentially ready for their intended use or for sale. Achieved earnings from temporary investment of specially raised borrowed capital until its disbursement for qualifying assets are deducted from the borrowing costs that can be capitalized.

All other borrowing costs are recognized in income in the period where they accrue.

3.13 Net financial debt

Net financial debt is stated at its amortized cost. This includes the silent partnership, bank debt, and the other financial liabilities.

3.14 Provisions

Provisions are recognized when Basler has a present (legal or constructive) obligation due to a past event, when settlement of the obligation is expected to result in an outflow of resources of economic benefit, and when the amount of the obligation can reliably be estimated. If the group expects to receive a reimbursement of at least part of a provision from an identifiable third party (e.g. in the case of an insurance policy) the reimbursement is recognized as a separate asset provided the influx of the reimbursement is virtually certain. The expense from recognizing the provision is recorded in the income statement less reimbursement. If the effect of the time value of money resulting from discounting is material, provisions are discounted at a pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

II ITEMS OF THE ANNUAL FINANCIAL STATEMENTS

PROFIT AND LOSS STATEMENTS

4 Sales revenues

The sales revenues amounting to € 51,026 thousand (previous year: € 33,697 thousand) include sales from orders relating to customer-specific manufacturing amounting to € 8,132 thousand (previous year: € 8,187 thousand) enthalten.

5 Other operational profit

The other operational profit includes the following:

	2010	2009
Currency exchange gains	1,483	404
Rental income	814	665
Subsidies for research and development	211	159
Income from the sale of tangible assets	113	31
Insurance recoveries	38	109
Income from the release of provisions	32	127
Other	377	509
	3,068	**2,004**

6 Other expense

The other expense includes the following:

	2010	2009 (adjusted)	2009 (reported)
Costs of letting	–	–	1.277
Full costs for research and development	6,561	6,047	6,092
Capitalization of own development costs	–4,930	–4,901	–4,901
Unscheduled depreciations on capitalized developments	1,601	1,568	0
Further other expense	415	1,159	287
	3,647	**3,873**	**2,755**

The unscheduled depreciations on capitalized developments are recorded in the reporting year with the other expense. In the previous years they were recorded with the cost for service performed. The previous year was adjusted accordingly.

7 Financial result

	2010	2009 (adjusted)	2009 (reported)
Interest income from cash in bank	15	82	82
Interest expense on convertible bond and bank loans	–535	–640	–640
Interest expense on partial profit transfer agreements	–102	–102	–102
Capitalization of interest pursuant to IAS 23	155	75	75
Interest expense for finance lease	–1,178	–1,239	–
	–1,645	**–1,824**	**–585**

The interest income and interest expense relate exclusively to financial assets (including cash) valued at amortized cost and to financial liabilities.

The capitalization rates considered in accordance with IAS 23, were between 5.81 % and 6.37 % in fiscal year 2010.

8 Earnings taxes

Taxes paid or owed on income/revenues and deferred taxes are both stated as earnings taxes.

Any income obtained is stated as a negative amount.

	2010	2009 (adjusted)	2009 (reported)
Current taxes from consolidated companies (earnings: –)	953	127	127
Deferred taxes from consolidated companies (earnings: –)	–3,986	2,682	2,499
Tax expense / income	**–3,033**	**2,809**	**2,626**

The deferred taxes from capitalized companies include the value adjustments of the deferred tax item, carried out due to the decrease of the loss carryforward that is presumed to be billable in the future.

	2010	2009 (adjusted)	2009 (reported)
Deferred tax expenses or income from losses carried forward (earnings: –)	1,125	–826	–826
Adjustment on loss carryforwards	–59	0	0
Reversal of an impairment loss on / value adjustment on loss carryforwards	–4,155	4,449	4,449
Deferred tax expenses from changes of tax rates (earnings: –)	0	53	53
Deferred tax expenses or income from temporary differences	–897	–994	–1,177
Deferred tax expense/income	**–3,986**	**2,682**	**2,499**

The following is a breakdown of the effective tax burden which includes the German corporate income tax rate of 15.83 % (previous year: 15.83 %) including solidarity surcharge, and the applicable trade income tax rate of 12.25 % (previous year: 12.25 %), amounting to a combined statutory tax rate of 28.08 % (previous year: 28.08 %):

Tax reconciliation	2010	2009 (adjusted)	2009 (reported)
Net profit/loss for the year before income taxes	5,015	–7,298	–7,953
Applicable tax rate	28.08 %	28.08 %	28.08 %
Expected tax expense/income	1,408	–2,049	–2,233
Tax rate deviations			
Effects from foreign subsidiaries	–227	–32	–32
Effects from tax rate changes	0	53	53
Revocation of value adjustment / value adjustment on allowable loss carryforwards	–4,155	4,449	4,449
Tax irrelevant expense/income	–59	389	389
Actual tax expense/income	–3,033	2,809	2,626
Group tax rate	**–60.5 %**	**–38.5 %**	**–33.0 %**

As per 31 December, the following tax loss carryforwards existed (in € k):

	2010	2009
Germany, corporate income tax	17,211	20,894
Germany, trade income tax	16,158	20,103
U.S.A., federal level	335	269
Singapore	–	–
Taiwan	801	1.004

The income tax directly recorded in equity amounts to € 31 thousand in the reporting year (previous year: € 0 thousand).

The tax loss carryforwards in Germany apply for an indeterminate period. Due to the statutory situation, out of the total loss carryforward, a maximum of € 1,000 thousand plus 40 % of the excess tax profit can be utilized per year.

The tax loss carryforwards in the U.S.A. can be utilized until 2028.

The tax loss carryforwards in Taiwan can be utilized until 2019 at most.

As at the reporting date Basler capitalized deferred tax assets on corporate income tax and trade income tax loss carryforwards amounting to € 4,731 thousand. Of these, corporate income tax and trade income tax loss carryforwards extant in Germany, amounting to 17.2 million and € 16.2 million, respectively, can be utilized without limit; the remaining loss carryforwards in the USA expire after a maximum of eighteen years. No deferred taxes were established on tax loss carryforwards in Taiwan due to the assumption that sufficient tax profits for utilizing tax loss carryforwards will no longer occur in the future. In the previous year, no deferred tax assets were established for corporate income tax and trade income tax loss carryforwards extant in Germany, amounting to € 16.2 million and € 15.4 million, respectively.

Despite losses in the previous year, deferred tax assets amounting to € 4,731 thousand (previous year: 1,587 thousand) were balanced as the companies concerned are considered to gain tax profits in the future.

9 Additional information

9.1 Production orders

The accumulated costs of production orders in progress on the reporting date amount to € 4,202 thousand (previous year: € 5,258 thousand), the accumulated profits reported amount to € 3,503 thousand (previous year: € 5,298 thousand).

In the year 2010, costs for guarantees amounted to € 224 thousand (previous year: € 275 thousand).

9.2 Scheduled and unscheduled depreciations

In fiscal year 2010, unscheduled value adjustments were made on capitalized product developments to the amount of € 1,601 thousand (previous year: € 1,568 thousand). Value adjustments were carried out for product lines where sales were or will be terminated in the context of further strategic focusing. In addition, unscheduled depreciations on other intangible assets amounting to € 15 thousand (previous year: € 31 thousand) were made.

The unscheduled depreciations on the capitalized developments were recorded in the reporting year with the other expense. In the previous years the unscheduled depreciations on the capitalized developments were recorded as cost of service performed. The previous year was adjusted accordingly.

The depreciations and unscheduled depreciations are included in the following areas:

	2010	2009 (adjusted)	2009 (reported)
Cost of service performed	4,609	5,314	6,786
Sales and marketing costs	248	370	317
General administration costs	750	816	364
Other expense	2,136	2,092	433
Total	7,743	8,592	7,900

9.3 Personnel expenditures

	2010	2009
Wages and salaries	15,407	15,854
Social security contributions	8,048	2,694
	17,944	**18,548**

The expense for contribution-based old-age pension schemes amounted to € 1,122 thousand (previous year: € 1,283 thousand). The group's employees are for the most part subject to the statutory pension scheme and therefore to a public contribution-based scheme.

9.4 Material expenditures

	2010	2009
Expenses for raw, auxiliary, and operating supply items as well as purchased goods	16,813	11,593
Expenses for purchased services	506	119
	17,319	**11,712**

9.5 Reconciliations for result per share

	2010	2009 (adjusted)	2009 (reported)
Result (non-diluted)	8,048	–10,107	–10,579
Interest expenditures taking into account the tax effect	–	55	55
Result (diluted)	8,048	–10,052	–10,524
	2010	**2009 (adjusted)**	**2009 (reported)**
Number of equity shares	3,500,000	3,500,000	3,500,000
Potential number of shares from convertible bond	0	98,515	98,515
Number of shares (diluted)	3,500,000	3,598,515	3,598,515

BALANCE SHEET

10 Development of fixed assets

As at December 31, 2010, Basler used fully depreciated fixed assets representing an acquisition value of € 5,791 thousand (previous year: € 7,774 thousand).

For more details about the development of fixed assets, we refer to the separate explanation.

The technical equipment, machines, and fixtures and fittings amounting to € 2,250 thousand are assigned as collaterals to credit institutions.

The purchase commitments for tangible assets amounted to € 190 thousand as at December 31, 2010.

11 Deferred taxes

The following deferred tax assets and liabilities apply to measurement or recognition inconsistencies of the individual balance sheet items:

	12/31/2010	12/31/2009 (adjusted)	12/31/2009 (reported)
Deferred tax assets			
From tax loss carry-forwards	4,731	1,587	1,587
Inventories	1,382	1,542	1,542
Other	11	146	125
Offsetting	–5,088	–2,943	–
	1,036	**332**	**3,254**

	12/31/2010	12/31/2009 (adjusted)	12/31/2009 (reported)
Deferred tax liabilities			
Capitalization of development	2,790	3,128	3,128
Receivables	2,193	2,964	2,964
Other	134	160	46
Offsetting	–5,088	–2,943	–
	29	**3,309**	**6,138**

12 Inventories

As at December 31, 2010, unscheduled value adjustments were made on the inventories to the total amount of € 1,233 thousand (previous year: € 2,222 thousand). Of which a cancellation of € 989 thousand applied to fiscal year 2010 (previous year: € 153 thousand).

Finished products and merchandize include devices made available to customers temporarily for testing, on loan, and for demonstration purposes worth € 248 thousand (previous year: € 187 thousand). This manner of reporting facilitates the handling of the future sale to the customer. Devices used for demonstration purposes over an extended period, e.g. for trade fairs and exhibitions, are stated under fixed assets and are depreciated over their useful lives amounting to three years.

13 Receivables

Of the receivables from deliveries and services in the amount of € 6,241 thousand (previous year: € 4,276 thousand) € 6,241 thousand (previous year: € 4,268 thousand) are due within one year.

The values of the receivables from deliveries and services are adjusted by € 38 thousand (previous year: € 62 thousand). In fiscal year 2010, value adjustments credited to income amounted to € 84 thousand (previous year: € 20 thousand).

Value adjustments of receivables are maintained at Basler on separate accounts. Value adjustments are performed as far as the collectibility of a receivable is in danger e.g. due to insolvency. The value adjustments have developed in the following way:

€ k	Status as at 01/01	Ex-change rate differ-ences	Alloca-tion	Con-sump-tion	Liquida-tion	Status as at 12/31
2010	62	0	84	108	0	38
2009	63	0	20	21	0	62

The aging profile of the receivables from deliveries and services after specific allowances is as follows:

€ k	Book value as at 12/31	Of which as at 12/31 neither impaired nor past due	Of which not impaired and up to 60 days past due	Of which not impaired and more than 61 days past due
2010	6,241	4,702	1,498	41
2009	4,268	3,189	1,032	47

Of the receivables, € 7,705 thousand (previous year: € 10,566 thousand) are allocated to manufacturing to order. The sum of advance payments received amounts to € 7,429 thousand (previous year: € 8,625 thousand), of which € 6,987 thousand (previous year: € 8,595 thousand) are deducted from the receivables arising from long-term production. The receivables from production orders are not impaired by specific allowances. There are no receivables past due that would require value adjustments.

The maximum default risk corresponds to the book values stated in the balance sheet of each financial asset (less value adjustments taken into account as at the balance sheet date, if applicable).

The fair values do not differ significantly from the book values.

14 Other short-term financial assets and other assets

	12/31/2010	12/31/2009
Other expense	265	161
Advance payments made	724	123
Derivative financial instruments	424	0
Other	122	133
	1,535	**417**

The fair values do not differ significantly from the book values. The maximum default risk corresponds to the book values stated in the balance sheet of each financial asset. The other current financial assets are not impaired by value adjustments. There are no receivables past due that would require value adjustments.

15 Tax refund claims

The tax refund claims relate to input tax amounting to € 192 thousand (previous year: € 101 thousand) and the reclaim of taxes paid in advance on income and profit amounting to € 73 thousand (previous year: 231 thousand).

The fair values do not differ significantly from the book values. The maximum default risk corresponds to the book values stated in the balance sheet of each financial asset.

16 Cash and cash equivalents

Cash and cash equivalents include cash in bank and cash in hand in the amount of € 9,112 thousand (previous year: € 5,526 thousand).

17 Assets retained for divestments

As of the previous year's reporting date, the capitalized developments and the attributable inventories of a product line of the solutions business segment were recorded among the assets retained for divestments. The decision for divestment was taken in the second half year of 2009 due to the strategic focusing of the Basler group. The item included the following as at December 31, 2009:

Self-provided product development	495
Inventories	32
Assets retained for divestments	527

The divestment took place in the third quarter of 2010.

18 Lease

18.1 Finance lease

The company building and the company grounds in Ahrensburg are used within the framework of a lease agreement. The agreement is classified as financing lease agreement. The book values at the end of the fiscal year are as follows:

	12/31/2010	12/31/2009
Land	1,817	1,817
Buildings	16,959	17,651
	18,776	19,468

The development is recorded separately in the fixed asset schedule.

The liabilities from finance lease are as follows:

	Minimum lease payments		Cash value of the minimum lease payments	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
With a residual term of up to one year	2,205	2,203	2,144	2,142
With a residual term of more than one year and up to five years	8,846	8,836	7,377	7,367
With a residual term of more than five years	14,077	16,292	8,986	10,023
	25,128	27,331		
Less future financing costs	–6,621	–7,797		
Cash value of the minimum lease payments	18,507	19,532	18,507	19,532
Recorded in the group's annual balance sheet as				
Short-term liabilities from financing lease			2,144	2,144
Long-term liabilities from financing lease			16,363	17,390

Basler will receive at least the following rental payments from subleasing the office building in Ahrensburg under contracts that have been concluded and are non-cancellable:

Fiscal year	
2011	621
2012 – 2015	468
From 2016	–

The earnings from subleases amounted to € 814 thousand in the reporting year (previous year: € 665 thousand).

Basler has the option of purchasing the building at the end of the lease.

The interest rates applicable to the liabilities related to this finance lease were fixed on the day of the conclusion of the agreement. They amount to 6.22 % and 6.84 % for the different elements of the building.

18.2 Operating lease

Parts of the fixtures and fittings are used within the framework of an operating lease. The future rental and leasing payments based on non-cancellable operating leases and rentals amount to a minimum of:

Fiscal year	
2011	239
2012 – 2015	236
From 2016	–

Almost all rental and leasing options provide for final purchase options at market conditions. During the reporting year, the rent/leasing expenses amounted to € 270 thousand (previous year [adjusted]: € 467 thousand).

19 Equity

19.1 Subscribed capital

The paid-up share capital of the company amounts to € 3,500,000 and is divided into 3,500,000 issued no-par-value shares. The shares are in bearer form.

The number of shares in circulation as at January 01, 2010, and December 31, 2010, amounted to 3,500,000. Additions and departures could not be recorded in the BEISATZJAHR, as in the previous year.

The shares of Basler AG have been listed at the Frankfurt Stock Exchange since March 23, 1999.

19.2 Capital reserve

The capital reserve contains mainly the share premium from the capital increase carried out in the context of the IPO in 1999.

19.3 Authorized capital

Pursuant to § 4 clause (3) of the Basler AG articles of incorporation, the Management Board is authorized, subject to approval by the Supervisory Board, to increase the share capital by May 20, 2012, by issuing up to 1,750,000 new no-par-value bearer shares against cash and/or non-cash conributions either once or several times by a total of € 1,750,000.00. The shareholders shall be granted a subscription right for this purpose. However, the Management Board is authorized, subject to approval by the Supervisory Board, to exclude subscription rights of the shareholders for fractional amounts.

19.4 Development of the components of accumulated earnings

	Reserve from currency conversion	Reserve for hedges	Retained earnings	Total
As of 01/01/2009 (adjusted)	**155**	**0**	**22,987**	**23,142**
Annual results	0	0	–10,107	–10,107
Net profit less income tax, directly recorded in equity	11	0	0	11
As of 12/31/2009	**166**	**0**	**22,880**	**13,046**
Annual results	0	0	8,048	8,048
Net profit less income tax, directly recorded in equity	–257	78	0	–179
As of 12/31/2010	**–91**	**78**	**20,928**	**20,915**

19.5 Components of the residual total income

The results before and after taxes of the components of the residual total income are as follows:

	12/31/2010			12/31/2009		
	Input tax	Taxes	Net	Input tax	Taxes	Net
Currency conversion of foreign subsidiaries	–257	0	–257	11	0	11
Cash flow hedges	109	–31	78	0	0	0
Total	–148	–31	–179	11	0	11

20 Financial liabilities

Basler reports the following financial liabilities as at December 31, 2010, (in € k):

Description	Interest condition	Interest rate	End of term	Repay-ment amount
Silent partnership	Fix	10.00%	12/31/2011	1,023
Bank loans	Fix	12.00%	03/30/2012	511
Loans by closely affiliated persons	Fix	6.00%	12/31/2010	1,000
ERP bank loan, tranche I	Fix	5.35%	03/31/2013	3,750
ERP bank loan, tranche II	Fix	4.35%	03/31/2013	1,500
ERP bank loan, tranche III	Fix	3.65%	03/31/2016	750
ERP bank loan, tranche IV	Fix	4.60%	03/31/2016	750

The fair values of the above financial liabilities, of the liabilities from deliveries and services, and of the other short-term liabilities, do not vary significantly from the reported book values.

21 Provisions

	01/01/2010	Allocation	Utilizations	Liquida-tion	Currency differences	12/31/2010
Short-term provisions						
Personnel costs	762	1,480	–530	–22	18	1,708
Commissions	38	69	–38	0	0	69
Taxes	203	592	–63	0	0	732
Guarantee	114	171	–114	0	0	171
Legal and consultancy costs	93	111	–84	–9	0	111
Other	76	234	–53	–1	3	259
Total	1,286	2,657	–882	–32	21	3,050

The provisions for personnel costs were mainly made for holiday leave carried forward, for flexi-time balances, and for bonuses for the reporting year.

The tax provisions were made for the actual tax burden on the result for the reporting year and, if applicable, any previous years.

The short-term provisions are expected to be utilized in the course of one year.

22 Derivative financial instruments and other financial instruments

As a company acting on global markets, Basler is exposed to various market risks. In order to reduce USD currency risks, Basler uses forward exchange contracts. As these dealings are intended as security for underlying operating transactions, their terms are less than one year in each case.

The following items existed as at the respective balance sheet dates (in € k):

	12/31/2010	12/31/2009
Nominal volume	4,800	4,000
Fair value		
Positive	–	–
Negative	5	26

Valuation is carried out according to the mark-to-market method. Positive fair values are stated under short-term other assets and negative fair values under short-term other financial liabilities. The net gain resulting from valuation at fair value in fiscal year 2010 amounted to € 21 thousand (previous year: loss of € 42 thousand).

As in the case of the receivables, the maximum default risk corresponds to the book values stated in the balance sheet of each financial asset (less value adjustments taken into account as at the balance sheet date, if applicable), including the derivative financial instruments. As the contractual partners for derivatives are renowned financial institutions, it can be assumed that the liabilities under derivative transactions will be met.

Basler uses forward exchange contracts employed as cash flow hedges for the medium-term hedging against USD exchange rate fluctuations. They provide hedging for a maximum period of 24 months. These transactions serve for hedging planned sales in fiscal years 2011 and 2012. The hedged sales are expected to show effect on the results in fiscal years 2011 and 2012. The valuation is effected according to the mark-to-market method. Positive fair values are stated under short-term other assets and negative fair values under short-term other financial liabilities. The net gain resulting from valuation at fair value in fiscal year 2010, directly recorded in equity (total other result), amounted to € 78 thousand (previous year: 0).

	12/31/2010	12/31/2009
Nominal volume	21,000	0
Fair value		
Positive	424	–
Negative	–	0

23 Categories of financial instruments

In accordance with IFRS 7, the financial instruments are classified into the following valuation classes.

Category	Significance		Measurement
AfS	Available for sale	Financial assets available for divestment	fair value (directly in equity)
FAHfT	Financial Assets Held for Trading	Financial assets available for trading	fair value (through profit or loss)
FLAC	Financial Liabilities Measured at Amortised Cost	Financial liabilities measured at amortized cost	at amortized cost
FVTPL	At Fair Value Through Profit or Loss	At fair value through profit or loss	fair value (through profit or loss)
HtM	Held to Maturity	Financial investments held to maturity	at amortized cost
LaR	Loans and Receivables	Loans and receivables	at amortized cost

The book values of the financial instruments as at December 31, 2010, are as follows (in € k):

		2010				
	Category of measurement according to IAS 39	Book value 12/31/2010	Amortized cost	Fair value, directly in equity	Fair value, through profit or loss	Fair value 12/31/2010
ASSETS	12/31/2010					
Receivables from deliveries and services	LaR	6,241	6,241			
Receivables from production orders	LaR	718	718			
Short-term financial assets		**6,959**				**6,959**
Short-term derivative assets	n.a.	424			424	
Remaining other short-term financial assets	LaR	122	122			
Other short-term financial assets		**546**				**546**
Liquid assets	LaR	9,112	9,112			
Cash and cash equivalents		**9,112**				**9,112**
Total		**16,617**				
LIABILITIES						
Liabilities owed to credit institutions	FLAC	5,049	5,049			
Other financial liabilities	FLAC	4	4			
Liabilities from finance lease	FLAC	16,363	16,363			
Long-term financial liabilities		**21,416**				**21,416**
Silent partnership	FLAC	1,023	1,023			
Other financial liabilities	FLAC	3,327	3,327			
Short-term derivative liabilities	FVTPL	5		5		
Liabilities from deliveries and services	FLAC	1,310	1,310			
Liabilities from finance lease	FLAC	2,144	2,144			
Other short-term financial liabilities	FLAC	750	750			
Short-term liabilities		**8,559**				**8,559**
Total		**29,975**				

Comparative values as at December 31, 2009

		2009				
	Category of measurement according to IAS 39	Book value 12/31/2009	Amortized cost	Fair value, directly in equity	Fair value, through profit or loss	Fair value 12/31/2010
ASSETS						
Receivables from deliveries and services	LaR	4,276	4,276			
Receivables from production orders	LaR	1,971	1,971			
Financial assets		**6,247**				**6,247**
Short-term derivative assets	FVTPL	0		0		
Remaining other short-term financial assets	LaR	133	133			
Other short-term financial assets		**133**				**133**
Liquid assets	LaR	5,526	5,526			
Cash and cash equivalents		**5,526**				**5,526**
Total		**11,906**				
LIABILITIES						
Silent partnership	FLAC	1,023	1,023			
Liabilities to credit institutions	FLAC	5,761	5,761			
Liabilities from finance lease	FLAC	17,390	17,390			
Long-term financial liabilities		**24,174**				**24,174**
Other financial liabilities	FLAC	1,850	1,850			
Short-term derivative liabilities	FVTPL	26		26		
Liabilities from deliveries and services	FLAC	1,502	1,502			
Liabilities from finance lease	FLAC	2,142	2,142			
Other short-term financial liabilities	FLAC	396	396			
Short-term liabilities		**5,916**				**5,916**
Total		**30,090**				

For the recording of impairments and net profits / losses of the stated financial assets and financial liabilities, please refer to notes 13 and 22.

III ADDITIONAL INFORMATION

24 Types and management of financial risks

24.1 Derivative financial instruments / currency risk

As at the balance sheet date, US dollar forward transactions in an amount of USD 4,800 thousand with residual terms of less than one year were in place for exchange hedging. The negative fair value according to the market valuation, stated under other short-tem liabilities, amounted to € 5 thousand.

In addition, US dollar forward transactions in an amount of USD 21,000 thousand were in place for medium-term exchange hedging.

24.2 USD sensitivity analysis

A USD exchange rate of 1.4698 (corresponding to a 10% decline) would have a positive effect of € 322 thousand on earnings before taxes, and a USD exchange rate of 1.2026 (corresponding to a 10% rise) would have a negative effect of € 404 thousand.

In addition, a USD exchange rate of 1.4698 would have a direct positive effect of € 1,028 thousand on equity and a USD exchange rate of 1.2026 a negative effect of € 1,256 thousand.

24.3 Counterparty risk

Basler continuously checks the creditworthiness of its customers by employing internal and external evaluations. In addition, the risk associated with receivables from deliveries and services is reduced by the fact that the company has a diverse customer base. Furthermore, the company operates a clearly defined process to follow up on outstanding receivables. A credit-line structure supported by the ERP system with documented escalation levels is used to limit the risk even further. For statements of the maximum default risks, please refer to notes 13, 14, 15, 20, and 22.

24.4 Interest rate risk

All longer-term financial liabilities stated as at the balance sheet date are valued at amortized cost and are not subject to interest rate risk within the meaning of IFRS 7 due to existing fixed-interest agreements.

25 Capital management/liquidity risk

Basler manages its capital with the aim of maximizing the earnings of its stakeholders by optimizing the ratio of equity capital to borrowed capital.

However, it must furthermore be ensured that Basler possesses sufficient reserves to also enable short-term growth. This goal is managed using the financial reserves key figure.

This key figure is calculated from the ratio of borrowed capital plus unused credit lines to short-term assets less liquid assets.

A target value of 125 % is aimed at.

	12/31/2010	12/31/2009
Borrowed capital without finance lease and deferred taxes	14,816	12,028
Unused credit lines	2,000	500
Subtotal	**16,816**	**12,528**
Short-term receivables	6,959	6,239
Inventories	7,440	5,074
Remaining receivables and other financial assets and accruals and deferrals	1,535	417
Liquid assets	–9,112	–5,526
Subtotal	**6,822**	**6 204**
Financial reserves	**246%**	**202%**

This strategy was not changed compared to the previous year.

On the reporting date, Basler had access to credit lines amounting to € 2,000 thousand (previous year: € 500 thousand). These were not used, as in the previous year.

One credit line amounting to € 1,000 thousand was granted until June 30, 2012, the other one until further notice. Extension risks are not expected.

The availability of credit lines and the granting of bank loans are partly tied the compliance with certain financial key figures. As in the previous year, Basler AG complied with the key figures.

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

	2011	2012	2013 to 2015	from 2016
Silent partnership	1,125	–	–	–
Bank debt	2,546	2,938	2,302	101
Loans by closely affiliated persons	1,060	–	–	–
Liabilities from deliveries and services	1,310	–	–	–
Other current financial and tax liabilities	1,053	–	–	–
Liabilities from finance lease	2,205	2,208	6,638	14,077

As per December 31, 2009, the following maturity structure ensued:

	2010	2011	2012 to 2014	from 2015
Silent partnership	102	1,125	–	–
Bank debt	1,719	2,373	4,321	–
Loans by closely affiliated persons	530	–	–	–
Liabilities from deliveries and services	1,502	–	–	–
Other current financial and tax liabilities	606	–	–	–
Liabilities from finance lease	2,203	2,205	6,631	16,292

26 Segment report

26.1 Segmentation

Basler addresses the vision technology market with two business units:

- Basler Components develops and sells digital camera solutions for original equipment manufacturing customers (capital goods manufacturers) in the machine vision, medical engineering, intelligent traffic systems, and video surveillance market segments.

- Solutions develops and markets turn key systems for quality inspection in the LCD industry.

The company's products are mainly developed on its premises in Ahrensburg and are sold through a direct distribution structure, through the subsidiaries (U.S.A., Singapore, and Taiwan), and through independent distributors in Europe, North America, Australia, Japan, and Asia.

The information contained in the overviews is taken directly from the internal reports that are used for management purposes by the company's highest operative decision makers. The same methods of accounting and valuation apply to the internal reporting as to the group's annual balance sheet. The company does not evaluate individual business units on the basis of financial liabilities and related interest expenses for internal control purposes. Consequently, the segment reports do not include such evaluations.

Segment assets are direct operating receivables, inventories, and the fixed assets used for the business operations.

Segment liabilities are the received advance payments attributable to business operations, the liabilities from deliveries and services, and the provisions.

26.2 Segment sales revenues and segment results

In the following the sales revenues and results of the individual reportable segments of the group are presented:

	Segment sales revenues		Segment results		
	2010	2009	2010	2009 (adjusted)	2009 (reported)
Components	40,707	23,416	10,452	2,852	2,852
Solutions	10,319	10,281	210	–2,289	–2,289
Total, carried forward business units	51,026	33,697	10,662	563	563
Central administrative expenses, severance pay and unscheduled depreciations due to realignment and adjustments Of which unscheduled depreciations in 2010: € 1,616 thousand, previous year: € 1,599 thousand			–4,002	–6,037	–7,931
Financing costs and financial income			–1,645	–1,824	–585
Pre-tax profit (business units carried forward)			5,015	–7,298	–7,953

The methods of accounting and valuation for the reportable segments are in accord with the group's methods of accounting and valuation, with the exception of finance lease being presented like operating lease. Differences between the methods of accounting and valuation are presented in the central adjustments. The results for the segments were determined without considering the following components: central administrative expenses, remuneration of the executive board, earnings from financial assets, financing costs and income tax expense, and cost for the strategic realignment of the company. The segment results determined in this way is reported to the chief operating decision maker of the company with regard to decisions about the allocation of resources to the respective segment and the assessment of its profitability.

26.3 Segment assets and liabilities

	Segment assets			Segment liabilities		
	12/31/2010	12/31/2009 (adjusted)	12/31/2009 (reported)	12/31/2010	12/31/2009 (adjusted)	12/31/2009 (reported)
Components	21,934	17,694	17,694	67	9	9
Solutions	4,339	6,534	6,534	375	203	203
Total	26,273	24,228	24,228	442	212	212
Unassigned assets / liabilities	32,625	28,318	11,772	32,910	34,657	18,146
Consolidated sums of assets / liabilities	58,898	52,546	36,000	33,352	34,869	18,570

26.4 Other segment information

	Scheduled depreciations			Accrual to long-term assets		
	2010	2009 (adjusted)	2009 (reported)	2010	2009 (adjusted)	2009 (reported)
Components	3,612	3,346	3,346	3,962	3,244	3,244
Solutions	1,296	2,501	2,501	1,409	1,879	1,879
Not attributed scheduled depreciations / accruals long-term assets	1,296	1,146	454	981	313	313
Total	**5,435**	**6,993**	**6,301**	**6,352**	**5,436**	**5,436**

26.5 Other statements, segment-independent

Basler's customers operate all over the world. In the following statement of turnover per country, the product's country of installation is considered the target country. If the country of installation is not known, the last known country of delivery is considered.

	2010	2009
Germany	7,047	4,359
Other EU countries	12,397	7,464
America	12,302	6,505
Asia	19,280	15,369
	51,026	**33,697**

There are no major customers with whom the company generates at least 10% of its total external sales revenue.

The fixed assets of the Basler Group are held in the following countries:

	2010	2009 (adjusted)	2009
Germany	32,468	34,026	14,558
America	49	31	31
Asia	34	34	34
	32,551	**34,091**	**14,623**

27 Number of employees

The average number of employees in each functional area is shown in the table below:

	2010	2009
Production	49	60
Sales	94	103
Development	68	76
Administration	52	55
	263	**294**

Basler is strongly committed to providing a family friendly, flexible working environment. One indication of this is the high percentage of employees who work under a wide variety of part-time schemes. Expressed in terms of equivalents of full-time positions this breaks down as follows:

	2010	2009
Production	48	57
Sales	90	96
Development	65	72
Administration	45	47
	248	**272**

28 Remuneration of auditors

The remuneration paid to BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft for auditing amounted to € 124 thousand in 2010 (previous year: € 65 thousand).

29 Relations to closely affiliated persons

To assure financing, the following closely affiliated persons have made available subordinated shareholder loans to Basler AG at market conditions:

	Nominal amount [€]	Interest rate	Interest expense in 2010 [€]
Nicola-Irina Basler	800,000.00	6.0%	46,733.33
Monika Proske-Ley	160,000.00	6.0%	9,293.33
John P. Jennings	40,000.00	6.0%	2,280.00

For our disclosures relating to the Management Board and Supervisory Board, please also refer to note 30.

30 Management Board and Supervisory Board

30.1 Board of directors

In 2010, the Management Board consisted of the following members:

- Dr.-Ing. Dietmar Ley, Ahrensburg, CEO, responsible for the business units, product creation, finance, and personnel

- Dipl.-Ing (MBA) John P. Jennings, Ambler, U.S.A., Executive Director for sales and marketing

As at January 1, 2011, Mr Arndt Bake, Neustadt in Holstein, was appointed as further member of the Management Board for the product management, production, and supply chain management divisions.

30.2 Supervisory Board

In 2010, the Supervisory Board consisted of the following members:

Norbert Basler	Supervisory Board chairman Engineering graduate (Dipl.-Ing.)
Prof. Dr. Eckart Kottkamp	Supervisory Board vice-chairman Advisor
Konrad Ellegast	Regular Supervisory Board member Advisor

Additional mandates held by the Supervisory Board members in 2010, compliant with § 285 No. 10 HGB:

Norbert Basler

Member of the Supervisory Board, Kuhnke AG, Malente

Member of the Supervisory Board, Plato AG, Lübeck

Konrad Ellegast

Member of the Advisory Board,
C. Mackprang Jr. GmbH & Co. KG, Hamburg

Member of the Advisory Board,
RIBE Richard Bergner Verbindungstechnik GmbH, Schwabach

Prof. Dr. Eckart Kottkamp

Chairman of the Advisory Board,
Mackprang Holding GmbH & Co. KG, Hamburg

Chairman of the Supervisory Board,
Lloyd Fonds AG, Hamburg

Member of the Supervisory Board,
Elbphilharmonie Hamburg Bau GmbH & Co KG, Hamburg

Member of the Supervisory Board,
KROMI Logistik AG, Hamburg

30.3 Remuneration of the members of the Management Board and Supervisory Board

The total remuneration of the Management Board amounted to € 741,601.66 in the year 2010. The individual members of the Management Board received the following indirect and direct remuneration in the year 2010 (in €):

	Fixed remuneration	Performance-related remuneration for 2010	Total
Dr. Dietmar Ley	203,818.67	206,250.00	410,068.67
John P. Jennings	161,811.33	169,721.66	331,532.99

In 2009, the total remuneration of the Management Board amounted to € 382,509.40. The individual members of the Management Board received the following indirect and direct remuneration (in €):

	Fixed remuneration	Performance-related remuneration for 2009	Total
Dr. Dietmar Ley	206,905.01	–	206,905.01
John P. Jennings	175,604.39	–	175,604.39

After termination of employment and usage of the non-competition clause, the members of the Management Board receive 50 % of their fixed remuneration over that period.

The total remuneration of the members of the Supervisory Board amounted to € 39 thousand in the year 2010, like in the previous year.

30.4 Share ownership by the members of Management Board and Supervisory Board

	12/31/2010 Number of shares	12/31/2009 Number of shares
Dr. Dietmar Ley	135,282	135,282
John P. Jennings	5,500	5,500

	12/31/2010 Number of shares	12/31/2009 Number of shares
Norbert Basler	1,800,000	1,800,000
Konrad Ellegast	–	–
Prof. Dr. Eckart Kottkamp	–	–

31 Holdings index

In addition to Basler AG, the following companies are included in the group's annual balance sheet by way of full consolidation due to extant voting majorities:

Company name	Share amount in %
Basler Inc., Exton/U.S.A.	100
Basler Asia Pte. Ltd., Singapore/ Singapore	100
Basler Vision Technologies Taiwan Inc., Jhubei City/Taiwan	100

Further participating interests are not held.

32 Corporate Governance

The company has made its Declaration of Compliance with the German Corporate Governance Code which is mandatory under § 161 of the German Stock Corporation Act (AktG). The declaration was made accessible to the shareholders on the company's website at *www.baslerweb.com.*

33 Approval of the annual balance sheet

The annual balance sheet is expected to be released for publication by the Management Board on March 28, 2011.

Ahrensburg, March 11, 2011

The Management Board

Dietmar Ley	John P. Jennings	Arndt Bake
CEO	CCO	COO

AUDITOR'S OPINION

Auditor's audit opinion

We audited the consolidated financial statements of Basler Aktiengesellschaft, Ahrensburg, – consisting of balance sheet, statement of comprehensive income, profit and loss statement, statement of changes in equity, cash flow statements, and notes – and the group management report for the business year from January 1, 2010, to December 31, 2010. The preparation of the consolidated financial statements and the group management report in accordance with 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. It is our responsibility 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 § 317 HGB and the German standards of proper auditing of financial statements as established by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that incorrectnesses and infringements significantly 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.

Out 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 § 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 opportunities and risks of future development.

Lübeck, March 24, 2011

BDO AG
Wirtschaftsprüfungsgesellschaft

Beecker Auditor	Herbers Auditor

DECLARATION OF THE LEGAL REPRESENTATIVES

Declaration of the legal representatives

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

Ahrensburg, March 11, 2011

Dietmar Ley CEO	John P. Jennings CCO	Arndt Bake COO

EVENTS

EVENTS

Finance

March 31, 2011	Publication of fiscal year 2010 results
May 2, 2011	Publication of first-quarter results 2011
May 19, 2011	Shareholders' meeting, Hamburg, Germany
May 24, 2011	Investment Conference "Laser", Munich, Germany
June 21/22, 2011	HIC Investment Conference, Hamburg, Germany
August 18, 2011	Publication of second-quarter results 2011
November 10, 2011	Publication of third-quarter results 2011
November 21 – 24, 2011	Eigenkapitalforum (Equity Capital Forum), Frankfurt, Germany

Trade fairs and conferences

April 06 – 08, 2011	ISC West 2011, Las Vegas, USA
May 16 – 19, 2011	IFSEC 2011, Birmingham, UK
June 08. – 10, 2011	Exhibition on Sensing via Image Information, Yokohama, Japan
June 14 – 16, 2011	Nepcon Show Malysia, Penang, Malaysia
June 29 – July 01, 2011	Vision China, Shenzhen, China
September 19 – 21, 2011	ASIS International 2011, Orlando, FL, USA
October 26 – 28, 2011	Vision China, Beijing, China
November 03 – 04, 2011	ISC Solutions 2011, New York, NY, USA
November 08 – 10, 2011	Vision, Stuttgart, Deutschland
December 07 – 09, 2011	International Technical Exhibition on Image Technology und Equipment, Yokohama, Japan

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