2012

ANNUAL REPORT

25 Years BASLER

25 Years

BASLER

Norbert Basler Dr. Dietmar Ley

Dear Ladies and Gentlemen,

You probably know the anecdote of the bumble bee that – according to the recognized laws of physics - should not be able to fly due to its weight in proportion to the surface of its wings. But fortunately, the bumble bee is not aware of this.

When we founded our company out of a students' idea 25 years ago, the same was actually true for us: According to the recognized laws of business administration the company should never have taken off. Modest work experiences and industry skills, a founding idea that was not clearly defined and without a well elaborated business plan, an insufficient business management education and the modest starting capital of DM 2.000 – all this did not speak in favor of a successful implementation of our plan to build up a world class image processing company delivering tailor-made vision solutions.

Despite these unfavorable conditions we started successfully: After take off, we adjusted our business model several times – sometimes even drastically – and developed from the image processing systems integrator of the early days to a provider of special machines and later to a camera manufacturer. Improvised activities became a process oriented organization and a local player became a globally operating company. The equity financing that derived from students' savings and the founding family was first increased by venture capital from holding companies and then by funds from the IPO and is now financed from current revenue. Enthusiasm for technology became technological leadership and an unlimited striving for perfection became quality leadership.

We have constantly developed from an unconventional employer to a pioneer for modern corporate management focusing on people and mutual trust. The company culture has been influenced by individual outstanding personalities. So, over time, the turbulences fighting start-up finally became a profitable expanding company.

What are the reasons for developing into one of the most successful global companies in our industry? On the one hand, there is the long-term mentality and solidarity of a family business that is run with great continuity and passion on the basis of clear values. On the other hand, it is the exceptionally strong identification of all employees with the company, their courage, creativity and motivation. Reinforcing both of these elements is a company culture based on mutual trust, honesty, and transparency.

The courage to take risks in order to exploit entrepreneurial opportunities, the willingness to regularly question established practices and to perceive constant change as normal life are deeply rooted in the company's DNA. With such characteristics, it is with great confidence that we look to a future where certainties are hard to come by and conditions are changing more rapidly than ever before.

We are proud of our company, our strong team, and the achievements made during the last 25 years and look forward to continuing the Basler story on the basis of our unchanged convictions.

Norbert Basler and Dietmar Ley

N. Basler Dietmar Ley

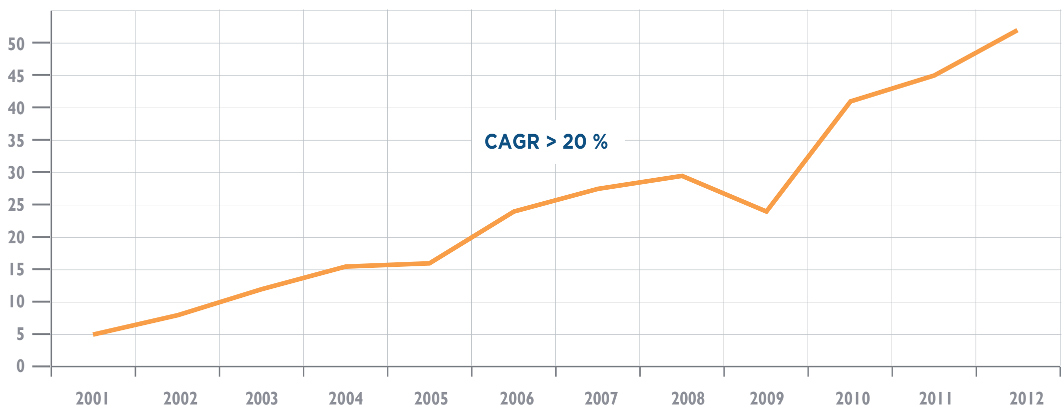
Key Figures

in € m*	2010	2011	2012	Changes to previous year
Sales revenues	51.0	55.1	55.9	1 %
Incoming orders	54.6	53.1	60.6	14 %
Gross results	22.2	24.4	26.9	10 %
Gross margin	43.5 %	44.3 %	48.1 %	4 Pp.
EBITDA	14.4	13.0	13.4	3 %
EBIT	6.7	6.8	8.3	22 %
EBT	5.0	5.6	5.6	0 %
Annual surplus	8.0	4.2	4.1	-2 %
Weighted average number of shares in units	3,500,000	3,493,162	3,372,588	-3 %
Result per share (€)	2.30	1.21	1.21	0 %
Cash flow from operational activity	11.8	13.7	12.6	-8 %
Cash flow from financing activity	-6.1	-6.8	-6.3	-7 %

in € m*	12/31/2010	12/31/2011	12/31/2012	Changes to previous year
Total assets	58.9	55.9	58.5	5 %
Long-term assets	33.6	34.2	34.5	1 %
Equity	25.5	27.0	29.6	10 %
Borrowed capital	33.4	28.9	28.9	0 %
Equity ratio	43.4 %	48.3 %	50.6 %	2 Pp.
Operating net debt	0.3	-2.4	-3.5	46 %
Working capital	12.6	12.1	12.0	-1 %
Number of employees for the fiscal year, equivalents of full-time employment	248	267	290	9 %
Share price (XETRA) in €	11.58	13.48	13.79	2 %
Number of shares in circulation	3,500,000	3,445,313	3,325,664	-3 %
Market capitalization	40.5	46.4	45.9	-1 %

*unless otherwise stated

Basler Sales Growth in the Camera Business



OUR VISION

ADVANCES IN TECHNOLOGY WILL IMPROVE THE QUALITY OF OUR LIVES.

OUR MISSION

WE GIVE TECHNOLOGY THE POWER OF SIGHT.

Contents

OUR PRODUCTS - DIGITAL CAMERAS

We Deliver Significant Innovations

Basler's product portfolio offers customers the vision industry's widest selection of industrial and network cameras. Today it includes some 300 models – and the number is still growing. Only Basler offers the complete range of line scan cameras, area scan and network cameras. Our expertise includes different sensor technologies and covers all important standard and promising emerging interfaces: Gigabit Ethernet, FireWire, Camera Link and USB 3.0. So, even if your camera needs change, your camera supplier does not have to.

We strive, above all, to make our cameras easy to use and to deliver the most favorable price/performance ratio. Our commitment to delivering real value to our customers inspired us to create the game-changing ace camera series – the first digital industrial cameras to cost less than their analog counterparts and which provide premium image quality at a convincing price. Our recently launched racer series offers the same combination of performance and cost efficiency to line scan technology, by packing higher speed and excellent image quality into an exceptionally slim and compact design.

Basler has become one of the world's three largest producers of digital industrial cameras by reinvesting in research, development and by extending our production facilities. In our in-house production facilities in Ahrensburg we are continuously learning and improving the performance of our cameras concerning image quality, reliability, reproducibility and ease of use.

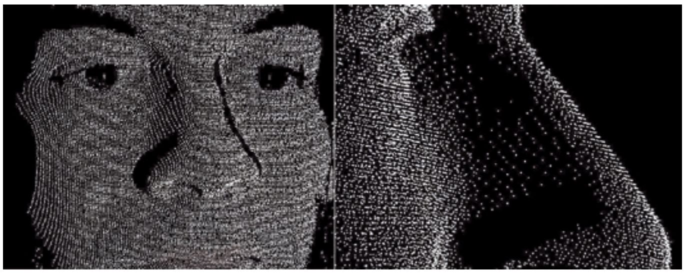
OUR MARKETS

Today, applications of modern camera technology play an important role not only in the electronics and semiconductor industries, in robotics and food controls, in postal sorting and print pattern control, but - due to technical innovation - also more prevalent and more importance in medical fields such as laboratory applications, ophthalmology and in physiotherapies. In the traffic, transportation, and surveillance sectors, cameras have always been part of the overall systems. In the beginning, they were just simple surveillance or recording devices. Nowadays, cameras are high function elements and the "optimized eye" of the system delivering high quality images even under direst conditions.

We would like to present to you some examples of use:

MEDICAL AND LIFE SCIENCE

Basler Cameras Accelerate 3D Laser Range Scanner



Nowadays, computer based tools are often used in modern surgery. 3D models of bones, organs, blood vessels, and tumors are created with the help of imaging techniques as computer tomography (CT) or magnetic resonance tomography (MRT). These 3D models are the basis for the planning and for the precise and effective execution of surgeries.

The CT or MRT image created before a surgery gives information about the condition of the affected body part. For a precise positioning of the surgical instruments it is also necessary to integrate points of reference in the model. However, this is relatively difficult for surgeries in the abdominal cavity where the organs are not located in a fixed position in relation to the bones. Therefore, during surgery a laser scanner registers and analyzes the surface of the organs. The data are then merged with the CT-/MRT data and allow a precise positioning of the operation instruments. The surgeon is able to see exactly on the screen where the instrument has to be moved without opening the organ in order to look inside.

The disadvantage of customary 3D laser scanners is the low number of images (15) that can be captured in one second. Therefore, the scanning of an organ takes approximately 30 seconds. The development of an optimized 3D laser scanner equipped with Basler high speed cameras considerably reduced the duration of a scan. The Basler cameras are able to capture images 14 times faster and provide a faster data transfer so that a scan takes only two seconds. Due to their high quality manufacturing the Basler cameras fulfill - without any problems - the strict legal requirements for technical medical products regarding safety and electromagnetic compatibility.

TRAFFIC AND TRANSPORTATION

Basler Cameras Optimize Ferry Service

Northwest of Hamburg the Elbfähre Glückstadt Wischhafen company operates the ferry traffic that connects Schleswig-Holstein and Lower Saxony. The car ferries provide an alternative to the frequently overloaded Elbe tunnel in Hamburg and are also very popular with tourists. During normal traffic hours, the ferry arrives twice an hour on each side, at peak times this is increased to three dockings per hour.

In order to enable the ferry operator to estimate as early as possible the number of vehicles that must be transported, the dock access roads were equipped with Basler cameras. They continuously monitor the traffic flow and provide information about the length of each vehicle as well as about the number of trucks. This allows the operator to sort the vehicles before loading and to direct them accordingly consuming minimum space requirements. At high traffic volumes the company can also provide current traffic news.

The Basler surveillance cameras featuring a weather- and vandal-resistant dome housing are ideal for outdoor use. They also provide high quality images in changing and / or poor lighting conditions which is necessary due to the changes in the ambient outdoor environment which is particularly emphasized by the operating compay. In addition, the low energy consumption of the Basler cameras enables them to be supplied with solar power from solar cells that were installed directly on site. Basler cameras proved to be an ideal solution for this challenging application and the unique requirements of the ferry service.

MANUFACTURING

Basler Cameras Make Tunnels Safer

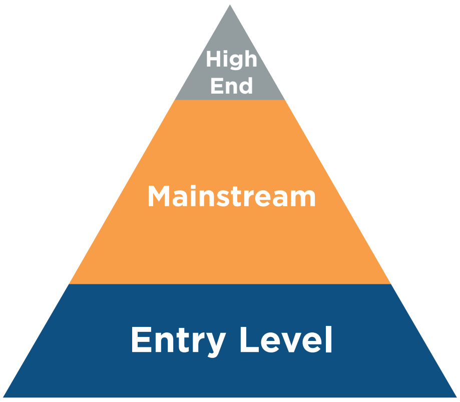
In order to assure tunnel safety, they need to be inspected on a regular basis to detect cracks, scales, spills, or corrosion. In the past, this was mostly done by tunnel personnel using mobile scaffolds. However, this procedure is very time-consuming, labor-intensive and involves the danger of overlooking these troublesome indicators or not recognizing them at an early stage.

Therefore, a Swiss engineering company developed a novel tunnel inspection system which enables economical tunnel surveillance: Ten Basler cameras mounted on a site vehicle scan the entire walls and surfaces of the tunnel and reliably detect, classify and document cracks and other defects. The system has been used successfully in the famous Swiss Gotthard Base Tunnel.

The Swiss engineering company decided on Basler cameras because they are very reliable and easy to handle. At the same time, the cameras deliver excellent image quality. Thanks to these qualities an efficient and reliable system could be developed that takes tunnel safety to a new level. The Basler cameras collect much more detailed information about the condition of the inspected tunnel, considerably increasing the system reliability. Additionally, tunnel inspection has become considerably more efficient and cost-effective due to the time savings provided by this new method.

GOALS: € 100 MILLION 300 K UNITS >15 % CAGR >10 % EBIT

THE CAMERA MARKET



BASLER´S POSITION

OUR STRATEGY

PRODUCT AND MARKET STRUCTURE

The global market for digital industrial cameras can be described as a pyramid.

This market pyramid consists of three layers, i. e. the High End layer at the top, the Mainstream layer in the middle and the Entry Level layer at the bottom.

HIGH END

The High End market segment is characterized by cameras with high performance image sensors (e. g. high speed or high resolution), high speed communication interfaces (e. g. Camera Link) and the need for large, expensive lens solutions. The unit numbers in this segment are in the ten thousands per year and are rather low compared to Mainstream and Entry Level quantities. The average sales price amounts to > € 1,500 per piece.

MAINSTREAM

The number of units in the Mainstream market segment is almost hundred thousand units per year, whereas the average sales price amounts to about € 500 per piece. With the image sensors running at lower frame rates or lower resolution, the resulting data rates are compatible with consumer interface technologies like for example Gigabit Ethernet or IEEE 1394 (FireWire) or USB. Also the lens technology is smaller and cheaper than in the High End segment.

ENTRY LEVEL

The Entry Level is the largest segment in terms of units. Today it is still dominated by analog interface technology. However, customers will increasingly change over to digital interface technologies like USB and Gigabit Ethernet due to the demand coming from the consumer market. Lens solutions will be smaller and cheaper than in Mainstream, as the camera prices are significantly lower with an average sales price of approximately € 250.

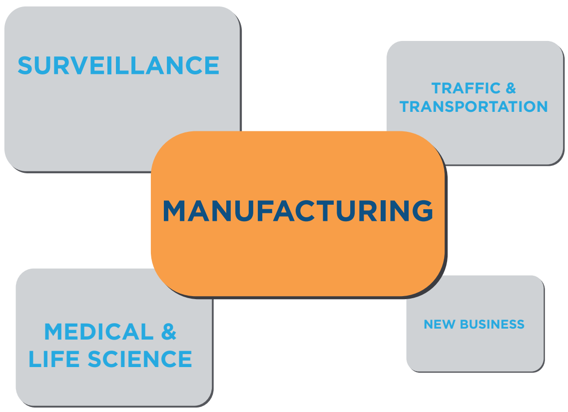
SURVEILLANCE TRAFFIC & TRANSPORTATION MEDICAL NEW BUSINESS

TARGET MARKETS

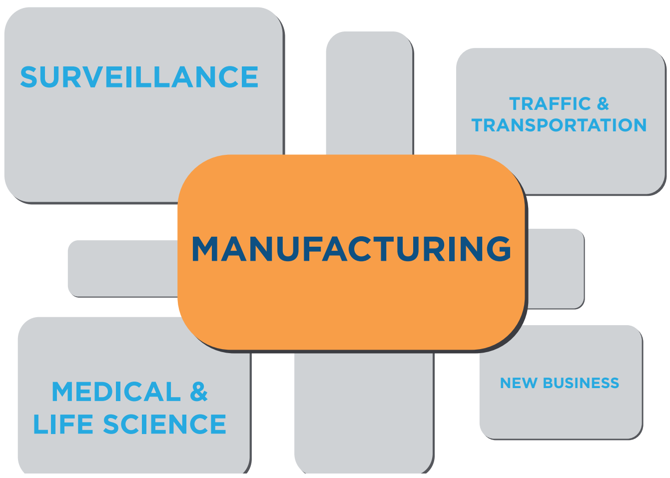
MANUFACTURING

NON MANUFACTURING

TODAY



TOMORROW



BASLER POSITION

In 1997 Basler entered the camera business with cameras for the High End segment. Over the last 15 years we have expanded our product portfolio with particular emphasis on the Mainstream segment due to the customer demand and the evolution of technology. With the introduction of the ace camera line we introduced our first product line covering the gray zone between the Mainstream and Entry Level markets. Today, Basler is the third biggest manufacturer of cameras for factory and traffic applications. In the future we will maintain our market positions in the High End segment while expanding our market position in the Mainstream and Entry Level segments.

TARGET MARKETS

The original market for our cameras is the traditional factory floor. This market remains as our largest due to the increased utilization of cameras in mass manufacturing and other factory floor applications. In addition to this, we see an exciting development in adjacent markets including medical science, traffic, point of sale, entertainment, or sports.

STRATEGIC GOALS

PREFACE BY THE MANAGEMENT BOARD

Arndt Bake Dr. Dietmar Ley John P. Jennings

Dear shareholders, employees, customers, and business partners,

After 2011, 2012 was the most successful fiscal year for Basler AG. We repeated our 2011 results for the group's sales and pre-tax earnings and showed again a stable positive free cash flow. As in the previous year, our core business with digital cameras increased in the double digit percentage range and generated more than 92 % of the group's revenues in the reporting period.

The turn of the year 2012/2013 marks the reaching of an important strategic milestone for Basler, namely the completion of the strategic re-organization towards a pure camera manufacturer begun in 2009. From 2013 on, the planned growth in the camera business will again translate into increasing group revenues for Basler AG and thus step by step will lead us to our medium-term sales target of € 100 million.

The track record of the elapsed year is the result of the outstanding performance of the entire global Basler team. The management board would therefore like to thank all employees for the progress made in 2012.

The management board also thanks all shareholders for the trustful and excellent cooperation in the course of the reporting period. The result of fiscal year 2012 enables us to let you participate for the third time in a row in the success of the company.

Economic research institutes and banks assume for 2013 that the global economy will grow by approximately 2 to 3 % as in the previous year. These forecasts are based on the assumption that the euro crisis will continue to be manageable, that the budgetary problems in the United States will be solved, and the growth in the Chinese economy will stabilize at the level of 2012. In view of these estimations the German Engineering Federation (Verband Deutscher Maschinen und Anlagenbau, VDMA) expects production in the engineering industry to grow by about 2 % in 2013. The VDMA also forecasts a sales growth of about 2 % for the German image processing industry for 2013.

After discussions with our customers and distribution partners in the fourth quarter of 2012, we agree with these estimations of the economic projections.

For our camera business we expect growth in sales to continue in 2013 keeping the momentum of the previous year. The main driver of our growth will be increasing revenues in vertical markets outside of industrial mass production, gains in market shares in important regional markets, and sales volume with new products. We expect the sales revenue for the Basler group to increase by 10 %. Due to attractive growth opportunities in the camera market we will continue to invest with unabated intensity. As far as earnings are concerned, we are assuming a solid pre-tax return between 8 and 10 % depending on the sales trend. In parallel to the increasing sale in the second half of the year the pre-tax result will be higher than in the first half of the year.

Basler AG is well prepared for the new fiscal year: Our camera business has sustainable growth potential in its traditional markets as well as in new adjacent markets. At the same time, the risk profile of our business model is rather defensive due to the large number of customers and target markets. Because of our strong brand, our modern and broad product portfolio, and our good market access, we have convincing prospects to grow faster than the market. We draw our greatest strength from our competent, experienced and flexible team, which is more than ever confident and aware of its possibilities based on the successful strategic transformation during the past years. We work together with great passion to gradually expand our business in camera markets that we currently address and those we wish to address in the future in order to achieve our sales goal of € 100 million in the coming years.

Well positioned, we look forward to the work in 2013 and to the exchange with you in the course of the fiscal year.

Ahrensburg, March 2013

The Management Board

Dr. Dietmar Ley	John P. Jennings	Arndt Bake
(CEO)	(CCO)	(COO)

REPORT OF THE SUPERVISORY BOARD

Prof. Dr. Eckart Kottkamp Norbert Basler Konrad Ellegast

Dear Ladies and Gentlemen,

In the elapsed fiscal year 2012, the supervisory board has fulfilled its incumbent obligations according to the law, the German Corporate Governance Code, the articles of incorporation and the rules of procedure of the supervisory board 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 2012, four regularly occurring supervisory board meetings took place, which all members of the supervisory board attended. The meetings were held on March 15, May 30, September 17, and December 17, 2012. Committees as set forth in § 171, Section 2, Clause 2 of the Stock Corporation Act (AktG) were not formed, due to the small 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 and passed them on accordingly to the other members of the supervisory board. 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 sales.

Significant issues in the elapsed fiscal year were inter alia:

- Consultation on and conclusion of the annual balance sheet for 2011 and the proposals for the shareholders' meeting
- Dividends for fiscal year 2011 including the proposal for the shareholders' meeting
- Economic and market-specific developments
- Situation of the relevant markets
- Advancement of the corporate strategy
- Situation of the subsidiaries
- Investments
- Corporate financing and banking relationships
- Currency hedges
- Liquidity and working capital
- Investor relations
- Extension of the share buyback program
- Corporate planning and budget for the group for fiscal year 2013
- 4-year-planning
- Effectiveness of Internal monitoring system
- Effectiveness of risk management systems (RMS)
- Commitment to and amendments of the Corporate Governance Code
- Remuneration of the management board
- Update of the company regulations
- Production concept
- Salary range scheme for employees of the Basler AG

The BDO AG Wirtschaftsprüfungsgesellschaft which was selected as annual auditor by the shareholders' meeting on May 30, 2012, was commissioned by the chairman of the supervisory board to perform the audit by a letter of November 20, 2012. The annual auditor participated in the supervisory board meeting on March 19, 2013, in which the presented annual balance sheet and the reported essential results were discussed.

The accounting, the annual balance sheet as of December 31, 2012, and the financial statements of Basler AG, along with the group's annual balance sheet as of December 31, 2012, and the management report have been audited by the auditor, the BDO AG Wirtschaftsprüfungsgesellschaft, they have been found to be compliant with the 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 management report the context of the applicable legal regulations. No objections were raised. The supervisory board approved of and therewith established the annual balance sheet for Basler AG 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. Furthermore, the supervisory board perceived on its own authority education and training measures required to perform its duties. In particular, the chairman of the supervisory board participated in a comprehensive training and development program and after passing an exam was certified as „Qualified Supervisory Board" by the Deutsche Börse AG.

The supervisory board members do not act as consultants to nor 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 affiliated 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 affiliated companies.

Camera business on course for success – good start for ambitious medium-term planning

In view of the present business environment, for the elapsed fiscal year we had expected the camera business to continue to perform well, but not to be able to entirely compensate the planned decrease in the solutions business, so that in total this would lead to rather stable or even slighty decreasing sales compared to the previous year. In fact, the company succeeded in slightly exceeding the record year 2011 by expanding our market share in the camera business more quickly than it might have been expected - maintaining consistently high profitability.

Thus, 2012 is a successful start in the implementation of the recently approved medium-term planning of the Basler AG: The sales level is expected to nearly double in the next few years. And with a share of sales of the camera business of more than 90 % of the total sales, the restructuring process of the company from a solutions provider to a product provider, from the system business to the camera business, that has lasted for more than ten years, is now successfully completed: In the future, each increase in the camera business will be shown in the total sales, and above all in the results.

According to its long-term strategy and just in time for its 25th anniversary, Basler AG thus successfully established a functioning business model offering considerable potentials for many years. All signs are pointing to growth and profitability.

Thus, 2012 was another very good year for our company. The supervisory board expressly thanks all employees, executives, and the members of the management board of Basler AG for the excellent and successful work they have accomplished in the elapsed fiscal year.

Ahrensburg, March 2013

For the Supervisory Board

Norbert Basler
Chairman of the Supervisory Board

Prof. Dr. Eckart Kottkamp
Vice Chairman of the Supervisory Board

Konrad Ellegast
Supervisory Board

Andreas Klett, Sales Manager

We provide the widest product range in the industry. Furthermore, we offer high quality cameras combining modern design and strong technologies, our long experience, and our high standards. This is an excellent situation for me as a salesperson because it allows me to offer the optimal camera to our customers that I can be proud of.

THE BASLER SHARE

In 2012, the financial markets were still characterized by the euro crisis and the continuing worries about the economic situation in the United States and in China. Nevertheless, there were no major setbacks. In the second half of the year, the German stock market was able to compensate the losses of late summer 2011 that were triggered by the fear of a breakup of the euro zone. After the European Central Bank temporarily contained the euro crisis by its decision to buy government bonds of ailing euro countries in August 2012, other stock markets re-gained momentum.

At a price of € 11.59, the Basler share started positively the fiscal year 2012. In retrospect, the remarkable increase of the share price on the last trading day of fiscal year 2011 was probably due to purchases for serving positions and thus remained temporary. In the course of the first quarter, the price of the Basler share increased to almost € 13.00. The uncertainty in the capital markets which increased again in the second quarter of 2012, led to declines in prices, particularly for small and mid cap shares. In spite of a business development that was better than expected, the Basler share price could not escape these negative influences and decreased to a level of approximately € 10.00 by the end of June. After the first raising of the sales and earnings forecast, the Basler share recovered in the third quarter achieving a price of somewhat above € 11.00, before it slightly decreased again towards the end of the reporting period.

After the company had raised its sales and earnings forecast for the second time in October, the interest in the share significantly increased again. In the wake of strong trading in December and an annual high of € 14.40, the Basler share emerged from trading at a price of € 13.79 at the reporting date. This corresponds to a price increase of almost 19 % compared to the beginning of the fiscal year.

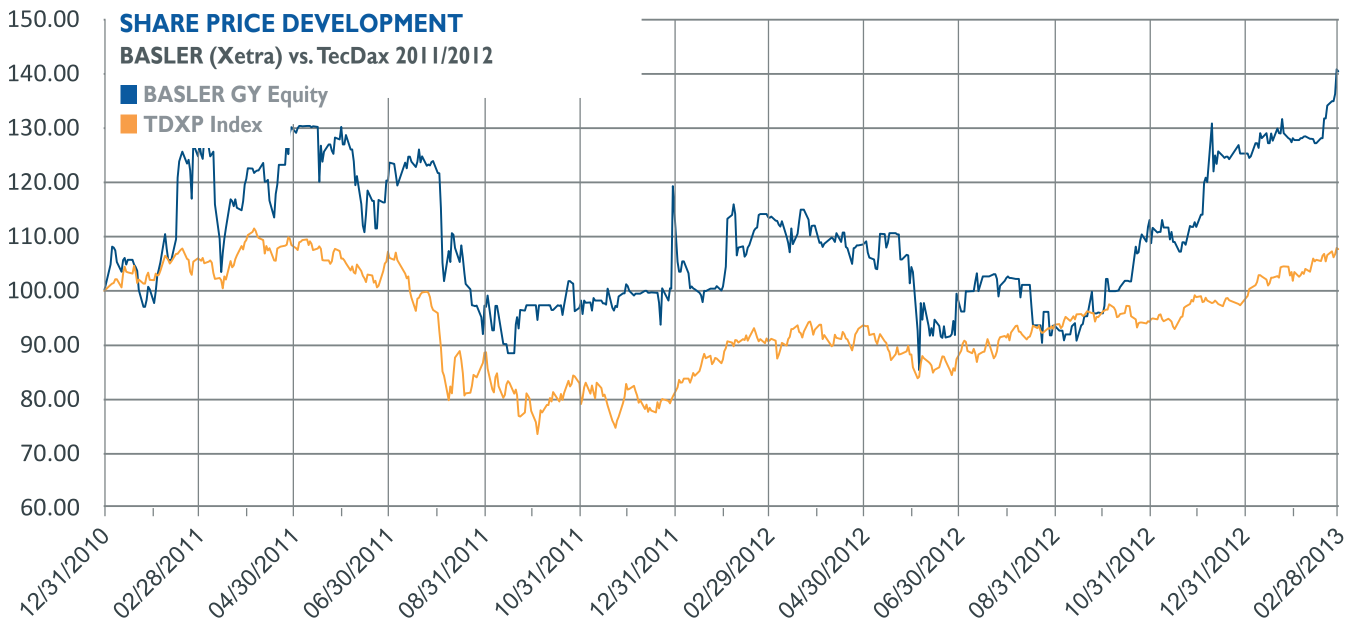
General Meeting

The general meeting took place in the Hamburg Chamber of Commerce on May 30, 2012. The investors present were given an extensive company presentation by the management board informing them about the current situation of the company and the strategic alignment. After the general debate the various items were approved by more than 99 % of the voters present.

Share Buyback Program

The general meeting of May 18, 2010, authorized the company to buy back own shares amounting to a total of up to 10 % of the share capital of the corporation existing at the time the resolution was adopted. The authorization is approved through May 18, 2015. The shares can be used for all purposes provided for in the authorization of the general meeting of May 18, 2010.

Due to the share price reached in September 2011, on September 22, 2011, the management board decided to buy back shares with an equivalent of € 1 million via the stock market and to have them available for the future acquisition of companies. This program was completed at the beginning of April 2012.



Due to a continuously favorable price of the Basler share in spring 2012, the management board decided in mid-March 2012 to buy back further shares with an equivalent of € 1 million. This second program was completed at the end of July 2012. At the reporting date, 174,336 pieces of own shares were held by Basler AG.

Dividend and Appropriation of Earnings

Due to the positive business development in fiscal year 2012, Basler AG has decided to propose to this year's general meeting to pay a dividend.

Our dividend strategy provides for a combination of a reliable base dividend, to be paid independently 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 2013 to pay a dividend for the fiscal year 2012 of 30 Cents per share consisting of a base dividend of 20 Cents per share and an additional dividend of 10 Cents per share.

Communication

Continuous and open communication with all capital market participants is very important to Basler AG. Therefore, we place great value upon the direct contact between analysts, investors, and private shareholders and the management as well as the investor relations team. We communicate with institutional investors in the frame of conference calls, individual conversations, at roadshows, and at capital market conferences. It is during the general meeting, at smaller conferences, as well as in personal discussions where we inform private investors about the development of Basler AG.

In the elapsed fiscal year, Basler AG participated in four roadshows, four capital market conferences, and organized an own capital market day at the beginning of November.

For investor relations work to be efficient and appropriate for our target group, in 2012 we concentrated on acquiring new investors pursuing a long-term strategy focusing on small capital values like Basler AG which are comfortable with correspondingly limited trade volumes. Due to this changed strategy, the quality of our investors' meetings considerably improved, so that in 2012 we attracted more new investors than in the previous years. After these positive experiences made in the elapsed fiscal year, we will continue this strategy in 2013.

In the previous year, the analysts of Warburg Research and Close Brothers Seydler Research AG prepared studies about Basler AG (two in the preceding year). You can find the current recommendations via www.baslerweb.com/share in the Share >> Analyst recommendations section.

In addition to this, we offer comprehensive information in the internet via www.baslerweb.com/Investors, where you can find our quarterly reports, half year reports and annual financial reports, analyst presentations and press releases, as well as the financial calendar for the current year showing all important publication dates and the date of the general meeting (please see also → financial calendar on page 67).

Contact Details

For questions about our company or the Basler share, please contact our investor relations department:

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Fax ++49 4102 463 108
ir@baslerweb.com
www.baslerweb.com/Investors

Regular Information

If you want to receive information about our company regularly, please contact our investor relations department www.baslerweb.com/Investors.

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

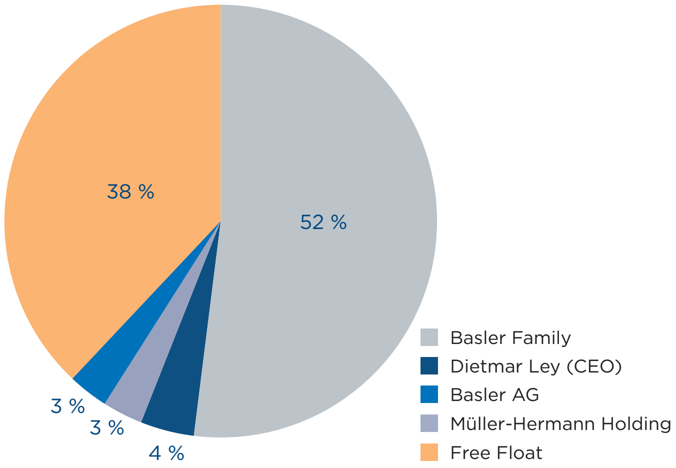
Member of the following indices: CDax, Prime AllShare,

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 Germany and regularly earns top ranks by Deutsche Börse.

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

Shareholder Structure



Share Price Key Figures

	2012	2011	2010	2009
Market capitalization in € million (as of 12/31)	45.9	46.4	40.5	22.7
Annual closing price in € (as of 12/31)	13.79	13.48	11.58	6.49
Year high in €	14.40	14.73	12.15	6.80
Year low in €	9.40	10.00	5.41	4.22
Annual development	+2 %	+16 %	+78 %	+16 %

DECLARATION OF CONFORMITY 2012 WITH THE CORPORATE GOVERNANCE CODE PURSUANT TO § 161 OF THE GERMAN STOCK CORPORATION ACT (AKTIENGESETZ - AKTG)

The management board and the supervisory board declare that in the elapsed fiscal year 2012 Basler AG complied with the recommendations for conduct as amended on May 15, 2012 by the „Government Commission of the German Corporate Governance Code“ (hereinafter called „code“) with the following exceptions:

Clause 3.8, Paragraph 3 - D&O Insurance Deductible for the Supervisory Board

Clause 3.8, paragraph 3, of the code sets forth that an appropriate deductible should be stipulated when the company takes out a D&O insurance policy for the supervisory board. The D&O insurance coverage for the management board comprises a deductible according to statutory provisions. However, the insurance policy does not provide for a deductible for the members of the supervisory board. The management board and the supervisory board are convinced that responsible action is a self-evident obligation for all members of the company‘s executive bodies. Therefore, a deductible for the members of the supervisory board is not necessary.

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 align itself to all necessary 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 state specific pertinent goals in these areas.

Ahrensburg, March 19, 2013

Dr. Dietmar Ley
CEO

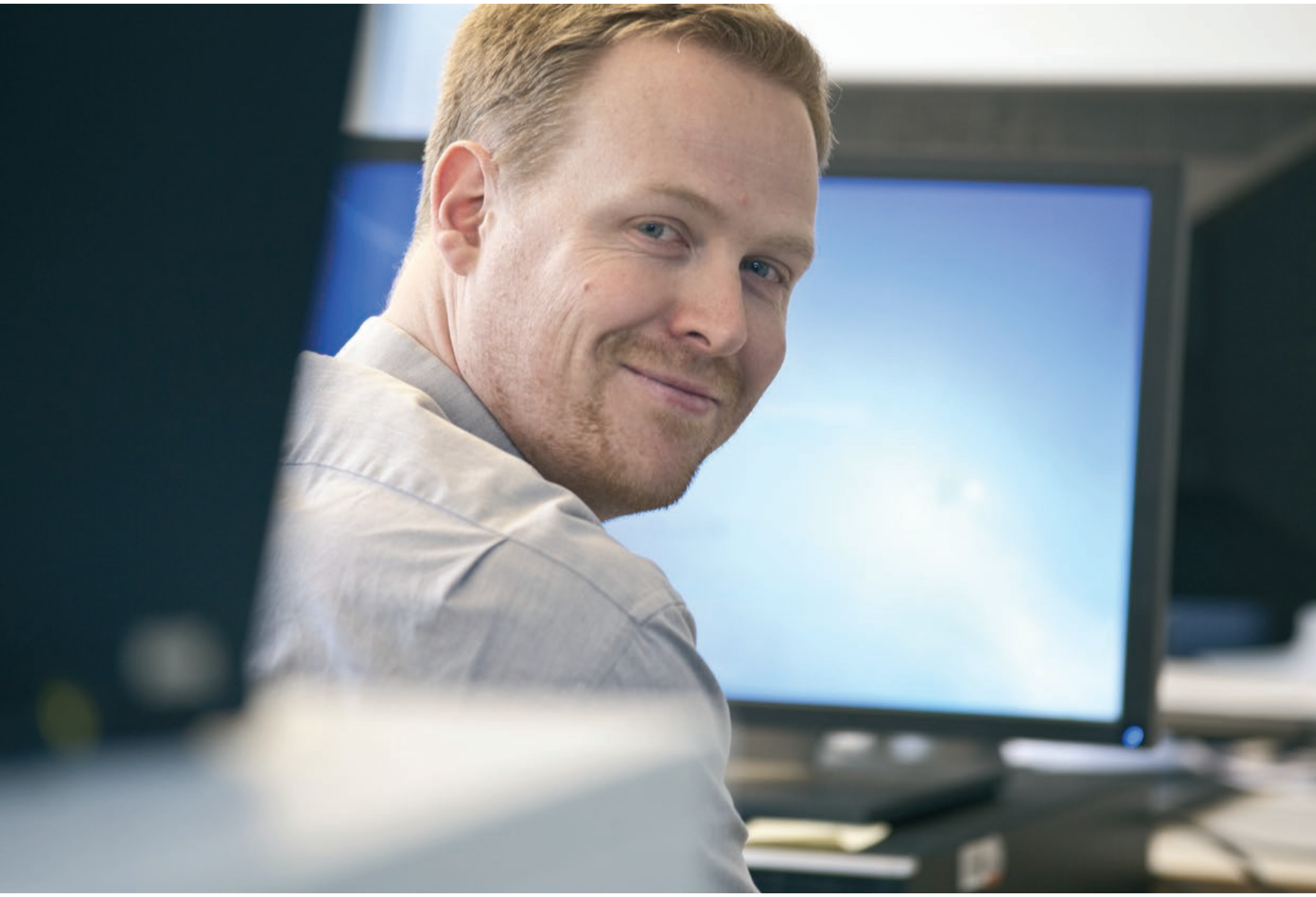
Norbert Basler
Chairman of the Supervisory Board

John P. Jennings
CCO

Prof. Dr. Eckart Kottkamp
Vice Chairman of the Supervisory Board

Arndt Bake
COO

Konrad Ellegast
Supervisory Board



Björn Weber, Product Manager

For me as a product manager it is fun to participate in the shaping of our innovations. I can contribute with my work to optimizing our products in order to fully meet our customers' requirements. We concentrate our efforts on image quality, reliability, and ease of use. Furthermore, we always strive for the best possible price performance ratio.

CONSOLIDATED FINANCIAL STATEMENT

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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 applications in industrial mass production, traffic, medical technology, and video surveillance. Today, Basler cameras are recognized on the market for innovative technology, excellent image quality, and a high level of reliability. Basler ranks among the three leading global manufacturers of cameras for industrial mass production. In the Gigabit Ethernet camera market segment that has been the fastest growing segment since 2008, Basler is the global market leader. Our target customers are national and international manufacturers of industrial goods (OEM customers), who integrate our cameras into their own products.

The headquarter of Basler AG is located in Ahrensburg near Hamburg (Germany). The company has subsidiaries in Singapore, Taiwan, and the USA and own sales and service offices in Japan and South Korea. In parallel to its own sales organization, Basler maintains a worldwide network of sales partners. Development and manufacturing are exclusively carried out in the German headquarters. Sales and services are performed in all locations of the group and of its distributors.

1.2 Business development

1.2.1 Economic environment

According to available figures , in 2012 the global economy experienced growth of approximately 2.5 % compared to 2011 and thus grew slightly stronger than expected one year ago. Nevertheless, it still should be noted that the positive trends of the first half year lost momentum in the last two quarters. During autumn, recessive forces in Japan and Europe increased again, so that the start of 2013 is weaker than forecasted one year ago.

Despite the strong turbulences in the southern European countries, the German economy grew by approximately 1 %, however, with diminishing momentum in the course of the year. The economic performance throughout the euro zone decreased by 0.4 % compared to 2011, and thus developed slightly less negative than it had been feared despite the harsh austerity programs in the southern European countries. Also the British economy slightly shrunk again in 2012. Nevertheless, Europe as a whole could realize a slight growth of 0.2 %, due to the sound economies in Germany, Sweden, and Switzerland.

The economy in the USA developed better than expected. The reasons for this were the real estate market that for the first time slightly increased again after a four year period of weakness and private consumption that gained some momentum due to the increasing number of new jobs.

In 2012, China was again the growth engine of the global economy, with an economic growth of approximately 7.7 % which is behind the previous year's figure and behind economists' estimations.

1.2.2 Macroeconomic and sector situation

In its December 2012 prognoses, the German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau - VDMA) estimated production growth of 2 % for the German machinery and plant construction industry in 2013. The German Engineering Federation assumes for the German image processing industry stagnating sales compared to the previous year, after having expected increases of about 5 % at the beginning of the year.

1.2.3 Business development

In the fiscal year 2012, Basler realized sales revenues of € 55.9 million and earnings before taxes of € 5.6 million and confirmed the results of the record year 2011. We thus fulfilled our sales and earnings forecast, which was raised most recently in November 2012, at the upper end.

In the core business with digital cameras we set new records regarding incoming orders, sales, and earnings. As we expected at the beginning of the year, our sales revenues from surface inspection solutions halved in 2012. The fact that we could fully compensate this decrease in an economically unstable environment reflects the sustainable potential for growth of our core business with digital cameras. Thus, once more the decision that was taken in 2009 to focus the company on cameras appears sound. Three years after this decision, cameras constitute almost 93 % of the group's sales.

Thus, in fiscal year 2012, Basler virtually completed the transformation to a pure camera manufacturer.
In 2012, the group's sales amounted to € 55.9 million (previous year: € 55.1 million, +1 %). In view of the economic risks that existed at the end of 2011, we assumed in our planning that our sales would rather be restrained in the first half year. From the very start of the year 2012 on, we continued the positive sales trend of the previous year and raised our sales and earnings forecast twice in the course of the year. In the elapsed fiscal year, the camera business generated sales of € 51.6 million and thus exceeded the previous year's record figure of € 46.1 million by 12 %. The growth was driven by our ace product line, in the wake of which the share of sales of Gigabit Ethernet cameras further increased. Until today, the ace camera series has been our most successful product in the market and we think that meanwhile it marks a de facto standard in the Gigabit Ethernet camera segment. The strong demand for the ace camera series from customers worldwide considerably contributed to an increase of the annual production output by 31 % in 2012 reaching a new record level of almost 100,000 units. Our business with network cameras also developed very successfully. These cameras are primarily used for applications in the video surveillance and traffic sectors. Here, sales revenues increased by more than 50 % compared to the previous year.

With earnings before taxes (EBT) of € 5.6 million (2011: € 5.6 million) and a pre-tax return of 10.0 % (2011: 10.2 %), on the earnings side we clearly exceeded our target (EBT margin between 6 und 8 %) set at the beginning of the year. The earnings forecast (EBT margin between 9 and 10 %) that was raised most recently in November 2012 is fully achieved. Despite the economic uncertainties that continued in 2012 and the setback in the surface inspection business, we thus move along our strategic path providing for a pre-tax return within a corridor between 9 and 10 % in normal years.

The group's annual surplus summed up to € 4.1 million (2011: € 4.2 million; -2 %).

The operating cash flow amounted to € 12.6 million (previous year: € 13.7 million, -8 %). After deduction of the investing cash flow a positive free cash flow of € 6.3 million resulted (2011: € 6.9 million, -9 %).

As in the previous year, in 2012 we made good progress in optimizing our financing. The medium-term loan liabilities that existed at the end of 2011 in the amount of € 4.5 million were reduced to a value of € 2.3 million until the reporting date. Due to the favorable situation in the interest rate market and our good credit rating, at the end of 2012 we took out new medium-term loans at low interest rates amounting to € 2.4 million in order to finance our planned growth . On December 31, 2012, the operative net cash position amounted to € 3.5 million (previous year: € 2.4 million; +46 %). Liquidity summed up to € 8.2 million at the end of the reporting period (previous year: € 7.4 million; +11 %).

At the end of the fiscal year, the equity ratio amounted to 50.6 % (2011: 48.3 %, +2.3 percentage points).

1.2.4 Personnel

Basler gives special attention to a family friendly and flexible working environment. The reconciliation of work and family life became an important factor of satisfaction for our employees in the past years. For potential employees it is an important point when searching for a new employer. We, therefore, had our company audited in 2011 by the Hertie Foundation within the „Work and Family“ initiative. First, the current status of measures offered by Basler for improving the balance between work and family life was analyzed. Furthermore, we systematically identified our company‘s specific potential for development in eight fields of action and developed an appropriate package of measures which are now part of the personnel strategy at Basler AG. Due to our previously implemented measures for reconciling work and family life and to activities planned for the future we obtained in December 2011 the „Familienfreundliches Unternehmen“, (Family-friendly Company) certificate. In order to be able to offer to our employees a broad range of services in this sector, the company together with other regional companies established a foundation in 2012 for the supply of services for reconciling work and family life. The following services are already available:

- Emergency care in case of unpredictable drop out of regular child care
- Child care during special working hours, as for example for children of part time employees participating in an all-day training or meeting
- Childcare during school holidays

For 2013 further services have been planned and set up, as for example a separate room in the Basler company building for care services in emergency cases and during special working hours.

The number of equivalents of full-time employment at Basler was 290 on average in the reporting year 2012 (previous year: 267; +9 %). The annual average number of employees at Basler was 310 (previous year: 286; +8 %), of whom 80 (previous year: 65) were on fixed-term contracts or on part-time contracts.

In the elapsed fiscal year, the fluctuation amounted to 1 % (previous year: 3 %).

The staff structure according to functions of the Basler group has been as follows in the course of the year (all figures are average full-time equivalents):

	2012	2011
Production	60	52
Sales	86	92
Development	81	71
Administration	63	52
	290	**267**

At the end of the year a total of 17 (previous year: 13) trainees in technical and commercial professions as well as business school students were employed at Basler, one of them as a part time trainee. This corresponds to a proportion of trainees and students of 5.4 % (previous year 4.9 %). After the increase of the number of trainees in 2012, in 2013 the company will offer additional new apprenticed professions.

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

	2012	2011
Ahrensburg (Germany)	287	254
Exton, PA (U.S.A.)	15	18
Jhubei City (Taiwan)	9	9
Singapore (Singapore)	12	8
Seoul, Cheonan (South Korea)	4	4
Yokohama (Japan)	0	1

For many years, managers and employees at Basler have agreed on short-term, medium-term, and long-term develoment objectives in annual employee development reviews. On the basis of these reviews, the skills of our employees are updated and extended via instruction, seminars, on the job trainings, and supported self-study. We believe strongly in cooperative transfer of knowledge and competence by professionally and highly qualified own employees. The implementation level of the highly prioritized employees‘ development measures is a strategic objective in the balanced scorecard of the company. We measure the progress that was made in all departments once a year.

1.3 Asset situation

The total assets of the Basler group increased in the reporting year to € 58.5 million (previous year: € 55.9 million). The group‘s fixed assets increased by 4% to € 34.4 million (previous year: € 33.2 million). The reason for this was a decrease in investments to € 6.3 million (previous year € 6.8 million) while depreciations decreased even stronger to € 5.0 million (previous year € 6.2 million). The group‘s fixed assets mainly consist of the capitalized development costs of € 12.5 million (previous year: € 11.0 million) and the company building from finance lease of € 17.4 million (previous year: € 18.1 million). The long-term assets account for 59.0 % (previous year: 61.1 %) of the total assets.

The emphasis of the investment activity in fiscal year 2012 was on the further development and expansion of the product portfolio. In the fiscal year, € 4.5 million (previous year: € 5.3 million) were invested in own development.

The investment in tangible assets amounted to € 1.3 million in 2012 (previous year: € 1.0 million). The largest proportions of the amount were allotted to production tools and communications infrastructure. In addition, software and other intangible assets as well as financial assets were acquired amounting to a total of € 0.5 million (previous year: € 0.5 million).

The short-term assets increased by 10 % to € 24.0 million after amounting to € 21.8 million in the previous year. As a result inventories decreased by € 0.3 million or respectively -4 % to € 7.6 million, the inventory turnover was at 2.4 (previous year 2.5).

Despite the increase of the balance sheet total the equity ratio improved from 48.3 % as at December 31, 2011, to 50.6 % as at December 31, 2012. Furthermore, the equity decreased due to the dividend distributed in the reporting year (€ 1.0 million).

The long-term debts relate mostly to bank debt of € 3.3 million (previous year: € 2.3 million) and to liabilities from finance lease of € 14.1 million (previous year: € 15.3 million). The short-term debts slightly decreased to € 11.0 million (previous year: € 11.2 million; %). 85.7 % of the long-term assets are covered by equity (previous year 79.1 %).

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 capital. The long-term assets of the Basler group are completely financed by equity, as well as by non-current liabilities, 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.

The cash flow developed in line with expectations. The cash flow from operational activity decreased by 8 % to € 12.6 million after amounting to € 13.7 million in the previous year. The working capital (receivables + inventories less liabilities from deliveries and services and advance payments received) slightly decreased again by 1 %, the fixed capital (working capital plus long-term assets without deferred taxes) amounted to € 46.4 million (previous year € 45.3 million).

Due to cautious reduction of investment projects the cash outflow from investment activity decreased by 7 % to € 6.3 million after amounting to € 6.8 million in the previous year.

Cash flow from financing activity developed in fiscal year 2012 as follows: A total of € 2.2 million of ERP funds and € 0.5 million of special loans were paid back. In order to optimize the financing structure, contracts were concluded ensuring new loans from the ERP Innovation Programme of the Kreditanstalt für Wiederaufbau (KfW) amounting to a total of € 10.0 million of which an amount of € 2.4 million was taken out in December.

Finance lease liabilities were reduced by € 1.2 million. In addition, in the reporting period an amount of € 1.4 million was paid for the acquisition of own shares as well as an amount of € 1.0 million for the distribution of a dividend. Hence, after taking into account interest payments of € 1.6 million, an overall cash outflow of € 5.5 million resulted from financing activity, after an outflow of € 8.6 million in the previous year. Liquid assets increase by a total of € 0.8 million and amount to € 8.2 million (previous year: € 7.4 million) at the reporting date.

As at December 31, 2012, Basler had access to a total of unused credit lines amounting to € 2.5 million.

1.5 Profit situation

In fiscal year 2012, the sales revenues increased to € 55.9 million compared to € 55.1 million in 2011 and thus developed better than originally planned.

The gross results from sales increased disproportionately by 10 % to € 26.9 million after € 24.4 million. The gross profit margin (ratio of gross results to sales revenue) increased by 4.0 percentage points from 44.2 % in 2011 to 48.2 % in 2012.

The other operational profits of € 2.5 million nearly remained on the previous year's level (previous year: € 2.6 million).

The sales and marketing cost, the general administrative expenses, and the other expense increased as a whole by € 1.0 million to € 21.1 million. The unscheduled depreciation on development costs shown under other expenses amounted to € 0.05 million in the reporting year (previous year: € 0.6 million).

The operating results improved significantly by 22 % to € 8.3 million.

The financial result includes largely the interest paid for bank debt and for lease liabilities amounting to € 1.1 million (previous year: € 1.2 million) as well as the negative mark-to-market valuation of derivative financial instruments amounting to € 1.5 million for which no hedging relationship according to IFRS could be proven.

In the fiscal year, the earnings before taxes of € 5.6 million remained on the same level as in 2011. The tax expenses amounted to € 1.5 million (previous year: € 1.4 million). The annual surplus amounted to € 4.1 million (previous year: € 4.2 million). The earnings before taxes, interest, and depreciations (EBITDA) increased by 3 % to € 13.4 million (previous year: € 13.0 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.

1.6 Report on forecast and opportunities

Economic research institutes and banks assume in their forecasts for 2013 a moderate growth of the global economy by about 2 to 3 %. This is based on the assumptions that in the course of 2013 the euro crisis will not worsen after the European Central Bank's decision to buy government bonds in late summer 2012, that the political parties in the USA will find a common position for solving their budgetary crisis at the beginning of the year, and that the growth rate of the Chinese economy will stabilize at the level of 2012.

The German Engineering Federation (Verband Deutscher Maschinen und Anlagenbau, VDMA) expects production in the German engineering industry to grow by about 2 % in 2013. The growth rate shown in 2012 would thus be continued on the same level. The VDMA also forecasts a growth of about 2 % for the German image processing industry for 2013. After the year of stagnation 2012 this means a slight increase.

The management board of Basler AG agrees with these estimations taking them into account in the planning for fiscal year 2013.

For our camera business we expect increasing revenues and a growing market share in 2013. These estimations are based on the assumption that we can reach more customers in regional and vertical markets than in the previous year due to a broadened product portfolio and a larger sales organisation. So, for example, the start to series production of our USB3-based ace cameras as well as of our new racer product family of line scan cameras will contribute to increasing revenues in 2013. Also for our BIP2 camera line we expect again increasing sales due to a customer base grown in 2012.

As far as the distribution of revenues over the forthcoming year is concerned, we assume demand to increase in the second quarter of 2013 after incoming orders had slightly decreased towards the end of the year 2012. In this respect, we expect sales in the second half year to be higher than in the first two quarters. The continuously decreasing solutions business with its marginal volumes will no longer play an important role for the development of the groups sales and the continuing upward trend in the camera business will be reflected in increasing group revenues for the first time in recent years.

In 2013, we expect for the Basler group an increase of the sales revenue of about 10 %. Due to attractive growth opportunities in the camera market we will continue to invest with unabated intensity. As far as earnings are concerned, we are assuming a solid pre-tax return between 8 % and 10 % depending on the sales trend. In parallel to the increasing sales in the course of the year, in the second half year pre-tax earnings will be higher than in the first half year.

For fiscal year 2014, we expect a continuation of the macroeconomic upswing expected for 2013. In this context, equipment investments in all regional markets will increase and will thus favorably influence the sales trend. Additionally, we are planning for increasing market shares for industrial and network cameras. We will accompany the growth in sales anticipated for 2014 with investments in expanding the functions of sales, marketing, research and development, as well as production. We expect the company's profit situation to develop slightly positive compared to 2013 due to the significant investments. Based on the current planning, the liquid assets available to the Basler group will suffice for financing growth until the end of 2014 and beyond.

2 Supplementary report

There are no relevent events to report after the reporting date.

3 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.

3.1 Risk management system

3.1.1 Internal monitoring system

The central issue of our internal monitoring is a meaningful and strict separation of functions guaranteed by a continuous dual control (four-eyes-principle). This is ensured by the organizational structure, job specifications, and processes. They are defined in our certified quality management manual as well as in complementary guidelines and are 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 follow-up, these opportunities are systematized, confronted with corresponding risks, and finally assessed.

3.1.2 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 results a systematic definition of long-term and short-term business objectives 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.

3.1.3 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.

3.1.4 Essential characteristics of the internal control and risk management system with regard to the group accounting process (§ 289 paragraph 5, German Commercial Code, HGB - Handelsgesetzbuch)

The management board of Basler AG is responsible for the preparation and accuracy of the consolidated financial statements as well as for the consolidated management report. This is guaranteed by including the accounting processes of Basler AG in the quality management system which is valid for the entire group and, if necessary, by clarifying guidelines. As such, they are regularly audited internally and externally 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 that includes a firm authorization concept where all individual financial statements of the Basler group are prepared in accordance with group-wide standards. If included companies prepare individual financial statements according to other accounting standards, the group-wide standards for commercial financial statements II apply, which are processed centrally in group accounting.

The accounting principles as well as controls to monitor process and data quality for an automated preparation of financial statements are stored in this system.

The closing processes are completely automated wherever possible and are governed by appropriate computer based workflows. The completeness and correctness of accounting data are regularly reviewed by sampling inspections, and plausibility checks, by manual control supported by the software used.

Within its activity the supervisory board of Basler AG regularly addresses key aspects of accounting, risk management, as well as audit assignments and key audit areas.

3.2 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 camera 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 camera market as far as they are related to declining equipment investment. For 2013, we expect environment risks to remain unchanged compared to 2012. Risks should be emphasized with regard to a possible tightening of the euro crisis, a weakening of the economy in China, as well as a tightening of the budgetary crisis in the USA.

Basler AG's strategic focusing on the camera business that was completed in the fiscal year 2012 resulted in a very balanced sales structure regarding vertical markets and customers. The increasing proportion of sales of customers from outside industrial mass production improves the risk structure of sales and increases the stability of our business model. Although broadly diversified activities also experience declines in sales in times of economic crisis, they are less strongly affected than businesses depending on cyclic less diversified industries.

The intensity of competition in the camera market continued to be high in the year just ended. The expenses for sales, research and development, and production increased in 2012 and thus take this fact into account.

The consolidation of the camera sector that is characterized by small and medium-sized companies has continued in 2012. Due to the rising competitive pressure, this process is assumed to continue in the year 2013. Given the current shareholder structure, a hostile takeover of Basler AG can almost be excluded. The shareholder structure is nonetheless constantly checked for changes.

3.3 Operating risks

In a high growth company, the availability of current and new knowledge plays a particular role. Therefore, 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. For this, 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.

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 since 2010 according to DIN ISO 9000/2008 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 are registered and protected trademarks and are therewith protected against illegitimate use.

3.4 Financial risks

3.4.1 Price risk

The Basler group, being of a medium-sized group of companies, is not capable of opposing long-term currency trends and market price developments. 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 in product developments.

3.4.2 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.

3.4.3 Currency and interest rate 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, 2012, four forward contracts (previous year: seven) existed amounting to a total of USD 3.2 million (previous year: USD 5.1 million). The average amount of hedged funds of USD amounted to USD 4.3 million in fiscal year 2012 (previous year: USD 4.6 million) at an average maturity of 140 days (previous year: 129 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 longer-term hedging of expected sales revenues against negative developments of currency exchange rates of the US dollar relative to the euro. As at December 31, 2012, one forward contract existed amounting to a total of USD 3.0 million and maturing no later than March 27, 2013.

3.4.4 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. Usually, 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 only small 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.

3.4.5 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.

3.5 Strategic risks

Basler concentrates on developing the market for digital cameras for applications in industry, traffic, medicine, and video surveillance. Superseding technologies for cameras are not in sight. The risks regarding business strategy can therefore still be considered 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 and its functional areas. 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.

3.6 Overall statement

The Basler AG keeps a risk management system for appropriately dealing with the risks relevant to our company. We check the structure of the risk management system once a year in order to be able to respond promptly to changed risk situations and to new legislation. In the course of 2012, the main focus of activities was on the expansion of the internal monitoring system.

Current economic forecasts of the leading economic research institutes, industrial associations, and banks assume that the economic situation for 2013 will likely be similar to the one in 2012 and that the global economy will grow by approximately 2 % provided that a tightening of the euro crisis will not occur, that the economic growth in China will be on the same level as in 2012, and that the budgetary crisis in the USA will come to an end. In the course of the first half year, demand is likely to be weaker than in the third and fourth quarter. Our strategic positioning shows a low dependency on individual customers and industries. A major part of our investment in new markets and products aims at gradually increasing the proportions of sales in new markets outside of industrial mass production 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 and which are not described in the situation report.

4 Research and development report

The expense for research and development (R&D; personnel expenditures, depreciation, and other operational expense as well as directly attributable indirect costs) increased from € 7.1 million in 2011 to € 8.3 million in 2012. Relative to sales, the expenses for research and development increased from 12.9 % to 14.8 %.

In fiscal year 2012, one focus of the research and development activities was on the integration of the USB3 technology in our ace product line. A large part of the camera electronics had to be redeveloped, the internal camera software and the pylon PC drive package had to be expanded, and a new camera body had to be designed whose dimensions are again smaller than those of the ace GigE camera model. Another important project was the completion of the ace high speed models. Finally, in the course of the year the development of the different members of the new racer line scan camera model range was pushed forward and the first product variants were made ready for series production. We considerably extended the range of features of the internal camera software of our BIP2 network camera product line and completed the camera hardware by a feature that allows a local storage of image data. During the entire fiscal year, additional image sensors were integrated in the existing product lines in order to be able to offer to our customers sensor technology that is new on the market.

By the end of fiscal year 2012, Basler AG was the owner of 30 patents and patent applications in 21 patent families. Of these, 17 patents were granted (previous year: 14) and 13 patents were in the process of application (previous year: 17). Besides this, Basler AG was owner of one utility model, 25 trade names and three registered designs (previous year: 1/17/3). Furthermore, four trade names are already in the process of application.

5. Remuneration report

5.1 Remuneration of the Management Board

The following statements regarding the remuneration of the management board are statements for the notes provided by law 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.

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. 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.

5.1.1 Own requirements on the remuneration system

The remuneration system for the management board is intended to address the following aspects:

- Long-term perspective,
- Profitability,
- Growth,
- Equity strength,
- Performance orientation,
- Efficiency of implementation,
- Transparency for all parties concerned.

This results in the following requirements on the remuneration system:

- Individual and adequate remuneration,
- Focus on sustainable corporate development,
- Breakdown into fixed and variable components,
- Multi-year assessment basis,
- Consideration of positive and negative developments,
- Avoidance of disincentives with regard to unreasonable risks,
- Relevant and ambitious targets and key figures,
- Exclusion of subsequent changes of performance targets,

- Limitation of variable remuneration,
- Supervisory board shall be enabled to react to extraordinary developments.

5.1.2 Structure of the remuneration system (only monetary salary components)

An individual target salary is agreed upon with each member of the management board at the time of conclusion and /or amendment of a contract. The amount of the target salary depends inter alia on the following:

- Duties and responsibilities,
- Performance,
- Market conditions,
- Economic situation of the company,
- Success and outlook of the company,
- External peer groups,
- Internal remuneration structure.

For all members of the management board the same percentage of the salary target is defined representing the basis for calculating the variable remuneration. The amount of the variable component considers the previous and other regulations of the company, customary market conditions and the recommendations of the Corporate Governance Code.

The variable component for all members of the management board at Basler AG is set at 25 % of the target salary.

5.1.3 Performance indicators

The strategic goal of a highly profitable high-growth company and our fundamental decision in favor of high-equity corporate financing lead to measuring the corporate success in terms of profitability and growth. Earnings before taxes (EBT) in relation to sales are considered as a suitable indicator for profitability.

$$\text{Profitability} = \frac{\text{EBT}}{\text{Sales}}$$

The percentage increase of the sales revenues compared to the previous year is considered as a suitable indicator for growth.

$$\text{Growth in sales} = \frac{\text{Current Sales}}{\text{Previous year's sales}} - 1$$

5.1.4 Targets

At the beginnung of each fiscal year expected values are agreed upon as targets for both indicators. The profitability target is based on the long-term profit expectation and is supposed to show high continuity over the years. The sales expectations also take into account medium and shorter-term influences and will thus fluctuate more strongly from year to year.

At the beginning of each fiscal year tolerance ranges for both indicators are agreed upon describing the scope of normal business activity. The lower benchmark figure of the tolerance shall mark the transition from a basically satisfactory result to an unsatisfactory result. Vice versa, the upper benchmark figure marks the dividing line between good and very good performance.

The level of target achievement is determined by linear functions concerning profitability and growth. These functions will each show 100 % target achievement if the values for profitability and growth specified after conclusion of the annual financial statements exactly correspond to the expected values. The functions will show 0 % target achievement if the actual values fall below the expected values by an amount equalling the width of the tolerance. The functions will become negative if the downward deviations are even more pronounced.

Profitability and growth are equally important targets. However, in case of doubt the demand for profitability is more imperative than the demand for continuous growth. Thus, lacking profitability shall not be compensated by unrestrained growth. Accordingly, the degree of achievement is limited to 400 % for growth. Furthermore, the degrees of achievement are balanced at a ratio of 60 % to 40% in favor of profitability. Adding up both weighted degrees of achievement for profitability and growth results in the level of the total target achievement for the fiscal year.

The required limitation for the components of variable remuneration is set between -100 % to +400 %.

5.1.5 Bonus

The total target achievement (-100 % to 400 %) is multiplied by the variable component of the target salary as defined above and results in the amount in euros for the bonus entitlement of the respective member of the management board for the elapsed fiscal year. Accordingly, the bonus entitlement can amount between -25 % (malus) to 75 % of the target salary. The bonus entitlement calculated in that way is not paid immediately. In order to do justice to the required sustainability and the multi-year assessment basis the bonus amounts are paid delayed by a bonus bank and are subject to the intermediate risk of substantial decrease due to subsequent worsening of the situation. A separate account is kept for the bonus claims of each member of the management board.

The bonus or malus calculated for the elapsed fiscal year is booked to the individual account. Allowing for an old balance this results in a current account balance. If this account balance is positive one third will be paid out. Two thirds will be fowarded to new account and be considered in the next year. Negative balances must be compensated by positive balances or bonus deposits before payouts can be made by the bonus bank.

5.1.6 Total remuneration

The total remuneration consists of the fixed salary (75 % of the target salary) and the payment made by the bonus bank.

If the targets agreed upon concerning profitability and growth are achieved on average over several years, the actual total remuneration will be in the amount of the target salary. If the targets are clearly missed for a long time, only the fixed salary will be paid out (75 % of the target salary) in the long term.

In case of significant overachievement of the profitability and the growth target over several years a gradually increasing total remuneration of a maximum of 175 % of the target salary will be paid out.

5.1.7 Limits of the model and intervention of the Supervisory Board

No remuneration model will ever be able to consider all eventualities of real influences. It shall be as simple as possible and must consequently fail in the case of extraordinary and unpredictable boundary conditions. In the event of serious crises (for example the global economic crisis 2008/2009) or success of the management board that cannot be represented in the profit and loss statement (for example strategic successes or the averting of threatening situations) such a remuneration model does not provide satisfactory results.

In order to reduce such system-related disadvantages of a required remuneration system the supervisory board of Basler AG reserves two possibilities to intervene in the system:

- Delayed payout by the bonus bank
- Special allocations to the bonus bank

In the case of extraordinary difficult circumstances, the supervisory board may resolve on suspending or delaying impending payouts by the bonus bank, especially if bonus payments seem to be inappropriate with regard to stress on the staff or partners. The management board members‘ basic claim for payout remains intact.

In the case of extremely good results that are significantly above all expectations the supervisory board may resolve on making special allocations to the bonus bank, especially if these results are not necessarily represented in the profit and loss statement. As the normal bonus, these special allocations also risk to decrease before being payed out over the years. The special allocations for each member of the management board can be resolved individually.

If the bonus bank shows a negative balance at the time of termination of office as member of the management board, it will be cleared by the company. In return, in the case of a positive balance the employment contracts provide that this balance remains in the bonus bank and thus is subject to the risk of decrease in the following years, analogous to the entitlement calculations of the remaining members of the management board in that year. However, after resigning from the management board no new positive claims will be transferred to the bonus bank. Payouts by the bonus bank to the remaining members of the management board are made at the scheduled regular dates. Thereby, one third each is paid out of the balance existing at the two scheduled regular dates subsequent to the resigning of the member of the management board and the remaining balance is paid out at the third regular date.

Independently of the remuneration model the following is applicable:

In the case of premature termination of office as member of the management board without good cause (including additional benefits) payments are limited to the value of two annual remunerations and will not exceed the total of claims resulting from the remaining term of the employment contract.

Thus, the remuneration model for the management board agreed upon by the shareholders‘ meeting in 2011 meets the requirements of the Corporate Governance Code related to:

- Individual and adequate remuneration,
- Focus on sustainable corporate development,
- Breakdown into fixed and variable components,
- Multi-year assessment basis,
- Consideration of positive and negative developments,
- Avoidance of disincentives with regard to unreasonable risks,

- Relevant and ambitious targets and key figures,
- Exclusion of subsequent changes of performance targets,
- Limitation of variable remuneration,
- Supervisory Board‘s power to intervene in the case of extraordinary developments.

5.2 Remuneration 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 by extra pays of 100 % and 50 %. Given the current level of fixed remuneration, the addition of a performance related component to remuneration is not considered.

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

Since January 1, 2011, the management board of Basler AG consists of three members. Dr. Dietmar Ley, CEO, is responsible for the product creation, finance, controlling, 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, Großhansdorf, has informed the management board of Basler AG that he owns 1.816.891 million shares and therewith commands 51.9 % 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 30.05.2017 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 Abs. 2 AktG 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 ff. AktG 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 fulfill 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 do not exist.

7 Additional information

7.1 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.com). Click Investors » Corporate Governance.

7.2 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 4, 2013

Dr. Dietmar Ley	John P. Jennings	Arndt Bake
(CEO)	(CCO)	(COO)

Lena Ristau, trainee electronic technician for devices and systems

At Basler, women in technical professions are welcome. I think it is great that I can bring own ideas into my daily work and that I am already involved in so many projects. Furthermore, Basler offers a good chance of a job after I complete my studies. Due to the first-class working atmosphere I really love going to work.

Consolidated Profit and Loss Statement

Group's annual balance sheet according to IFRS for the fiscal year
from January 1, 2012 to December 31, 2012

in € k	Notes	01/01/ - 12/31/2012	01/01/ - 12/31/2011
Sales	4	**55,857**	**55,061**
Cost of sales		-28,953	-30,701
- of which depreciations on capitalized developments	10	-2,994	-3,740
Gross profit on sales		**26,904**	**24,360**
Other internal income	5	2,532	2,589
Sales and marketing costs		-9,390	-9,661
General administration costs		-6,800	-7,621
Other expenses	6	-4,946	-2,832
Operating result		**8,300**	**6,835**
Financial income	7	29	30
Financial expenses	7	-2,742	-1,258
Financial result		**-2,713**	**-1,228**
Earnings before tax		**5,587**	**5,607**
Income tax	8	-1,501	-1,363
Group´s year surplus		**4,086**	**4,244**
of which are allocated to			
shareholders of the parent company		4,086	4,244
non-controlling shareholders		0	0
Average number of shares	9.5	3,372,588	3,493,162
Earnings per share diluted/undiluted (€)		1.21	1.21

Consolidated Statement of Comprehensive Income

Group's annual balance sheet according to IFRS for the fiscal year
from January 1, 2012 to December 31, 2012

in € k	Notes	01/01/ - 12/31/2012	01/01/ - 12/31/2011
Group's year surplus		4,086	4,244
Result from differences due to currency conversion, directly recorded in equity	18.4	-34	54
Surplus/Net loss from cashflow hedges	18.4	925	-1,173
Total result, through profit or loss		**891**	**-1,119**
Total result		**4,977**	**3,125**
of which are allocated to			
shareholders of the parent company		4,977	3,125
non-controlling shareholders		0	0

Consolidated Cash Flow Statement

Group's annual balance sheet according to IFRS for the fiscal year from January 1, 2012 to December 31, 2012

in € k	Notes	01/01/ - 12/31/2012	01/01/ - 12/31/2011
Operational activity			
Group's year surplus		4,086	4,244
Increase / decrease in deferred taxes		827	105
Interest outpayment / interest inpayment		1,623	1,618
Depreciations on fixed assets objects		5,032	6,180
Change in the capital resources without affecting payment		890	-1,119
Increase (+) / decrease (-) in the accruals		353	-701
Profit (-) / loss (+) from the outflow of fixed asset objects		-12	-2
Increase (+) / decrease (-) in the reserves		301	-497
Increase (+) / decrease (-) in the down payments received		-13	-373
Increase (+) / decrease (-) in the receivables from deliveries and services		-775	1,411
Increase (+) / decrease (-) in other assets		-947	947
Increase (+) / decrease (-) in the payables from deliveries and services		326	226
Increase (+) / decrease (-) in other liabilities		883	1,676
Cash inflow from business activity		**12,574**	**13,715**
Investment activity			
Outpayments for investments in fixed assets		-6,321	-6,794
Inpayment from outflow of fixed asset objects		36	5
Cash outflow from investment activity		**-6,285**	**-6,789**
Financing activity			
Outpayment from repayment of bank loans		-3,224	-2,213
Silent partnership outpayment		0	-1,023
Outpayment for the clearing of financing liabilities		-1,162	-1,092
Inpayment from the taking out of bank loans		2,889	0
Outpayment from the taking out of loans from closely affiated persons		0	-1,000
Interest outpayment		-1,623	-1,618
Outpayment for own shares		-1,396	-604
Outpayment for dividends		-1,014	-1,050
Cash outflow from financing activity		**-5,530**	**-8,600**
Changes in the funds that affect the payment in the fiscal year		**759**	**-1,674**
Funds at the beginning of the fiscal year		7,438	9,112
Funds at the end of the fiscal year		**8,197**	**7,438**
Composition of the funds at the end of the fiscal year			
Cash in bank and cash in hand	16	8,197	7,438
Outpayment for taxes		893	230

Group Balance Sheet

Group's annual balance sheet according to IFRS for the fiscal year from January 1, 2012 to December 31, 2012

in € k	Notes	12/31/2012	12/31/2011
Assets			
A. Long-term assets			
I. Intangible assets	10	13,642	12,232
II. Fixed assets	10	3,388	2,846
III. Buildings and land in finance lease	17	17,392	18,084
IV. Other financial assets		5	0
V. Deferred tax assets	11	94	997
		34,521	**34,159**
B. Short-term assets			
I. Inventories	12	7,636	7,937
II. Receivables from deliveries and services and from production orders	13	6,323	5,548
III. Other short-term financial assets	14	137	105
IV. Other short-term assets	14	937	396
V. Claim for tax refunds	15	726	352
VI. Cash in bank and cash in hand	16	8,197	7,438
		23,956	**21,776**
		58,477	**55,935**

in € k	Notes	12/31/12	12/31/2011
Liabilities			
A. Equity	18		
I. Subscribed capital		3,326	3,445
II. Capital reserves		0	446
III. Retained earnings including group's earnings		26,498	24,256
IV. Other components of equity		-239	-1,130
		29,585	**27,017**
B. Long-term debt			
I. Long-term liabilities			
1. Long-term liabilities to banks	19	3,289	2,288
2. Other financial liabilities		19	109
3. Liabilities from finance lease	17	14,103	15,268
II. Non-current provisions	20	489	0
III. Deferred tax liabilities	11	19	95
		17,919	**17,760**
C. Short-term debt			
I. Financial liabilities	19	3,222	4,493
II. Short-term accrual liabilities	20	2,212	2,347
III. Short-term other liabilities			
1. Liabilities from deliveries and services		1,846	1,430
2. Other short-term financial liabilities		658	508
3. Liabilities from finance lease	17	2,149	2,146
IV. Current tax liabilities		886	234
		10,973	**11,158**
		58,477	**55,935**

Development of Fixed Assets for Fiscal Year 2012

Consolidated financial statement according to IFRS for fiscal year 2012 starting from January 1, 2012 to December 31, 2012

	Acquisition and production costs					
in € k	As at 01/01/2012	Additions	Disposals	Transfers	Foreign exchange differentials	As at 12/31/2012
Intangible assets						
Software, trademark rights, patents, and licenses	4,672	363	-261	70	0	4,844
Finished own developments	11,958	721	0	7,205	0	19,885
Own developments in process	6,970	3,827	0	-7,205	0	3,593
Payments for third-party developments	106	88	0	-70	0	123
Total intangible assets	**23,707**	**4,999**	**-261**	**0**	**0**	**28,445**
Tangible Assets						
Land and buildings on third-party land	907	248	0	10	2	1,167
Technical equipment and machinery	4,566	727	-89	77	0	5,281
Other furniture, fixtures, and equipment	2,901	174	-59	57	-1	3,072
Assets under construction	75	168	0	-144	0	99
Total tangible assets	**8,449**	**1,317**	**-148**	**0**	**1**	**9,619**
Land and buildings under finance leases						
Land of finance lease	1,817	0	0	0	0	1,817
Buildings of finance lease	24,391	0	0	0	0	24,391
Total land and buildings under finance leases	**26,208**	**0**	**0**	**0**	**0**	**26,208**
Other financial assets	0	5	0	0	0	5
Total other financial assets	**0**	**5**	**0**	**0**	**0**	**5**
Assets	**58,364**	**6,321**	**-409**	**0**	**1**	**64,277**

Depreciations						Net book value	
As at 01/01/2012	Additions	Unscheduled depreciations	Disposals	Foreign exchange differentials	As at 12/31/2012	As at 12/31/2012	Previous year
3,504	544	0	-257	0	3,792	**1,052**	1,168
7,970	2,994	47	0	0	11,011	**8,874**	3,988
0	0	0	0	0	0	**3,593**	6,970
0	0	0	0	0	0	**123**	106
11,474	**3,538**	**47**	**-257**	**0**	**14,803**	**13,642**	**12,232**
477	70	0	0	2	549	**618**	430
3,127	477	0	-87	0	3,517	**1,764**	1,439
1,999	207	0	-41	-1	2,165	**907**	902
0	0	0	0	0	0	**99**	75
5,603	**754**	**0**	**-128**	**1**	**6,231**	**3,388**	**2,846**
0	0	0	0	0	0	**1,817**	1,817
8,124	692	0	0	0	8,816	**15,575**	16,267
8,124	**692**	**0**	**0**	**0**	**8,816**	**17,392**	**18,084**
0	0	0	0	0	0	**5**	0
0	**0**	**0**	**0**	**0**	**0**	**5**	**0**
25,201	**4,984**	**47**	**-385**	**1**	**29,850**	**34,427**	**33,162**

Development of Fixed Assets for Fiscal Year 2011

Consolidated financial statement according to IFRS for fiscal year 2011 starting from January 1, 2011 to December 31, 2011

	Acquisition and production costs					
in € k	As at 01/01/2011	Additions	Disposals	Transfers	Foreign exchange differentials	As at 12/31/2011
Intangible assets						
Software, trademark rights, patents, and licenses	4,379	370	-77	0	0	4,672
Finished own developments	14,396	483	-4,044	1,129	-6	11,958
Own developments in process	3,243	4,856	0	-1,129	0	6,970
Payments for third-party developments	0	106	0	0	0	106
Total intangible assets	**22,018**	**5,815**	**-4,121**	**0**	**-6**	**23,706**
Tangible Assets						
Land and buildings on third-party land	836	117	-47	0	1	907
Technical equipment and machinery	4,267	327	-51	22	1	4,566
Other furniture, fixtures, and equipment	2,420	452	-12	37	4	2,901
Assets under construction	50	83	0	-59	1	75
Total tangible assets	**7,573**	**979**	**-110**	**0**	**7**	**8,449**
Land and buildings under finance leases						
Land of finance lease	1,817	0	0	0	0	1,817
Buildings of finance lease	24,391	0	0	0	0	24,391
Total land and buildings under finance leases	**26,208**	**0**	**0**	**0**	**0**	**26,208**
Assets	**55,799**	**6,794**	**-4,231**	**0**	**1**	**58,363**

Depreciations						Net book value	
As at 01/01/2011	Additions	Unscheduled depreciations	Disposals	Foreign exchange differentials	As at 12/31/2011	As at 12/31/2011	Previous year
3,064	515	0	-76	1	3,504	**1,168**	1,315
7,704	3,740	578	-4,038	-14	7,970	**3,988**	6,692
0	0	0	0	0	0	**6,970**	3,243
0	0	0	0	0	0	**106**	0
10,768	**4,255**	**578**	**-4,114**	**-13**	**11,474**	**12,232**	**11,250**
470	56	0	-47	-2	477	**430**	366
2,737	430	0	-47	7	3,127	**1,439**	1,530
1,841	171	0	-12	-1	1,999	**902**	579
0	0	0	0	0	0	**75**	50
5,048	**657**	**0**	**-106**	**4**	**5,603**	**2,846**	**2,525**
0	0	0	0	0	0	**1,817**	1,817
7,432	692	0	0	0	8,124	**16,267**	16,959
7,432	**692**	**0**	**0**	**0**	**8,124**	**18,084**	**18,776**
23,248	**5,604**	**578**	**-4,220**	**-9**	**25,201**	**33,162**	**32,551**

Consolidated Statement of Changes in Equity

Group's annual balance sheet according to IFRS for the fiscal year
from January 1, 2012 to December 31, 2012

				Other components of equity			
in € k	Subscribed capital	Capital reserve	Retained earnings incl. group's earnings	Differences due to currency conversion	Reserves for cash flow hedges	Sum of other compo-nents of equity	Total
Notes	18.1	18.2		18.4	18.4		
Sharholders´ equity as of 01/01/2011	**3,500**	**1,131**	**20,928**	**-91**	**78**	**-13**	**25,546**
Total result			4,244	54	-1,173	-1,119	3,125
Share buyback	-55	-549				0	-604
Reclassification		-136	134		2	2	0
Dividend outpayment*		0	-1,050			0	-1,050
Shareholders´ equity as of 12/31/2011	**3,445**	**446**	**24,256**	**-37**	**-1,093**	**-1,130**	**27,017**
Total result			4,086	-34	925	891	4,977
Share buyback	-119	-446	-831			0	-1,396
Dividend outpayment*			-1,013			0	-1,013
Shareholders´ equity as of 12/31/2012	**3,326**	**0**	**26,498**	**-71**	**-168**	**-239**	**29,585**

* € 0.30 per share

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. General Information

1. The Company

The Basler Group develops, manufactures, and sells on a world wide scale industrial goods in the area 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 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. Basics of 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. Therefore, the term „IFRS“ will be used below throughout.

2.2 Standards with no effect on the consolidated financial statements

The following revised standard was applied in these 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 disclosures of future transactions and agreements.
IFRS 7 – Financial instruments: disclosures - transfer of financial assets

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	Date of application (EU)
Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)	June 16, 2011	June 5, 2012	July 1, 2012
Amendments to IAS 19 Employee Benefits	June 16, 2011	June 5, 2012	January 1, 2013
IFRS 10 Consolidated Financial Statements	May 12, 2011	December 11, 2012	January 1, 2014
IFRS 11 Joint Arrangements	May 12, 2011	December 11, 2012	January 1, 2014
IFRS 12 Disclosures of Interests in Other Entities	May 12, 2011	December 11, 2012	January 1, 2014
IFRS 13 Fair Value Measurement	May 12, 2011	December 11, 2012	January 1, 2013
IAS 27 Separate Financial Statements	May 12, 2011	December 11, 2012	January 1, 2014
IAS 28 Investments in Associates and Joint Ventures	May 12, 2011	December 11, 2012	January 1, 2014
Deferred tax: Recovery of Underlying Assets (Amendments to IAS 12)	December 20, 2010	December 11, 2012	Start of the fiscal year after time of coming into effect of regulation*
Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (Amendments to IFRS 1)	December 20, 2010	December 11, 2012	Start of the fiscal year after time of coming into effect of regulation*
Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	December 16, 2011	December 13, 2012	January 1, 2013
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	December 16, 2011	December 13, 2012	January 1, 2014
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	October 19, 2011	December 11, 2012	January 1, 2013

The individual effects of the amendments will be investigated by the group. Currently, the effects cannot be reliably estimated.

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 sales and expenses reported during the period under review. The actual results can deviate from these assessed values. Critical accounting estimates arise as to the evaluation of tangible assets concerning the useful life as well as to the evaluation of internally generated intangible assets concerning the useful life and to expected sales. A review of the underlying useful lives did not reveal any clues for a necessary adjustment. The management board is of the opinion that the book value of the internally generated intangible assets will be entirely realized despite of possible lower sales.

3. Accounting and valuation methods

3.1 Foundations for consolidation

All subsidiaries that are directly or indirectly controlled by Basler AG as provided by IAS 27 are included in the group's annual balance sheet.
For a list of subsidiaries and investments, see note III, 29.

Harmonization

The financial statements to be consolidated of Basler AG as parent company and of the subsidiaries included in the consolidation are 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. Sales 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. Due to this, in the fiscal year, equity capital was decreased by € 34 thousand (previous year: increased by € 54 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 2012, profits amounting to € 421 thousand (previous year: € 1,306 thousand) and expenses amounting to € 737 thousand (previous year: € 955 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	
	12/31/2012	12/31/2011
1 Euro	US dollar 1.3194	US dollar 1.2939
1 Euro	New Taiwan dollar 38.4908	New Taiwan dollar 39.4287
	Average exchange rates	
	2012	2011
1 Euro	1.2848 US-Dollar	1.3920 US-Dollar
1 Euro	38.1415 Neuer Taiwan-Dollar	41.0836 Neuer Taiwan-Dollar

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 intra-group balances, earnings, and expenses as well as unrealized profits and losses from intra-group 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 or to be 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 cannot 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 carry forwards, 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 carry forwards, 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 valued at 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 for development expenses 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 income statement it is reported as gross statement shown under other operating income.

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 Equity instruments

Treasury shares acquired by the group are recorded at acquisition cost and are directly 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 capital reserve or in the surplus 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 accepted methods of financial mathematics.

3.7 Derivative financial instruments

The corporate group enters into a variety of derivative financial instruments in order to manage its exposure to interest and foreign exchange rate risks. These include forward exchange contracts, interest swaps, and foreign currency options. Derivatives are initially recognized at the time of the transaction at fair value and subsequently valued at fair value at each reporting date. The resulting valuation gain or loss is immediately recognized in the income statement unless the derivative is designated and effective as a hedging instrument for hedge accounting purposes. The timing of recognizing the valuation results in the income statement depends on the type of hedging relationship. The effective portion of change in the fair value of derivatives that are suitable and designated as cash flow hedges is recognized in other comprehensive income under the item of cash flow hedges reserve. If necessary, the gains or losses as a result of the ineffective portion is immediately recognized in the income statement under the item Other income/other expenses.

3.8 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, which ever 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, and 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.

3.9 Tangible assets and buildings and land in finance lease

Tangible assets are valued on principle at acquisition costs or production costs less accumulated scheduled depreciation and accumulated impairment losses. 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 linear depreciations of property, plant, and equipment are largely based on the following useful lives:

Asset	Useful life in years
Technical equipment and machinery	3 to 5, 7, and 10
Other equipment, operational and office equipment	3 to 5, 7, and 10
Parking garages	20
Commercial and office buildings	38 to 40

The book values of the tangible assets are reviewed as of every reporting date to identify any evidence of impairment.

3.10 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 intangible asset is likely to realize a 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 on a straight-line basis 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 10
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. In order to determine the use value the estimated cash flows are discounted with a risk-adjusted discount rate of 8 %. The calculations are based on forecasts resulting from financial plans for three years approved by the management and which are also used for internal purposes. The planning period reflects the assumptions for short- to mid-term market developments. The company assumes a sales growth in the lower double-digit percentage range for 2013 and the following years. The gross profit margin is expected to decline slightly.

3.11 Liquid assets and cash equivalents

The item includes cash on hand as well as short-term deposits with maturities of less than three months.

3.12 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.

3.13 Borrowing costs

Borrowing costs are capitalized on qualifying assets according to IAS 23. 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.

3.14 Financial debt

Financial debt is stated at its amortized cost. This includes the bank debt, liabilities from finance leases, and the other financial liabilities.

3.15 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

Notes to the profit and loss statement

4. Sales revenues

The sales revenues from the sale of goods amounting to € 55,857 thousand (previous year: € 55,061 thousand) include sales from orders relating to customer-specific manufacturing amounting to € 1,802 thousand (previous year: € 6,456 thousand).

5. Other operational profit

The other operational profit includes the following:

	2012	2011
Currency exchange gains	421	1,306
Rental income	891	832
Subsidies for research and development	454	171
Insurance recoveries	3	10
Income from the release of provisions	370	47
Other	393	223
	2,532	**2,589**

6. Other expenses

The other expenses include the following:

	2012	2011
Full costs for research and development	8,270	7,137
Capitalization of own development costs	-4,373	-4,982
Unscheduled depreciations on capitalized developments	47	578
Premises costs	971	-
Further other expense	31	99
	4,946	**2,832**

7. Financial result

	2012	2011
Interest income from cash in bank	7	30
Interest income from derivative financial instruments	22	-
Interest expense on bank loans	-205	-360
Interest expense on loans from closely affiliated persons	-	-40
Interest expense from derivative financial instruments	-181	-
Interest expense on partial profit transfer agreements	-	-102
Capitalization of interest pursuant to IAS 23	228	356
Mark-to-market evaluation of derivative financial instruments	-1,539	-
Interest expense for finance lease	-1,045	-1,112
	-2,713	**-1,228**

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 4.6 % and 5.52 % in fiscal year 2012.

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.

	2012	2011
Current taxes from consolidated companies (on earnings)	1,000	801
Deferred taxes from consolidated companies (on earnings)	477	562
Other taxes	24	-
Tax expense/income	**1,501**	**1,363**

	2012	2011
Deferred tax expenses or income from losses carried forward (on earnings)	289	1,143
Adjustment of loss carry forwards	1	-11
Reversal of an impairment loss on/value adjustment on loss carry forwards	0	-101
Deferred tax expenses or income from temporary differences	187	-469
Deferred tax expense/income	**477**	**562**

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	2012	2011
Net profit/loss for the year before income taxes	5,587	5,607
Applicable tax rate	28.08 %	28.08 %
Expected tax expense/income	1,569	1,574
Reconciliation		
Effects from deviating tax rates	-6	-347
Recognition and valuation of deferred tax assets	-	-101
Tax effect from non-deductible expenses and tax-free earnings	105	89
Other	-167	148
Actual tax expense/income	1,501	1,363
Group tax rate	26.9 %	24.3 %

Income taxes directly recognized in equity amount to € 361 thousand (previous year: € -455 thousand) in the reporting year.

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

	2012	2011
Germany, corporate income tax	12,812	13,665
Germany, trade income tax	11,279	12,374
U.S.A., federal level	233	552

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

As at the reporting date Basler capitalized deferred tax assets on corporate income tax and trade income tax loss carryforwards amounting to € 3,410 thousand (previous year: € 3,700 thousand), since sufficiently taxable income is expected in the future. In this planning we assume sales growth rates in the low double-digit range as well as a stable earnings margin. Of these, corporate income tax and trade income tax loss carry forwards extant in Germany, amounting to € 12.8 million and € 11.3 million can be utilized without limit; the remaining loss carry forwards in the USA expire after a maximum of sixteen years.

No active deferred taxes were recognized for loss carryforwards in the U.S.A. amounting to € 233 thousand.

9. Additional information

9.1 Production orders

The accumulated costs of production orders in progress on the reporting date amount to € 384 thousand (previous year: € 2,519 thousand), the accumulated profits reported amount to € 619 thousand (previous year: € 28 thousand).

In the year 2012, costs for guarantees amounted to € 346 thousand (previous year: € 301 thousand).

9.2 Scheduled and unscheduled depreciations

In fiscal year 2012, unscheduled value adjustments were made on capitalized product developments to the amount of € 47 thousand (previous year: € 578 thousand) which are discontinued products or for which no sufficient economic benefit is expected. The unscheduled depreciations on the capitalized developments were recorded in the reporting year with the other expense. The depreciations and unscheduled depreciations are included in the following areas:

	2012	2011
Cost of service performed	3,454	4,104
Sales and marketing costs	129	123
General administration costs	995	975
Other expense	454	980
	5,032	**6,182**

9.3 Personnel expenditures

	2012	2011
Wages and salaries	18,725	16,717
Social security contributions	3,180	2,800
	21,905	**19,517**

The expenses for contribution-based old-age pension schemes amounted to € 1,484 thousand (previous year: € 1,364 thousand). The group's employees are for the most part insured under the mandatory statutory pension insurance scheme and are thus subject to a government contribution-based plan.

9.4 Material expenditures

	2012	2011
Expenses for raw, auxiliary, and operating supply items as well as purchased goods	17,601	19,227
Expenses for purchased services	849	754
	18,450	**19,981**

9.5 Reconciliations for result per share

	2012	2011
Earnings diluted / undiluted in thousand €	4,086	4,244
Weighted average number of ordinary shares	3,372,588	3,493,162

The calculation of the average number of shares outstanding was carried out according to a pro rata temporis weighting taking into account the acquired own shares.

NOTES TO THE BALANCE SHEET

10. Development of fixed assets

As at December 31, 2012, Basler used fully depreciated fixed assets representing an acquisition value of € 6,832 thousand (previous year: € 9,312 thousand).

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

The technical equipment, machines, and fixtures and fittings amounting to € 825 (previous year € 1,538 thousand) are assigned as collaterals to credit institutions.

The purchase commitments for tangible assets amounted to € 131 thousand (previous year: € 138 thousand) as at December 31, 2012.

11. Deferred taxes

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

Deferred tax assets	12/31/2012	12/31/2011
From tax loss carry forwards	3,410	3,700
Inventories	220	880
Financial instruments	497	298
Other	75	103
Offsetting	-4,108	-3,984
	94	**997**

Deferred tax liabilities	12/31/2012	12/31/2011
Capitalization of development	3,500	3,077
Receivables	282	794
Finance lease	320	188
Financial instruments	12	-
Other	13	20
Offsetting	-4,108	-3,984
	19	**95**

12. Inventories

The inventories include the following:

	12/31/2012	12/31/2011
Finished products	1,478	1,537
Semifinished products	1,234	900
Raw materials, supplies, and operating materials	4,598	5,095
Merchandise	326	405
	7,636	**7,937**

As of December 31, 2012, unscheduled value adjustments were made on the inventories to the amount of € 1,180 thousand (previous year: € 1,051 thousand). Of which an increase of € 129 thousand applied to fiscal year 2012 (previous year: a reduction of € 182 thousand).

Finished products and merchandise include devices made available to customers temporarily for testing, on loan, and for demonstration purposes worth € 108 thousand (previous year: € 76 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 from deliveries and services as well as production orders

Receivables from deliveries and services as well as from production orders were as follows:

	12/31/2012	12/31/2011
Receivables from manufacturing to order	1,003	2,547
Advance payments received for manufacturing to order	-842	-2,399
	161	**148**
Receivables from deliveries and services	6,162	5,400
	6,323	**5,548**

Of the receivables from deliveries and services in the amount of € 6,162 thousand (previous year: € 5,400 thousand) € 6,162 thousand (previous year: € 5,400 thousand) are due within one year.

The values of the receivables from deliveries and services are adjusted by € 23 thousand (previous year: € 135 thousand). Value adjustments of receivables are maintained at Basler on separate accounts. Value adjustments are performed as far as the collectability of a receivable is in danger e.g. due to insolvency. The value adjustments have developed in the following way:

in € k	2012	2011
Status as at 01/01	135	38
Exchange rate differences	0	0
Allocation	0	109
Consumption	6	0
Liquidation	106	12
Status as at 12/31	**23**	**135**

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

in € k	2012	2011
Book values at 12/31	6,162	5,400
Of which as at 12/31 neither impaired nor past due	4,808	4,707
Of which not impaired and up to 60 days past due	1,196	445
Of which not impaired and more than 61 days past due	158	248

The sum of advance payments received amounts to € 899 thousand (previous year: € 2,468 thousand), of which € 842 thousand (previous year: € 2,399 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 remaining assets

	12/31/2012	12/31/2011
Other expense	421	379
Advance payments made	516	17
Derivative financial instruments	42	0
Other	95	105
	1,074	**501**

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 € 161 thousand (previous year: € 250 thousand) and the reclaim of taxes paid in advance on income and profit amounting to € 565 thousand (previous year: € 102 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 € 8,197 thousand (previous year: € 7,438 thousand).

17. Lease

17.1 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:

	12/31/2012	12/31/2011
Land	1,817	1,817
Buildings	15,575	16,267
	17,392	**18,084**

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	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
With a residual term of up to one year	2,210	2,208	2,149	2,146
With a residual term of more than one year and up to five years	8,867	8,856	7,395	7,385
With a residual term of more than five years	9,638	11,859	6,708	7,883
	20,715	**22,923**		
Less: Future financing costs:	-4,463	-5,509		
Cash value of the minimum lease payments	**16,252**	**17,414**	**16,252**	**17,414**
Recorded in the group's annual balance sheet as				
Short-term liabilities from financing lease			2,149	2,146
Long-term liabilities from financing lease			14,103	15,268

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-cancel-lable:

Fiscal year	in € k
2013	707
2014 – 2017	638
From 2018	-

The earnings from subleases amounted to € 891 thousand in the reporting year (previous year: € 832 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.

17.2 Operating Leasing

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	in € k
2013	570
2014 – 2017	567
From 2018	-

Almost all rental and leasing options provide for final purchase options at market conditions. During the year under review, the rent/leasing expenses amounted to € 329 thousand (previous year: € 265 thousand).

18. Equity

18.1 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 of January 1st, 2012, amounted to 3,445,313 and on December 31st, 2012 to 3,325,664 . In the reporting year, 119,649 own shares were acquired.

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

18.2 Capital reserve

The capital reserve consisted of the share premium from the capital increase carried out in the context of the IPO in 1999. In the previous year and in the reporting year, the difference between the nominal value and the acquisition costs of own shares of € 995 thousand was deducted from the capital reserve. A capital reserve amounting to € 0 (previous year: € 446 thousand) is shown.

18.3 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 30, 2017, 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.

18.4 Components of the residual total income

The pre-tax and after tax profits of the components of the residual total income are as follows:

	12/31/2012			12/31/2011		
	Before tax	Taxes	Net	Before tax	Taxes	Net
Currency conversion of foreign subsidiaries	-34	0	-34	54	0	54
Cash flow hedges	1,286	-361	925	-1,628	455	-1,173
Total	**1,252**	**-361**	**891**	**-1,574**	**455**	**-1,119**

18.5 Dividend payment

On May 31, 2012, a dividend was paid amounting to € 0.30 per share (total dividend: € 1,013 thousand).

19. Financial liabilities

Basler reports the following financial liabilities as at December 31, 2012 (in € k):

Description	Interest condition	Interest rate	End of term	Repayment amount
ERP bank loan, tranche I	Fixed	5.35 %	March 31, 2013	€750k (Previous year: € 2,250 thousand)
ERP bank loan, tranche II	Fixed	5.35 %	March 31, 2013	€300k (Previous year: € 900 thousand)
ERP bank loan, tranche III	Fixed	3.65 %	March 31, 2016	525 (Previous year: € 638 thousand)
ERP bank loan, tranche IV	Fixed	4.60 %	March 31, 2016	750 T€ (Previous year: € 750 thousand)
ERP bank loan 2012 tranche I	Fixed	2.15 %	December 30, 2022	€ 1,195 k
ERP bank loan 2012 tranche II	Fixed	2.45 %	December 30, 2022	€ 1,195 k

Furthermore, derivative financial liabilities of € 1,742 thousand (previous year: € 1,650 thousand) as well as other financial liabilities of € 54 thousand (previous year: € 82 thousand) are shown under other financial liabilities.

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.

20. Provisions

	01/01/2012	Allocation	Utilizations	Liquidation	Currency differences	12/31/2012
Long-term provisions						
Personnel costs	0	489	0	0	0	489
Short-term provisions	**0**	**489**	**0**	**0**	**0**	**489**
Kurzfristige Rückstellungen						
Personnel costs	1,243	1,411	-875	-82	1	1,698
Commissions	5	8	-4	0	0	9
Taxes	321	0	-345	0	24	0
Guarantee	189	173	-189	0	0	173
Legal- and consultancy costs	105	95	-94	-11	0	95
Purchasing obligations	206	0	0	-206	0	0
Other	279	214	-185	-70	-1	237
Short-term provisions	**2,348**	**1,901**	**-1,692**	**-369**	**24**	**2,212**
Total	**2,348**	**2,390**	**-1,692**	**-369**	**24**	**2,701**

The provisions for personnel costs were mainly made for variable salaries and for bonuses for the reporting year.

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

21. 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 fair value hedges. As these dealings are intended as security for underlying operating transactions, their terms are less than one year in each case.

The following outstanding forward exchange contracts existed as at the respective balance sheet dates (in € k):

	12/31/ 2012	12/31/ 2011
Nominal value in € k	2,467	3,752
Foreign currency amount in $ k	3,200	5,100
Fair value in € k		
Positive	42	-
Negative	-	190

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 2012 amounted to € 232 thousand (previous year: loss of € 185 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 12 months. These transactions serve for hedging planned sales in fiscal year 2013. The hedged sales are expected to show effect on the results in fiscal year 2013. 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 profit resulting from valuation at fair value in fiscal year 2012, directly recorded in equity (total other result), amounted to € 297 thousand (previous year: loss € 543 thousand).

	12/31/ 2012	12/31/ 2011
Nominal value in thousand €	2,067	10,958
Foreign currency amount in thousand $	3,000	15,000
Fair value		
Positive	-	-
Negative	203	588

In the year before, an interest rate swap was concluded in order to hedge future credit transactions against interest rate increases. The hedging relationship was repealed in 2012. Valuation of the interest rate swap 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 expense shown in the financial result resulting from valuation at fair value in fiscal year 2012 amounted to € 1,539 thousand. In the year before, the negative fair value of € 873 thousand less deferred taxes amounting to € 246 thousand was directly recognised in equity and has been reclassified to profit and loss in this year.

	12/31/ 2012	12/31/ 2011
Nominal value in k€	10,000	10,000
Fair value in k€		
Positive	-	-
Negative	1,539	873

21.1 Categories of financial instruments

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

Category	Significance	Interest rate	Valuation
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, 2012, are as follows:

	Category of measurement according to IAS 39	Book value	Amortized acquisition costs	Fair value, through profit or loss	Fair value
Assets					
Remaining financial assets	AfS	5	5		
Long-term financial assets		5			5
Receivables from deliveries and services	LaR	6,162	6,162		
Receivables from production orders	LaR	161	161		
Short-term financial assets		**6,323**			**6,323**
Short-term derivative assets	FVTPL	42		42	
Remaining other short-term financial assets	LaR	95	95		
Other short-term financial assets		**137**			**137**
Liquid assets	LaR	8,197	8,197		
Cash and cash equivalents		**8,197**			**8,197**
		14,662			
Liabilities					
Liabilities to credit institutions	FLAC	3,289	3,289		
Other financial liabilities	FLAC	19	19		
Liabilities from finance lease	FLAC	14,103	14,103		
Long-term financial liabilities		**17,411**			**17,411**
Other financial liabilities	FLAC	1,480	1,480		
Short-term derivative assets	FVTPL	1,539		1,539	
Liabilities from deliveries and services	FLAC	1,846	1,846		
Liabilities from finance lease	FLAC	2,149	2,149		
Remaining other short-term financial liabilities	FLAC	658	658		
Short-term liabilities		**7,672**			**7,672**
		25,083			

The measurement levels of the financial instruments measured at fair value are shown according to IFRS 7.27A and are as follows:

	Level 1	Level 2	Level 3	Total
Financial assets of "Market value through profit or loss"				
Short-term derivative assets	0	42	0	42
Total	**0**	**42**	**0**	**42**
Financial liabilities of "Market value through profit or loss"				
Short-term derivative liabilities	0	1,539	0	1,539
Total	**0**	**1,539**	**0**	**1,539**

Comparative values as at December 31, 2011:

	Category of measurement according to IAS 39	Book value	Amortized acquisition costs	Fair value, through profit or loss	Fair value
Assets					
Receivables from deliveries and services	LaR	5,400	5,400		
Receivables from production orders	LaR	148	148		
Short-term financial assets		**5,548**			**5,548**
Remaining other short-term financial assets	LaR	105	105		
Other short-term financial assets		**105**			**105**
Liquid assets	LaR	7,438	7,438		
Cash and cash equivalents		**7,438**			**7,438**
		13,091			
Liabilities					
Liabilities to credit institutions	FLAC	2,288	2,288		
Other financial liabilities	FLAC	109	109		
Liabilities from finance lease	FLAC	15,268	15,268		
Long-term financial liabilities		**17,665**			**17,665**
Other financial liabilities	FLAC	2,843	2,843		
Short-term derivative assets	FVTPL	190		190	
Liabilities from deliveries and services	FLAC	1,430	1,430		
Liabilities from finance lease	FLAC	2,146	2,146		
Remaining other short-term financial liabilities	FLAC	508	508		
Short-term liabilities		**7,117**			**7,117**
		24,782			

The measurement levels of the financial instruments measured at fair value are shown according to IFRS 7.27A and are as follows:

	Level 1	Level 2	Level 3	Total
Financial liabilities of "Market value affecting profit and loss"				
Short-term derivative liabilities	0	190	0	190
Total	**0**	**190**	**0**	**190**

For the calculation of the fair value of derivative instruments, discounted cash flow analyses are applied to derivatives without optional components using corresponding interest yield curves to the instruments' maturity and option pricing models are applied to derivatives with optional components. Forward foreign exchange transactions are valued based on listed forward rates and interest yield curves that are derived from listed market interest rates in view of the contracts' maturity. Interest rate swaps are valued at the cash value of the estimated future cash flows. The discounting took place using the pertinent interest yield curves derived from listed interest rates. The fair value of other financial assets and liabilities is determined in accordance with generally accepted measurement models based on discounted cash flow analyses.

Please refer to note 13 for the recording of impairments and net profits/losses of the stated financal assets and financial liabilities.

III. Additional information

22. Types and management of financial risks

22.1 Derivative financial instruments/ currency risk

As at the balance sheet date, US dollar forward transactions in an amount of $ 3,200 thousand with residual terms of less than one year were in place for exchange hedging. The positive fair value according to the market valuation, stated under other short-term assets, amounted to € 41 thousand.

In addition, US dollar forward transactions in an amount of $ 3,000 thousand were in place for medium-term exchange hedging of expected sales.

22.2 USD sensitivity analysis

A USD exchange rate of 1.4513 (corresponding to a 10 % decline) would have a positive effect of € 220 thousand on earnings before taxes, and a USD exchange rate of 1.1875 (corresponding to a 10 % rise) would have a negative effect of € 269 thousand.

Additionally, a USD exchange rate of 1.4513 would have a direct positive effect of € 149 thousand on the equity and a USD exchange rate of 1.1875 a negative one of € 182 thousand.

22.3 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. Please refer to notes 13, 14, 15, 19, and 21 for statements of the maximum default risks.

22.4 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. The sensitivity analysis in connection with the interest rate risk from the interest rate swap showed a positive effect on earnings before taxes of € 297 thousand resulting from an increase of the interest yield curve by 0.5 percentage points and a direct negative effect on equity of € 255 thousand resulting from a decrease of the interest yield curve by 0.5 percentage points.

23. 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.

Furthermore, it must 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 value of 125 % is targeted.

	12/31/2012	12/31/2011
Borrowed capital without finance lease and deferred taxes	12,621	11,409
Unused credit lines	3,600	2,700
Subtotal	**16,221**	**14,109**
Short-term receivables	6,323	5,548
Inventories	7,636	7,937
Other receivables and other financial assets and accruals and deferrals	1,074	501
Liquid assets	-8,197	-7,438
Subtotal	**6,836**	**6,548**
Financial reserves	**237 %**	**215 %**

This strategy was not changed compared to the previous year.

On the reporting date, Basler had access to credit lines amounting to € 3,600 thousand (previous year: € 2,700 thousand). These were not used, as in the previous year.

The availability of credit lines and the granting of bank loans are partly tied to 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):

	2013	2014	2015 to 2017	From 2018
Liabilities to banks	1,475	620	1,066	1,976
Liabilities from deliveries and services	1,846	-	-	-
Other current financial and tax liabilities	658	-	-	-
Liabilities from finance lease	2,210	2,213	6,654	9,638

As per December 31, 2011, the following maturity structure ensued:

	2012	2013	2014 to 2016	From 2017
Liabilities to banks	2,938	1,459	943	-
Liabilities from deliveries and services	1,430	-	-	-
Other current financial and tax liabilities	742	-	-	-
Liabilities from finance lease	2,208	2,210	6,646	11,859

24. Segment report

In 2009, Basler decided to strategically focus on the camera business (previously components segment). Various product lines of the solutions segment (previously solutions segment) were sold or discontinued. Furthermore, the restructuring to a functional organization was finished in 2012. As a result of this measure, the solutions business fell below the quantitative threshold of IFRS 8.13 and is therefore no longer reportable. Thus, only the camera business is reportable corresponding to the overall presentation of the company.

24.1 Other statements, segment-independent

The company's customers operate all over the world. In the following statement of sales 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.

	2012	2011
Germany	7,562	7,200
Other European Union	13,109	11,955
America	13,889	12,226
Asia	21,297	23,680
	55,857	**55,061**

The long-term assets of the Basler Group are held in the following countries:

	2012	2011
Germany	34,360	33,075
America	31	46
Asia	36	41
	34,427	**33,162**

25. Number of employees

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

	2012	2011
Production	62	54
Sales	91	98
Development	84	73
Administration	73	61
	310	**286**

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:

	2012	2011
Production	60	52
Sales	86	92
Development	81	72
Administration	63	52
	290	**267**

26. Remuneration of auditors

The remuneration paid to BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungs-gesellschaft is separated into the following categories:

	2012	2011
Audit services	67	87
Tax consultancy	21	-
Other services	10	-
	98	**87**

27. Relations to closely affiliated persons

To assure financing, in the year before the following closely affiliated persons made available subordinated shareholder loans to Basler AG at market conditions: These were repaid as of August 31, 2011.

	Nominal amount [€]	Interest rate	Interest expense in 2011 [€]
Nicola-Irina Basler	800,000.00	6.0 %	32,000.00
Monika Proske-Ley	160,000.00	6.0 %	6,400.00
John Jennings	40,000.00	6.0 %	1,600.00

28. Management Board and Supervisory Board

28.1 Management Board

In 2012, the management board consisted of the following members:

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

Dipl.-Ing (MBA) John P. Jennings, Executive Director for sales and marketing and subsidiaries

Dipl.-Ing. (FH), Dipl.-Wirt.-Ing. (FH) Arndt Bake, Executive Director for product management, production, and supply chain management

28.2 Supervisory Board

In 2012 the supervisory board consisted of the following members:

Norbert Basler
Supervisory Board chairman, Entrepreneur

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 2012, compliant with § 285 No. 10 HGB:

Norbert Basler
Member of the Supervisory Board, Kuhnke AG, Malente

Member of the Supervisory Board, Plato AG, Lübeck

Prof. Dr. Eckart Kottkamp
Chairman of the Advisory Board, Mackprang Holding GmbH & Co. KG, Hamburg

Chairman of the Advisory Board, ACTec Holding GmbH, Freiberg
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

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

Chairman of the Advisory Board, Dichtungstechnik G.Bruss GmbH & Co. KG, Hoisdorf

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

The total remuneration of the management board amounted to € 1,109,601.55 in 2012. In 2012, the individual members of the management board directly and indirectly received the following remuneration (in €):

	Fixed remune-ration	Performance-related remune-ration for 2012	Total
Dr. Dietmar Ley	256,498.65	164,813.66	421,312.31
John P. Jennings	245,259.91	137,368.88	382,628.79
Arndt Bake	189,287.71	116,372.74	305,660.45

In 2011, the total remuneration of the management board amounted to € 1,104,271.65 . The individual members of the management board received the following direct and indirect remuneration (in €):

		Performance-related remuneration for 2011		
	Fixed remune-ration	Variable component 2011	Initial contri-bution bonus-bank	Total
Dr. Dietmar Ley	248,904.34	92,995.26	93,470.00	435,369.60
John P. Jennings	204,867.28	72,991.27	75,358.00	353,216.55
Arndt Bake	184,021.00	65,664.50	66,000.00	315,685.50

In the case of a proper termination of office as member of the management board, one third each of a positive balance of the remaining performance-related compensation is paid per year in the course of the following three years.

In the case of premature termination of office as member of the management board possible payments are limited to the value of two annual remunerations and will not exceed the total of claims resulting from the remaining term of the employment contract.

The contracts of the management board members were amended so that in the case of termination by a member of the management board with good cause no more payments will be made to the member of the management board. This amendment came into force for the contracts of Arndt Bake and John P. Jennings on November 1, 2012, and for the contract of Dr. Dietmar Ley on January 1, 2013.

28.4 Remuneration of the Supervisory Board

The total remuneration of the members of the supervisory board amounted to € 47 thousand in 2012.

	Fixed remune-ration	Performance-related remune-ration for 2012	Total
Norbert Basler	20,750.00	0.00	20,750.00
Prof. Dr. Eckart Kottkamp	15,562.50	0.00	15,562.50
Konrad Ellegast	10,375.00	0.00	10,375.00

The total remuneration of the members of the supervisory board amounted to € 39 thousand in 2011.

	Fixed remune-ration	Performance-related remune-ration for 2011	Total
Norbert Basler	17,500.00	0.00	17,500.00
Prof. Dr. Eckart Kottkamp	13,125.00	0.00	13,125.00
Konrad Ellegast	8,750.00	0.00	8,750.00

28.5 Share ownership by the members of management board and supervisory board

	12/31/2012 Number of shares	12/31/2011 Number of shares
Dr. Dietmar Ley	144,358	139,623
John P. Jennings	5,500	5,500
Arndt Bake	700	-

	12/31/2012 Number of shares	12/31/2011 Number of shares
Norbert Basler	1,816,891	1,804,341
Konrad Ellegast	-	-
Prof. Dr. Eckart Kottkamp	-	-

29. 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:

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

Further participating interests are not held.

30. 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.

31. Approval of the annual balance sheet

The annual balance sheet is expected to be released for publication by the supervisory board on March 19, 2013.

32. Recommendation for the appropriation of profit

The management board recommends the distribution of a dividend amounting to 0.30 € per share corresponding to an amount of € 997,699.20.

Ahrensburg, March 4, 2013

Management Board

Dr. Dietmar Ley	John P. Jennings	Arndt Bake
(CEO)	(CCO)	(COO)

AUDITORS' AUDIT OPINION

We have audited the consolidated financial statements of Basler Aktiengesellschaft, Ahrensburg, - consisting of balance sheet, profit and loss statement, statement of comprehensive income, statement of changes in equity, cash flow statements, and notes - and the group management report for the business year from January 1, 2012, to December 31, 2012. 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 Section 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 inaccuracies 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 accounting information of the sections included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

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

We have issued the above report on the audit of the consolidated financial statements and the group management report for the fiscal year from January 1, 2012, to December 31, 2012, of Basler Aktiengesellschaft, Ahrensburg, in accordance with applicable legal provisions and German principles of proper accounting for audits of consolidated financial statements.

Lübeck, March 5, 2013

BDO AG
Wirtschaftsprüfungsgesellschaft

Dr. Probst	ppa. Janitschke
Auditor	Auditor

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 annual group management report represents a true and fair picture of the course of business, including the operating result, and the group‘s financial situation as well as a description of the essential opportunities and risks concomitant with the expected development of the group during the remainder of the fiscal year.

Ahrensburg, March 5, 2013

The Management Board

Dr. Dietmar Ley
(CEO)

John P. Jennings
(CCO)

Arndt Bake
(COO)

Events 2013

Finance

Date	Fair	Venue
05/07/2013	Publication 3-month report 2013	Ahrensburg, Germany
05/22/2013	General meeting 2013	Hamburg, Germany
06/06-07/2013	1. German Small & Mid Cap Investors' conference	London, England
08/08/2013	Publication 6-month report 2013	Ahrensburg, Germany
11/07/2013	Publication 9-month report 2013	Ahrensburg, Germany

Trade Fairs and Conferences

Date	Fair	Venue
01/22-24/2013	Automate	Chicago, USA
01/23-24/2013	Basler Asian Distributors' Meeting	Macau
03/13-16/2013	Korea Vision Show 2013 / Automation World	Seoul, Korea
03/19-21/2013	Vision China, Shanghai / SEMICON China	Shanghai, China
06/12-14/2013	Exhibition on Sensing via Image Information	Yokohama, Japan
06/18-20/2013	Photonics Festival	Taipei, Taiwan
06/26-28/2013	Vision China, Shenzhen	Shenzhen, China
08/28-31/2013	Taipei Int'l Industrial Automation Exhibition	Taipei, Taiwan
10/16-18/2013	Vision China, Beijing	Beijing, China
November	AOI Forum & Show	Hsinchu, Taiwan
11/20-23/2013	Metalex Thailand	Bangkok, Thailand
12/4-6/2013	International Technical Exhibition on Image Technology and Equipment	Yokohama, Japan
12/05-07/2012	International Technical Exhibition on Image Technology and Equipment	Yokohama, Japan

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