BASLER

the power of sight

ANNUAL REPORT 2022

KEY FIGURES

in € m[1]	2022	2021	2020	Changes to previous year in %
Sales revenues	272.2	214.7	170.5	27 %
Incoming orders	248.4	322.5	181.6	-23 %
Gross results	131.8	112.6	88.7	17 %
Gross profit margin	48.4 %	52.4 %	52.0 %	-4.0 Pp.
Full costs for research and development	33.5	28.1	23.7	19 %
Research and development ratio	12.3 %	13.1%	13.9 %	-0.8 Pp.
EBITDA	45.8	44.5	34.6	3 %
EBIT	28.9	28.4	20.1	2 %
EBT	28.3	28.0	20.4	1%
EBT Margin	10.4 %	13.0 %	12.0 %	-2.6 Pp.
Net income	21.4	20.8	15.1	3 %
Weighted average number of shares	29,878,360	29,961,130	16,162,145	0 %
Result per share (€)	0.71	0.69	0.50	3 %
Cash flow from operating activities	12.4	25.3	37.3	-51 %
Cash flow from investing activities	-44.2	-15.3	-23.3	>100 %
Free Cash flow	-31.8	10.0	14.0	>-100 %

in € m[1]	12/31/2022	12/31/2021[2]	12/31/2020	Changes to previous year in %
Total assets	265.5	227.3	190.1	17 %
Long-term assets	130.9	95.5	95.0	37 %
Equity	141.5	128.7	114.9	10 %
Liabilities	124	98.6	75.2	26 %
Equity ratio	53.3 %	56.6 %	60.4 %	-3.3 Pp.
Net cash	-27.0	19.0	23.0	>-100 %
Working capital	70.6	48.7	27.3	45 %
Number of employees for the period (full time equivalents)	1,047	864	808	21%
Share price (XETRA) in €[3]	29.55	52.93	24.00	-44 %
Number of shares in circulation[3]	29,833,531	29,913,693	30,015,792	0 %
Market capitalization	881.6	1,583.4	720.4	-44 %

[1] unless otherwise stated

[2] Previous year's figures adjusted. Please refer to item "3.12.2 Adjustment to Accounting in accordance with IAS 8.42" in the notes to the consolidated financial statements.

[3] new value calculated after stock split on July 20, 2022

CONTENT

REPORT OF THE MANAGEMENT BOARD

Dear shareholders, employees, customers, and business partners of Basler AG,

we are very pleased to report a strong fiscal year 2022. Despite the corona pandemic, weak markets, increasing competition intensity in China, and the ongoing semiconductor crisis, we significantly increased our sales, kept our earnings constant, and decisively advanced important strategic projects in our transformation to a full-range provider with solutions expertise.

For the second year in a row, the company grew significantly above its medium-term target of 15 % per year. After reaching € 215 million in 2021, we targeted a sales corridor of € 235 – 265 million and a pre-tax return of between 9 – 12 %. At the end of October, we increased the forecast to € 262 – 270 million and finally closed fiscal year 2022 with sales amounting to € 272,2 million at an EBT margin of 10.4 %.

We have a very dynamic fiscal year behind us. While the partly overheated demand from the previous year continued in the first quarter, the number of units produced increased slowly due to ongoing bottlenecks in semiconductor components. Demand cooled in the second quarter, particularly in the Asian markets. Corona-related lockdowns in China as well as weaknesses in the consumer electronics equipment industry and in logistics led to a slowdown in incoming orders and the cancellation of orders placed in previous quarters. Sales increased gradually as the availability of missing parts improved. The costly procurement of missing parts on spot markets, particularly necessary in the first half of the year, was reflected in a decline in gross profit margin. After running significantly higher than sales for six quarters in a row, incoming orders approached sales in the second quarter and fell below the level of sales in the last two quarters of the fiscal year. In the final result, sales increased by 27 % compared to the previous year, while incoming orders decreased by 23 % to € 248.4 million. The record order backlog of approximately € 145 million in the middle of the year decreased to a level of approximately € 102.5 million at the end of the year. Thus, fiscal year 2022 closed with well filled order books, however, with a weak momentum of incoming orders.

In 2022, the company stayed on its strategic course and in addition to the very dynamic operative business pushed forward important future projects. With the further expansion of the organization, in 2022 a total of 228 new employees were hired, the ultra-modern building extension at the headquarters went into operation, and the transition from SAP-R3 to SAP-S/4 HANA for the further digitization of the group was completed at the turn of the year 2022 / 2023. Furthermore, at the beginning of July 2022, the participation of 25.1 % in the distribution business of the French sales partner i2S as well as the acquisition of the distribution business of the long-term Italian sales partner Advanced Technologies S.p.a. were successfully implemented. The acquisition in Italy and the takeovers of our two Korean distributors at the end of the previous year contributed substantially to the double-digit sales growth. Synergy potentials will also lead to an improvement in profitability in the medium term. We now have a strong direct sales organization in four of the five largest country markets for image processing. With the latest acquisitions, we are strengthening our unique global market access and promoting the transformation to a solution provider.

In line with our strategy, we invested approximately 12 % of our sales in research & development to underpin our transformation to a full-range provider with solutions expertise based on an attractive range of technologies and products. Our Basler pylon software is increasingly moving to the center of our product range. Pylon is gradually evolving from a configuration tool for cameras to a universal development environment for image processing solutions. In the fourth quarter of 2022, we launched our new pylon vTools for image processing, which provide our customers with powerful tools for automatic image processing and evaluation in addition to efficient image acquisition with the pylon viewer. This coordinated portfolio of hardware and software image processing components on the one hand and development tools on the other enables our customers to significantly reduce their development times and obtain the products from a single source. A very attractive price/performance ratio and the highest quality are further essential components of our value proposition.

Alexander Temme
CCO

Dr. Dietmar Ley
CEO

Arndt Bake
CDO/CIO

Hardy Mehl
CFO/COO

In the past fiscal year, our employees and their families and partners once again performed exceptionally well. We would like to take this opportunity to thank them for their passion and tireless commitment. Against the background of the many challenges in the global supply chains, we are particularly pleased with the loyalty and trust of our customers and the close cooperation with our key suppliers. We would also like to thank our supervisory board and our shareholders for their trust and long-term cooperation.

2023 will presumably be characterized by difficult market conditions. It can be assumed that the improved availability of semiconductor components will continue to have a positive impact on delivery capability. At the same time, however, continuing uncertainties in many geographies and vertical markets, combined with rising interest rates, will lead to a rather weak investment climate overall and thus probably also to lower demand for image processing components. Having started the 2023 financial year with a solid order backlog, we assume that the weak incoming orders of recent months will have a dampening effect on sales development from the second quarter onwards. We assume that demand for image processing components will pick up again in the foreseeable future. This assumption is based in particular on the future increase in demand in the equipment industries for semiconductors, consumer electronics, electromobility, logistics and medical technology, as well as the expiry of the zero-covid policy in China. In the long term, we see the market growing at a high single-digit rate, driven in particular by new fields of application for computer vision outside the factory. However, it is currently unclear when the temporary market weakness will disappear. We reflect this market outlook in a relatively broad forecast corridor for fiscal 2023. Based on the information currently available, we plan to generate sales of between € 235 – 265 million. Depending on sales, we expect a pre-tax return rate of 5 to 8 %.

Within our hiring programs over the past two years, we have sized the organization to approximately € 300 million in sales. Due to the strongly cooling markets in combination with high wage inflation and lingering effects from the semiconductor crisis, we face the challenge of maintaining solid profitability in 2023 and continuing to invest vigorously in our future. For doing so, we have made a conscious decision to reduce our return requirements in the short term and also to implement a strict cost management along the course of our business in order to keep the return within the above-mentioned corridor even in the event of a noticeable decline in sales. The implementation of these measures will take effect as early as April.

The current market outlook and geopolitical uncertainties also cause us to be cautious in our liquidity management. Last year, cash on hand was already heavily burdened by the chip crisis, by substantial SAP-S/4 HANA investments, and by M&A transactions of our distributors in Korea, Italy, and France. Due to this special situation, in consultation with the supervisory board we intend to reduce the distribution ratio for fiscal 2022 from the usual 30 % to 20 % and will propose to the annual general meeting 2023 the payment of a dividend of € 0.14 per share for fiscal 2022. We would like to thank our shareholders for the trust they have placed in us and hope for your understanding and approval of this procedure.

We have already demonstrated on several occasions in the past that we are capable of solidly mastering phases of weakness without losing sight of our medium- to long-term orientation. Therefore, our ambitious medium-term planning remains unaffected by this short-term outlook as long as the weakness in demand is limited to fiscal 2023. We still aim to achieve sales of approximately € 400 million at a pre-tax return rate of approximately 12 % by 2025. In addition to these economic goals, we also pursue social and ecological goals as part of sustainable corporate development. In doing so, we strive to combine the triad of economy, ecology and social issues as synergistically as possible and to contribute to improving the quality of life with computer vision technology. By 2030, we want to stop emitting any net greenhouse gases in scope 1 and 2.

We look forward to work together with you shaping the future growth of Basler AG and would like to give you detailed insights of the past fiscal year.

Enjoy reading our report.

Ahrensburg, March 29, 2023

The Management Board

Dr. Dietmar Ley	Arndt Bake	Hardy Mehl	Alexander Temme
CEO	CDO/CIO	CFO/COO	CCO

REPORT OF THE SUPERVISORY BOARD

Dear Ladies and Gentlemen,

In the elapsed fiscal year 2022, 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. 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 2022, six regularly occurring supervisory board meetings took place. These were held on January 27, March 25, May 23, September 1, September 12, and December 7. All members of the supervisory board attended the meetings. Due to Covid-19 as well as the related travel restrictions, the meeting on January 27 was held virtually. The meetings on March 25, September 12, and December 7 were held as hybrid events. The meetings on May 23, as well as on September 1 were held as face-to-face sessions.

The management board and the supervisory board cooperate closely for the benefit of the company. The basis for this cooperation is frank and trusting discussions. 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 has 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 revenue.

Significant issues the supervisory board dealt with in the elapsed fiscal year were inter alia:

- Consultation on and conclusion of the annual balance sheet for 2021 and the proposals for the shareholders' meeting
- Dividends for fiscal year 2021 including the proposal for the shareholders' meeting
- Economic and market-specific developments
- Situation of the relevant markets and Basler AG's position in these markets
- Advancement of the corporate strategy
- New Business Development
- M&A activities
- Further development of the company organization
- Expansion of business premises
- Investments

Horst W. Garbrecht
Vice Chairman of the Supervisory Board

Prof. Dr. Mirja Steinkamp
Supervisory Board

Norbert Basler
Founder & Chairman of the Supervisory Board

Lennart Schulenburg
Supervisory Board

Dorothea Brandes
Supervisory Board

- Liquidity and working capital
- Company taxes
- Investor Relations
- Share buyback program
- Corporate planning and budget for the group for fiscal year 2023
- Correctness and effectiveness of the internal control system (ICS)
- Correctness and effectiveness of the risk management system (RMS)
- Correctness and effectiveness of the compliance management system (CMS)
- Changes of legal requirements
- Adjustment catalogue of business transactions requiring approval
- Sustainability reporting
- Commitment to and amendments of the Corporate Governance Code
- Selection procedure for the statutory auditor
- Personnel development of the management board
- Remuneration of the management board
- Efficiency of the supervisory board's work
- Rules of procedures of the supervisory board
- Personnel development of the supervisory board
- Articles of association issues
- Effects of the corona pandemic
- Exchange and advice regarding the cyber-attack on the company
- Exchange and advice for implementation of SAP S4/HANA

The BDO AG Wirtschaftsprüfungsgesellschaft which was selected as annual auditor by the shareholders' meeting on May 23, 2022, was commissioned by a letter of October 12, 2022 by the chairman of the supervisory board's audit committee, Prof. Dr. Mirja Steinkamp, to perform the audit. The annual auditor participated in the supervisory board meeting on March 29, 2023, in which the presented annual balance sheet and the reported essential results were discussed.

The accounting, the annual balance sheet as of December 31, 2022, and the management report for Basler AG, along with the group's annual balance sheet as of December 31, 2022, and the group's management report have been audited by the annual auditor, the BDO AG Wirtschaftsprüfungsgesellschaft, have been found to be compliant with the applicable laws and the company's articles of incorporation, and have each been furnished with an unconditional audit certificate. The supervisory board took consenting notice of the audit result.

The supervisory board, on its part, examined the company's and the group's annual balance sheets and the company's and the group's management reports in the context of the applicable legal regulations. No objections were raised. The supervisory board approved of and therewith established the annual balance sheet 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 improved it. Furthermore, the supervisory board performed on its own authority education and training measures required to perform its duties. In this context, Prof. Dr. Mirja Steinkamp and Lennart Schulenburg participated in the „Qualified Supervisory Board Update Course (QAIF)" of Interfin Forum GmbH, which was confirmed by corresponding certificates issued by Deutsche Börse. Furthermore, Lennart Schulenburg participated in the training courses „Qualified Supervisory Board Financial Expert“ (Interfin Forum), „Sustainability Manager“ (TÜV Nord) and various other training courses (Deloitte, Stiftung Familienunternehmen).

Since January 2021, Norbert Basler is member of the advisory board of AT Holding GmbH. AT Automation Technology GmbH – a company that offers infra red and 3D camera technology – operates under the umbrella of AT Holding GmbH and thus is to be considered as a market participant. This advisory board is not a decision-making body, but only acts in an advisory capacity. The acceptance of the mandate was coordinated with the management board in advance and was deemed to be non-critical. The other members of the supervisory board do not perform any advisory or executive functions for customers, suppliers, lenders or other business partners.

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

“Following our duly performed audit and evaluation we herewith confirm that

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

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

Company under Pressure – Strong Growth and Earnings

The elapsed fiscal year was characterized by an unusually high number of external and internal changes:

The ongoing Corona pandemic, the semiconductor procurement crisis that only slowly eased in the second half of the year, the consequences of the hacker attack in the outgoing fiscal year 2021, the Russian war of aggression against Ukraine, the development of raw material and energy costs, high inflation and the corresponding development of personnel costs were the external drivers for constant reprioritization, extra work, cost pressure and capacity shortages.

Within the industry, there is also the ever strongly growing competitive pressure, especially from China.

The company has launched numerous initiatives to achieve the company‘s medium- and long-term goals despite these underlying conditions.

Strong organic growth in combination with M&A activities in Korea, Italy, and France as well as the establishment of the software site in Poland, an expansion of the existing operating sites, in particular at the main site in Ahrensburg, and the switch to a new corporate software at the turn of the year 2022/2023 are only the most concise examples of major organizational projects carried out in the past year.

The fact that the Basler Group was able to achieve a record result and realize sales growth of 25%, contrary to the industry trend and despite the difficult underlying conditions, is once again due to an exceptional team performance under the leadership of an equally committed management team. The supervisory board pays great respect to the entire team for this commitment and the success it has made possible

In view of the associated high workloads in many areas of the company in the past fiscal year, the supervisory board supports plans of the management to normalize these workloads through a package of corrective measures.

The overall situation is also expected to ease as a result of the progress made in integrating the acquired companies, the expected effectiveness of the approximately 200 new colleagues, the move into the new premises, the foreseeable completion of the implementation of the new ERP system by the end of the 1st quarter of 2023, and the end of the procurement crisis.

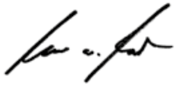
The supervisory board expressly thanks all employees, the executives as well as the members of the management board of Basler AG and its subsidiaries for their outstanding commitment and the excellent results of their work in an equally successful and extraordinary fiscal year.

Ahrensburg, March 29, 2023

For the Supervisory Board

Norbert Basler

Founder & Chairman of the Supervisory Board



Horst W. Garbrecht

Vice Chairman of the Supervisory Board

Prof. Dr. Mirja Steinkamp

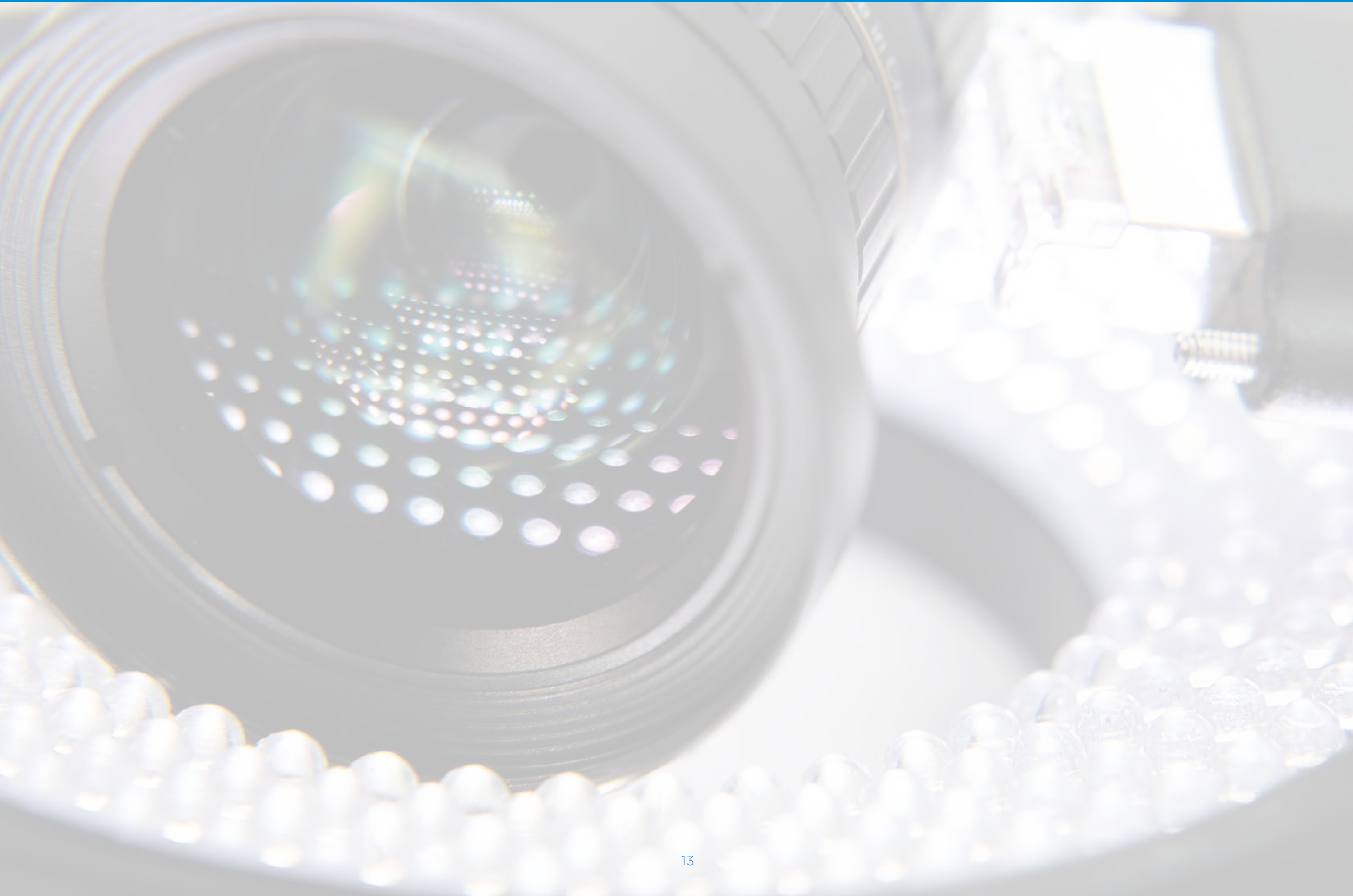
Supervisory Board

Lennart Schulenburg

Supervisory Board

Dorothea Brandes

Supervisory Board / Employee Representative



THE BASLER SHARE

The Basler share opened the financial year 2022 at a price of € 53.53 and closed at the highest price of the entire year at € 53.73 at the same day. In the weeks that followed, the share, like many other technology stocks, came under pressure and the price steadily moved downwards along with the market. The Basler share closed the first quarter at € 33.33 at the end of March, shortly after the reporting for 2021, in which the double-digit growth forecast for 2022 was published.

The downward trend continued in the second quarter, despite the reporting of strong quarterly figures on May 4 with record sales of € 66.3 million and a high EBT margin of 14 % as well as strong incoming orders. The announcement of the 25.1 % shareholding in the distribution business of the French distributor i2S as well as the announcement of the acquisition of the distribution business of Advanced Technologies, Italy, on May 19 also did not result in any share price increases. The share closed the quarter at a price of € 25.50.

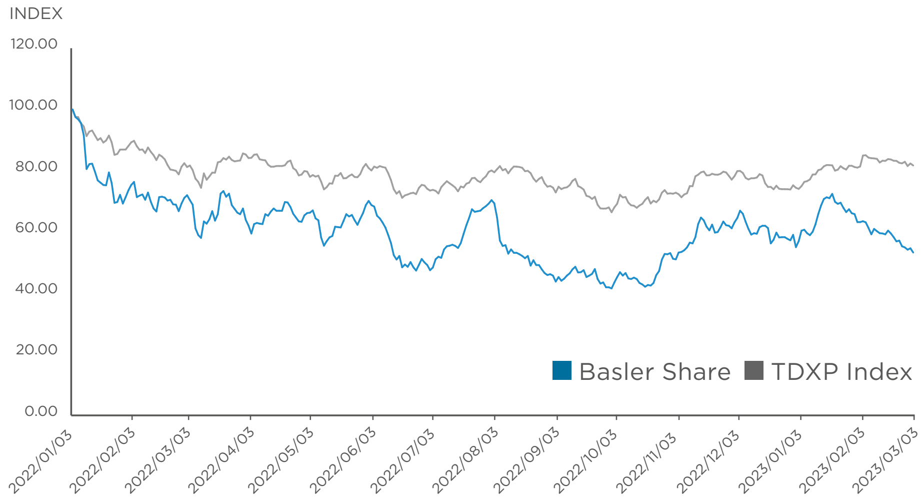
With the implementation of the capital increase resolved at the 2022 annual general meeting, including the issue of bonus shares, around July 18, the share price recovered slightly and rose back above the € 30.00 mark. Following the reporting of the half-year results on August 3, a downward trend in the share price became apparent in the following weeks despite the confirmed forecast for the year, high sales and full order books, culminating in the lowest closing price of the year of € 22.30 shortly before the end of the quarter on September 29, 2022. On September 30, 2022, the share closed the third quarter at a price of € 23.23.

With the quarterly reporting for the third quarter on November 8, a new sales record as well as in increase in the forecast from € 235 – 265 million to € 262 – 270 million in sales and a pre-tax return of 10 – 12 % (previously 9 – 12 %), the share price rose above € 30.00. In the end, the share closed fiscal year 2022 at a price of € 29.55, showing a negative development of 45 % compared to the beginning of the year.

In addition to Basler specific effects, the many geopolitical and macroeconomic events in fiscal year 2022 led to high uncertainties on the capital markets and consequently to a consistently negative performance across all indices, over proportionally affecting technology stocks.

SHARE PRICE DEVELOPMENT 2022

Relative share price development 2022/2023 Xetra vs. TecDax



ANNUAL GENERAL MEETING

The annual general meeting was held virtually for the third time in the company's history on May 23, 2022. The registered and logged-in shareholders were informed by the management board about the strategic direction of the company and the course of business in 2021 as part of a comprehensive corporate presentation. After the general debate, the proposed resolutions of the management on the various agenda items were approved by a large majority of the votes present.

Please find detailed information about the general meeting 2022 here baslerweb.com/en/investors/annual-general-meeting

The annual general meeting 2023 is scheduled for May 26 as an in-person event at the Hamburg Chamber of Commerce.

CAPITAL INCREASE AND ISSUE OF BONUS SHARES

On May 23, 2022, the annual general meeting of Basler AG resolved to increase the share capital of € 10,500,000.00 by € 21,000,000.00 to € 31,500,000.00 pursuant to the regulations on capital increases from company funds (§§ 207 ff. German Stock Corporation Act). With this measure, the company intends to further increase the attractiveness and liquidity of the share on the capital market and open itself up to new investor groups. The capital increase shall be effected by converting an amount of € 21,000,000.00 of the capital reserve shown in the approved annual financial statements of the company as at December 31, 2021 into share capital. The capital increase shall be carried out by issuing 21,000,000 new no-par value bearer shares at € 1.00 per share. The shares are entitled to participate in profits from January 1, 2022. The resolution on the capital increase from company funds was based on the annual financial statements of Basler AG as at December 31, 2021, as approved by the supervisory board. These audited and approved financial statements have been issued with an unqualified audit opinion by the company's auditor, BDO AG Wirtschaftsprüfungsgesellschaft, Lübeck. With the consent of the supervisory board, the management board was authorized to determine the further details of the implementation of the capital increase.

The corresponding amendment of the articles of association was entered in the Commercial Register of the company at the district court of Lübeck on July 5, 2022, and thus became effective. The share capital of the company now amounts to € 31,500,000.00 and is divided into 31,500,000 no-par value bearer shares.

The record date for the allotment of the new shares resulting from the capital increase ("bonus shares") was July 20, 2022. The shareholders of our company were entitled to bonus shares in the ratio of 1:2 on the basis of their existing shareholdings in the ISIN DE0005102008 on July 20, 2022, in the evening after the close of the stock exchange; i.e. for each share already held, the shareholder received two additional bonus shares.

The bonus shares receive the same ISIN as the old shares (ISIN DE0005102008). They are securitized in a new global certificate deposited with the Clearstream Banking AG, Frankfurt am Main. The shareholders' claim to securitization of their shares as well as any profit shares is excluded according to the articles of association.

The delivery date of the bonus shares admitted to the regulated market (Prime Standard) of the Frankfurt Stock Exchange was July 21, 2022.

SHARE BUYBACK PROGRAM

With the conviction that sales and earnings would increase continuously in the following years, the management board decided for the first time in September 2011 to launch a share buyback program. Further share buyback programs have followed over the past eleven years.

With the approval of the supervisory board, on December 9, 2020, the management board of Basler AG resolved to launch a new share buyback program based on the resolution of the annual general meeting of May 26, 2020. This share buyback program has a total volume of up to € 10.0 million with a term running until May 25, 2025.

DIVIDEND 2022 **€0.14**

The basis of the share buyback program was the authorization pursuant to section 71 (1) no. 8 of the AktG dated May 26, 2020, agenda item 8 of this shareholders' meeting. According to this, the company may acquire treasury shares on the basis of the currently registered share capital up to a total amount of €1,050,000.00 divided into 1,050,000 shares. The authorization is valid until the end of May 25, 2025.

On the acquisition side, this means that a total of no more than 1,050,000 shares may be acquired under the authorization. The shares issued as part of the capital increase from company funds on June 26, 2019 and on July 20, 2022 are not to be counted, but only the shares actually acquired up to July 20, 2022 and the 31,601 shares acquired thereafter.

At the reporting date December 31, 2022, the company held 1,666,469 own shares corresponding to almost 5.3 % of total shares of 31.5 million shares.

While the company in principle is allowed to use the shares for all legal purposes in accordance with the authorization, this share buyback program is intended in particular for the acquisition of treasury shares for a later use as acquisition currency.

The share buyback program is implemented as a programmed buyback program within the meaning of Art. 1 lit. a of Regulation (EU) 2016/1052. The program will be managed by Joh. Berenberg, Gossler & Co. The credit institution has been instructed, at its own discretion but within the framework of the following provisions, not to buy more than 25 % of the average daily trading volume of the 20 trading days on the respective trading venue prior to the purchase date from the respective daily turnover. In this context, the purchase price per share (excluding ancillary purchase costs) may not exceed or fall short of the share price determined on the trading day by the opening auction in XETRA trading (or a comparable successor system) on the Frankfurt Stock Exchange by more than 10 %.

The extent to which own shares are actually acquired will depend in particular on market conditions. The acquisition is carried out via the stock exchange in compliance with the provisions of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse („Market Abuse Regulation") and the delegate regulation (EU) 2016/1052 of the Commission of March 8, 2016 adopted on the basis of Article 5 (6) of the Market Abuse Regulation supplementing regulation (EU) No. 596/2014 of the European Parliament and of the Council by regulatory technical standards for the conditions applicable to buyback programs and stabilization measures („Delegated Regulation") and the volume limits and other purchase restrictions and publication requirements provided for therein. The company has the right to suspend or prematurely terminate the share buyback program at any time.

DIVIDEND AND APPROPRIATION OF EARNINGS

Due to the solid business development in the fiscal year 2022, the management board of Basler AG has decided to propose to the annual general meeting 2023 to pay a dividend.

The company's dividend strategy is to pay approximately 30 % of the net result every year. However, the amount distributed is always depending on the business development and planned investments in growth and the future of the company.

The goal of Basler AG is to let its shareholders participate in its success and at the same time to maintain sufficient liquidity to finance the company's growth course. Against the background of the very high investments in the past year and the capital tied up by the chip crisis on the one hand, and the current weak market outlook and geopolitical uncertainties on the other, the management is managing liquidity with caution. It will therefore be proposed to the annual general meeting in May 2023 that a dividend of €0.14 (previous year: €0.21) per eligible share (equivalent to € 2.4 million) will be paid. This corresponds to a payout ratio of 20 %.

CAPITAL MARKET COMMUNICATION

Continuous and open communication with all capital market participants is very important to Basler AG. We value the direct contact to analysts, investors, and private shareholders. We communicate with institutional investors via conference calls, individual meetings, and roadshows or at capital market conferences. It is during the annual general meeting, at smaller conferences, as well as in personal discussions where we inform private investors about the development of the company. Since March 2020, however, investor relations work has taken a different course for all market participants. Communication remained intensive, but was still mainly limited to digital formats in the 1st half of 2022. In the 2nd half of 2022, direct contact with investors was again increasingly sought.

In the elapsed fiscal year, Basler AG participated in three (previous year: three) roadshows and nine (previous year: seven) capital market conferences. Furthermore, many investors sought direct contact with the company. We addressed this interest mainly via conference calls, but also via visits to the Ahrensburg office.

As a listed family company, in 2022 we again concentrated our investor relations work mainly on investors pursuing a long-term strategy focusing on listed family companies like Basler AG which are comfortable with correspondingly limited trade volumes. As a result of this clear focus and stable business development, relationships with interested investors were further expanded in 2022.

In the previous year, the analysts of Warburg Research, Berenberg Bank, Jeffries as well as Matelan Research regularly prepared studies about Basler AG (previous year: 4). You can find some of the current recommendations via baslerweb.com/share in the Share >> Analyst recommendations section.

In addition to this, we offer comprehensive information in the internet via baslerweb.com/Investors, where you can find our quarterly reports, half year reports, and annual financial reports, along with 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 shareholders' meeting.

CONTACT

For questions about our company or the Basler share, please contact our investor relations department:
Tel. 04102 463 0
Fax 04102 463 108
ir@baslerweb.com
baslerweb.com/Share

REGULAR INFORMATION

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

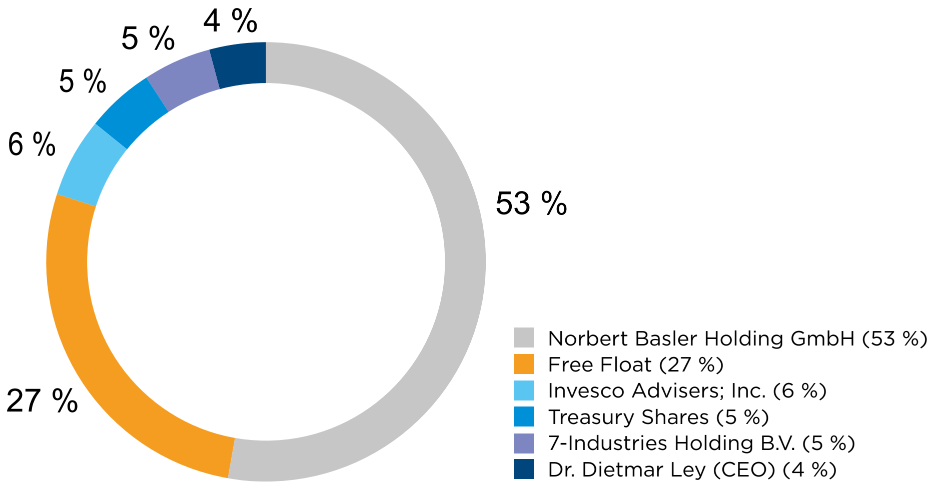
SHARE-RELATED INFORMATION

ISIN: DE0005102008
Symbol: BSL
Prime Standard branch: Electronics and Electrics
Prime Standard sector: Industrial
Industry group: Advanced Industrial Equipment
Admission segment: Prime Standard / Regulated Market
Designated sponsor: M. M. Warburg, Hamburg
Number of shares: 31,500,000

Member of the following indices: SDax, CDax, Prime All Share, DAXsubsector Advanced Industrial Equipment (performance)

YEAR HIGH 2022 €53.73

SHAREHOLDER STRUCTURE



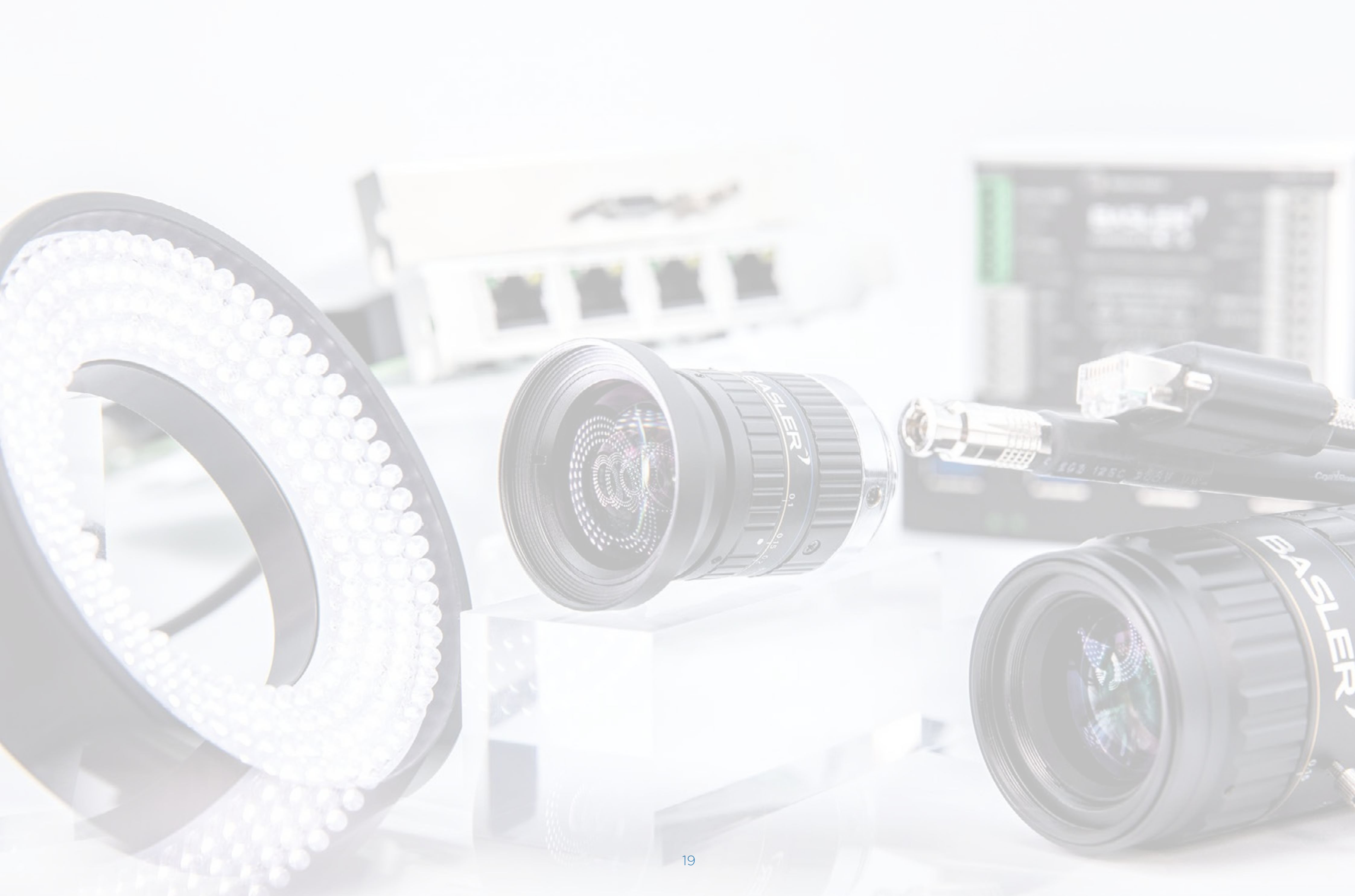
SHARE PRICE KEY FIGURES

	2022	2021	2020	2019
Market capitalization in € million (as of 12/31)	881.6	1,583.4	720.4	544.4
Annual closing price in € (as of 12/31)	29.55	158.80	72.00	54.40
Year high in €	53.73	171.20	72.20	57.20
Year low in €	22.30	75.00	34.15	33.70
Annual development	-45 %	> +100%	+33 %	+30 %

SHARE OWNERSHIP BY THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

	12/31/2022 Number of shares in pieces	12/31/2021 Number of shares in pieces*
Supervisory Board		
Norbert Basler	-	-
Dorothea Brandes	-	-
Horst W. Garbrecht	-	-
Dr. Marco Grimm (until Feb. 28, 2023)	-	-
Prof. Dr. Eckart Kottkamp (until May 23, 2022)	-	-
Lennart Schulenburg (since May 23, 2022)	-	-
Prof. Dr. Mirja Steinkamp	-	-
Management Board		
Arndt Bake	5,400	6,225
Dr. Dietmar Ley	1,140,930	1,137,618
Hardy Mehl	20,616	17,703
Alexander Temme	1,701	0

* new value calculated after stock split on July 20, 2022


BASLER
BASLER

CORPORATE GOVERNANCE

REPORT OF THE BASLER GROUP

The Basler Group is a global organization with an international shareholder structure. The management board and the supervisory board attach particular emphasis on responsible and transparent management and a control of the company that is oriented to sustainable value increase. A meaningful and transparent company communication, the respect for shareholders' interest, a forward-looking approach to changes and risks, as well as an efficient and responsible cooperation between the management board and the supervisory board are major aspects of good corporate governance. The latter promotes the trust of the shareholders, business partners, employees, and finally of the society within the Basler Group. At the same time, these principles are important orientation standards for managing and controlling the group.

The corporate governance report pursuant to § 289f and § 315d HGB (German Commercial Code) is part of the combined management report. Pursuant to § 317 (2) sentence 6 HGB, the auditor's examination of the disclosures pursuant to § 289f and § 315d HGB is to be limited to whether the disclosures have been made. As part of the corporate governance report, the management board and supervisory board also report on the corporate governance of the company.

Declaration of Conformity with the German Corporate Governance Code

The management board and the supervisory board of Basler AG declare after due examination that in the elapsed fiscal year 2022, Basler AG complied with the recommendations of the German Corporate Governance Code pursuant to the version of April 28, 2022 (hereinafter called "code") with the following exceptions:

B. COMPOSITION OF THE MANAGEMENT BOARD

B.1

The management board of the company is currently fully staffed. An expansion of the board or a change is not planned for the time being. In the event of a change, the supervisory board has set a target of 20 % female representation.

B.3

Mr. Alexander Temme was appointed to the management board as of January 1, 2021 – initially for four years until December 31, 2024. By this, the company ensures the contracts of the members of the management board to expire with a time lag so that at no time two personnel decisions have to be taken at the same time. In view of Mr. Temme's moving up to the management board after a long time management position in the company associated with a great relationship of trust, the supervisory board considers this decision to be warranted.

C. COMPOSITION OF THE SUPERVISORY BOARD

C.1, C.2

In its proposals to the annual general meeting, the supervisory board will continue to observe legal requirements and give priority to women in case of equal qualification. In doing so, the company's international activities, potential conflicts of interest as well as diversity will be considered. The decision on the candidates which the supervisory board considers to be the most appropriate ones, is to be taken whenever a new election is scheduled. The supervisory board and the management board do not consider it as useful to be bound to pre-formulated abstract targets for selecting candidates instead of freely deciding on a person which is available and seems to be most suitable for the position. Therefore, the supervisory board does not give concrete targets according to point C.1 DCGK (Deutscher Corporate Governance Kodex, German Corporate Governance Code) nor does it set an age limit for members of the supervisory board according to point C.2 DCGK. Subsequently, such targets will neither be taken into account for proposals to the responsible electoral bodies nor will be reported regarding their state of implementation.

G. REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

G.1

The remuneration system of Basler AG provides for financial performance criteria for the granting of variable remuneration components. Non-financial performance criteria are used in corporate management, but they are not used as a basis for determining the variable remuneration components.

G.6, G.7, G.10

The remuneration system of the management board is based on a „bonus bank system" which is set up as follows:

The total target achievement (-100% to 400%) is multiplied by a defined variable component of the target salary (25% of the agreed target salary) and results in the amount in Euro for the bonus entitlement of the respective member of the management board for the elapsed fiscal year. Accordingly, the bonus entitlement can amount from -25% (malus) to +75% of the target salary.

The bonus entitlement calculated in that way is not paid immediately. In order to satisfy the required long-term and multi-year assessment basis, the bonus amounts are paid out on a delayed basis by a bonus bank and are subject to the interim risk of a substantial reduction due to a subsequent deterioration in performance. 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 the previous balance this results in a current account balance. If this account balance is positive one third will be paid out. Two thirds will be forwarded to a 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.

In order to create a special performance incentive for the management board and to motivate its members to work in the long run on increasing the value of the company, the supervisory board decided to convert a part of the bonus into shares. Since 2018, an individually fixed percentage part of the respective future claim for variable remuneration of above 100% of target achievement will be granted in shares. In this case, the above described bonus bank procedure will also come into effect.

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.

The supervisory board considers the remuneration system appropriate and long-term oriented. It also prevents conflicts of interest and misaligned incentives in the best possible way. A detailed description of the remuneration system can be found in the management report under point 10. In many aspects it is oriented at the DCGK (Deutscher Corporate Governance Kodex, German Corporate Governance Code), however, it slightly deviates from the recommendations of the Corporate Governance Code in points G.6, G.7, and G.10:

G.6 AND G.7

This recommendation is deliberately not complied with. Instead, a profound strategy process is conducted every year in which the supervisory board and the management board agree upon the medium and long-term company targets and derive hereof the short-term oriented targets for the variable remuneration.

G.10

The company considers a ratio of 50 % of the over-performance amount as a payout in shares to be appropriate. The transfer to the bonus bank as well as the payout are conducted analogously to the process for the variable remuneration in money. One third of the resulting annual balance is paid out and two thirds are carried forward.

Company Website

The declaration of conformity pursuant to § 161 of the German Stock Corporation Act (AktG) is available on the internet at:
baslerweb.com/en/company/investors/corporate-governance/
The declarations of conformity and the corporate governance reports for previous years can also be viewed there.

RELEVANT DISCLOSURES REGARDING CORPORATE GOVERNANCE PRACTICES EXCEEDING LEGAL REQUIREMENTS AND WHERE THEY ARE MADE AVAILABLE TO THE PUBLIC

The Basler Group is to be perceived as a responsible globally acting company with high ethical and legal standards.

The joint basis for acting is the specific culture of the Basler Group. It is reflected in the fair and respectful treatment of colleagues towards each other and towards third parties and is further characterized by the willingness to deliver results, perform, open communication, integrity, trustworthiness and the conservation of natural resources.

These principles are summarized in the “Code of Conduct” as well as in the sustainability strategy of the Basler Group. This code of conduct is binding for all employees regardless of their function or position within the group. A constant reflection of these values and their incorporation into our daily activities represents a clear commitment to the company‘s culture and ensures its long-term business success. The “Code of Conduct” can be found on the company’s website: baslerweb.com/en/company/investors/sustainability/

Further information on corporate management is provided in the group management report under 1.2 Management System.

COMPLIANCE AS WELL AS OPPORTUNITIES AND RISKS REPORT

The principles of a responsible corporate governance include a continuous and responsible balancing of opportunities and risks. The aim of an opportunities and risks management is to develop a strategy and set up targets that create an even balance between growth and profitability targets on the one hand and the risks linked herewith on the other hand. Details of the opportunities and risks management system of the Basler Group can be found in the group management report << 5. OPPORTUNITIES AND RISKS REPORT >>.

The close interlinking of the internal control system, risk management system and compliance system is to ensure the highest possible degree of effectiveness with regard to the avoidance and management of risks. Key features of our risk management and internal control system can be found in sections 6 and 7 of the management report.

COMPLIANCE

The compliance of business activities with all relevant laws and standards as well as within the company‘s internal principles is a basic prerequisite for sustainable successful business. Thus, the Basler Group‘s success is not only based on good business policies, but also on an economically ethical integrity, trust and the open and fair treatment of employees, customers, business partners, shareholders and other stakeholders.

COMPLIANCE-CULTURE AND TARGETS

Compliance has always been a major part in risk prevention and company culture of the Basler Group. The aim is to always act in compliance with all relevant laws, norms, international standards and internal guidelines. The Basler Group pursues a preventive compliance approach and strives for a corporate culture that raises awareness and educates the employees in order to prevent potential violation of the rules. By doing so, the management board and the managers bear a special responsibility. Within their area of responsibility, they are role models and urged to ensure observation of the compliance requirements, to clearly communicate the expectations to all employees and to consistently set an example of compliant and ethical behavior.

COMPLIANCE-ORGANIZATION

The compliance activities are closely linked with the risk management and the internal control system. The legal department controls the compliance activities within the group by creating appropriate structures and processes as well as by giving support for an efficient implementation of compliance measures. In addition, the legal department is available as a contact for individual questions from the organization.

COMPLIANCE-PROGRAM AND COMMUNICATION

The compliance structures and measures to ensure the observation of laws, guidelines, and ethical principles are consequently aligned to the risk situation of the group and continuously developed further. The compliance activities' starting point for all employees is the binding code of conduct of the group. In addition to the company's website, employees can access the code of conduct and further company guidelines via the group's intranet platform.

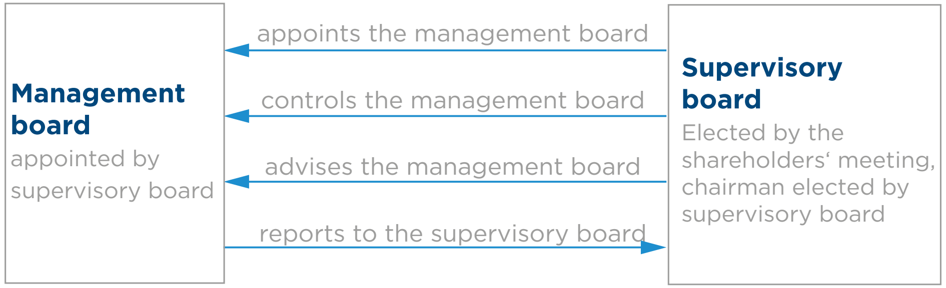
COMPLIANCE-REPORTING CHANNELS, REVIEWS AND FURTHER DEVELOPMENT

Reliable reporting channels and the protection of internal whistleblowers from sanctions are major elements for the identification of compliance risks. In addition to direct contact with their supervisors, employees of the Basler Group can also report possible violations of laws or policies via a whistleblowing system set up for this purpose without disclosing their identity. All reported cases and violations are timely investigated and evaluated; if necessary, appropriate measures and sanctions are taken. The observation of internal guidelines and legal requirements are regularly subject to internal audits by the corporate audit department. The management board and the supervisory board are regularly informed about facts relevant for compliance as well as about the expansion of the compliance structures and planned compliance measures.

With the integrated governance, risk, and compliance approach, the management board has created and implemented a control framework for Basler that aims at an adequate and effective internal control and risk management. The measures implemented within the framework of this approach aim at the effectiveness and adequacy of the internal control and risk management and are explained in more detail, for example, in the opportunity and risk report. Independent monitoring and audits, in particular in the form of internal audits and their reporting to the management board and the audit committee of the supervisory board, as well as other external audits, are essential in this respect. Based on its involvement with the internal control and risk management system and the reports from the internal audits, the management board is not aware of any circumstances that would speak against the appropriateness and effectiveness of these systems.

DESCRIPTION OF METHOD OF WORK OF MANAGEMENT BOARD AND SUPERVISORY BOARD

Basler AG is a German stock corporation acting in line with the dual management and control structure of the two organs: management board and supervisory board.



MANAGEMENT BOARD

Composition

Pursuant to §7 of the Articles of Association the management board consists of at least two members. The members of the management board are appointed by the supervisory board. Together with the management board it ensures long-term succession planning. The age limit for management board members is 70 years. A minimum age does not exist.

Dr. Dietmar Ley
Chief Executive Officer - with Basler since 1993

Hardy Mehl
Chief Financial Officer/Chief Operations Officer – with Basler since 1999

Arndt Bake
Chief Digital Officer/Chief Innovation Office – with Basler since 2001

Alexander Temme
Chief Commercial Officer – with Basler since 2002

The members of the management board do not hold any other mandates in other statutory supervisory boards or comparable domestic or foreign supervisory bodies.

Method of Work

The supervisory board has issued rules of procedure for the management board that govern both the cooperation within the management board and the cooperation between the management board and the supervisory board. In line with the interests of the company, the management board performs its management duties aiming for a sustainable increase of the value of the company.

The management board bears overall responsibility for the management of the Basler Group. The management board decides jointly on all matters that are of particular importance and scope for the company or its subsidiaries. The management board is responsible for the preparation of the quarterly statements, the half-year financial report as well as for the preparation of the annual and consolidated financial statements and the combined management report of the Basler Group. The management board reports to the supervisory board regularly, promptly and comprehensively in written and verbal form on all relevant issues relating to business development, corporate planning, strategic alignment, opportunity and risk management, and compliance.

The supervisory board is involved in a timely manner in all decisions that may have a significant impact on the net assets, financial position and results of operations of the company and is kept fully informed by the management board. In the case of acquisition projects, the management board provides detailed information on the progress and status of the project at an early stage and coordinates the acquisition and integration process closely with the supervisory board.

SUPERVISORY BOARD

Composition

Compared to the previous year, the composition of the supervisory board changed in fiscal year 2022. Since the election at the annual general meeting on May 23, 2022, the supervisory board consists of the following six members:

Norbert Basler, Chairman of the supervisory board

Horst W. Garbrecht, Member of the supervisory board

Prof. Dr. Mirja Steinkamp, Member of the supervisory board

Lennart Schulenburg, Member of the supervisory board

Dorothea Brandes, Employees' representative in the supervisory board

Dr. Marco Grimm, Employees' representative in the supervisory board (until Feb. 28, 2023)

The members of the supervisory board are elected by the annual general meeting or by the employees. The chairman or chairwoman of the supervisory board is elected by the supervisory board from among its members. He or she coordinates the work of the supervisory board and represents the interests of the supervisory board externally.

Information on other mandates held by members of the supervisory board can be found in the notes to the consolidated financial statements. The compensation of the members of the supervisory board is commented on in the group's remuneration report. From April 18, 2023, on, this report is open to the public and subject to approval by the annual general meeting on May 26, 2023, under baslerweb.com/en/company/investors/corporate-governance/.

General Requirements / Competence Profile

In line with the German Corporate Governance Code, the supervisory board agreed upon concrete targets for its composition and resolved on a competence profile for the entire organ of the supervisory board of the Basler Group. Accordingly, each member of the supervisory board must fulfill the legal and statutory requirements for membership of the supervisory board (§ 100 (1) to (4) AktG). Each member of the supervisory board must have the knowledge and skills required to properly perform the duties incumbent upon him or her by law and under the Articles of Association. The members of the supervisory board as a whole must be familiar with the sector in which the company operates (§ 100 (5) AktG). Each member of the supervisory board must be sufficiently available and willing to devote the necessary time and attention to the office. In addition to these general requirements, the entire body should meet the following requirements in particular:

- Each member should have a general understanding of the Basler Group's business, in particular the global market environment, individual business areas, customer needs, the regions in which the company operates and the strategic alignment of the company.
- At least one member should have expertise in the fields of accounting or auditing.
- At least one member should have expertise in sustainability issues that are significant to the company.
- One or more members should particularly fulfill the criterion of international exposure or have acquired operational experience in internationally active companies.
- One or more members should have expertise in the field of business administration.
- The full board should include one or more members with experience in governance, compliance and risk management.
- All members should have operational experience in personnel management.

Qualification Matrix of the Supervisory Board:

		Basler GER	**Garbrecht** GER	**Steinkamp** GER	**Schulenburg** GER
Membership	Member since:	2002	2015	2017	2022
	Elected until:	2024	2027	2026	2025
Diversity	Gender:	M	M	F	M
	Year of Birth:	1963	1965	1970	1989
Competencies	Financial Expert, Supervisory Board/Control	●	●	●	●
	Strategy, Sales / Marketing	●	●	●	●
	Technology / Innovation, Operational Excellence, Industry	●	●		●
	Digital Competence	●	●	●	●
Experiences	Supervisory Board, Business Management, Internationality, Corporate Governance System, Sustainability	●	●	●	●
	Capital Market	●	●	●	
	Organizational Development, Personnel and Compensation Issues, Business Model, Restructuring	●	●	●	
	Image Processing Industry, Target Industries, Research and Development	●	●		●
	M&A, Disruption / Transformation, Growth Management, IT as Value Driver	●	●	●	●

The supervisory board of the company currently considers the aforementioned objectives for the composition of the supervisory board to have been met.

The proposals to the annual general meeting for the election of supervisory board members are based on the competence profile of the supervisory board and the objectives for the composition of the entire body. Against this background, the supervisory board has not currently set an age limit for supervisory board members.

The length of service of the individual supervisory board members can be viewed on the following website:
baslerweb.com/en/company/management/supervisory-board/

The individual supervisory board mandates of the members of the supervisory board as well as their shareholdings and those of the members of the management board are shown in the Notes to the Annual Report.

Independence of Members of the Supervisory Board

The shareholder representatives in the supervisory board have determined what they consider to be an appropriate number of independent shareholder representatives in the supervisory board, taking into account the ownership structure of the company. The supervisory board in its current composition complies with this determination. The number and names of the shareholder representatives are shown in the table below: baslerweb.com/en/company/investors/corporate-governance/supervisory-board/

The supervisory board essentially bases its assessments of independence on the indicators mentioned in the current version of the Corporate Governance Code dated December 16, 2019. More detailed explanations are required for the classification of the chairman of the supervisory board Norbert Basler as „independent" of the company and its management board. Norbert Basler is considered independent by the other shareholder representatives on the supervisory board despite his twenty-three-year membership of the company's supervisory board and his (indirect) shareholder position. In his activities as a member of the supervisory board, he has never given cause to doubt that he always performed his duties on the supervisory board in a dutiful and proper manner. The other shareholder representatives on the supervisory board are therefore convinced of his independence. There were and are no significant business relationships between Norbert Basler and the company or any of its dependent companies. Neither is Norbert Basler a close family member of a member of the Basler AG's management board.

Working Method

The supervisory board assists the management board in an advisory capacity, monitors the management board in its management of the company, and reviews all significant business transactions by inspecting the relevant documents on the basis of the German Stock Corporation Act, the company's Articles of Association, and the rules of procedure for the supervisory board and management board. The supervisory board is also informed by the management board about business developments outside the regular supervisory board meetings. In this way, it can accompany the operating business with advice and recommendations on an appropriate basis.

The supervisory board supplements the management board's rules of procedures by determining a catalogue of transactions requiring consent. The supervisory board acts on the basis of own rules of procedures shown under baslerweb.com/CorporateGovernance. Furthermore, the supervisory board adopts the annual financial statements and approves the consolidated financial statements. Each year, the chairman of the supervisory board explains the activities of the supervisory board in his report to the shareholders as part of the annual report. He is also available to answer questions at the annual general meeting. Additional information on the management board and supervisory board, in particular on their working methods and the mandates held by their members, can be found in the report of the supervisory board, the notes to the consolidated financial statements and the management report.

Together with the management board, the supervisory board also ensures long-term succession planning. For doing so, the supervisory board regularly exchanges views with the management board. Together, the management board and supervisory board evaluate the suitability of potential successor candidates and discuss how suitable internal candidates can be developed further. The supervisory board also reviews on an ongoing basis whether the composition of the management board continues to be the best possible. To this end, the chairman of the supervisory board discusses with the management board in particular what knowledge, experience and professional and personal competencies should be available on the management board, also with a view to the strategic development of the company, and to what extent the management board is already composed in accordance with these requirements.

Committees of the Supervisory Board

The rules of procedure of the supervisory board provide for the formation of two committees; both committees have been formed and are working in accordance with the contents of the rules of procedure of the supervisory board:

The Audit Committee prepares negotiations and resolutions of the supervisory board regarding the following:

- the accounting system and the effectiveness of the risk management system
- the internal control system and the internal audit system for the required independence of the auditor
- the issuing of the audit mandate to the auditor
- the determination of audit focuses and the fee agreement
- compliance
- assessment of the quality of the audit by the auditor

The chairwoman of the audit committee is independent. The chairman of the supervisory board is a member, but not chairman, of the audit committee.

Composition of the Audit Committee:

Prof. Dr. Mirja Steinkamp has many years of experience as chairwoman of the audit committee and as deputy chairwoman of the supervisory boards of listed and unlisted companies. As an auditor, tax advisor and chairwoman of the audit committee, she has particular knowledge and experience in the application of accounting principles in accordance with the German Commercial Code (HGB), the German Income Tax Act (EStG) and IFRS, the audit of internal control and risk management systems (including compliance management system), and the audit of sustainability reporting.

In 2019, Prof. Dr. Mirja Steinkamp was appointed to the audit committee for certified public accountants for a five-year term. Since 2022, she has been a lecturer at Interfin Forum GmbH, which offers the courses "Qualified Supervisory Board" and "Specialist Supervisory Board in the Audit Committee/Financial Expert" as well as workshops for the area of "Sustainability Reporting Audit".

Norbert Basler, member of the audit committee with knowledge of internal control and risk management systems as well as knowledge of sustainability reporting and auditing.

Lennart Schulenburg, member of the audit committee with expertise in the field of accounting, knowledge and experience in the application of accounting principles, and knowledge in the field of sustainability reporting and its audit.

The Nomination Committee seeks suitable candidates for the supervisory board, whom it recommends to the supervisory board for its election proposal to the annual general meeting. It is composed exclusively of shareholder representatives.

Composition of the Nomination Committee:

Norbert Basler, Chairman of the Nomination Committee

Horst W. Garbrecht, Member of the Nomination Committee

Prof. Dr. Mirja Steinkamp, Member of the Nomination Committee

Self-assessment of the Supervisory Board work

The supervisory board regularly assesses the effectiveness of the performance of its duties as entire body and in its committees. The assessment is based on a catalogue of criteria developed by the supervisory board.

Remuneration of the Management Board and the Supervisory Board

In accordance with the recommendations of the German Governance Code, Basler has been reporting the remuneration of all members of the management board and supervisory board on an individualized basis for some time. The remuneration of the management board includes various components. On the basis of the contracts concluded with them, the members of the management board are entitled to a fixed and an annual variable remuneration as well as fringe benefits. Part of the variable remuneration is paid in shares. The structure of the remuneration system for the management board and the appropriateness of the remuneration are regularly reviewed and determined by the supervisory board.

In line with customary market practice, the company grants all members of the management board additional benefits fixed in their management board contracts, some of which are regarded as non-cash benefits and taxed accordingly, in particular the use of a company car and the granting of accidental insurance coverage. As a rule, sideline activities are subject to approval.

The terms of the contracts of the members of the management board are linked to the term of their appointment to the management board. The contracts of the management board members provide for a post-contractual non-competition clause. The members of the management board are contractually prohibited from providing services to or for a competitor for a period of one and a half years after leaving the company.

Basler AG commissioned a study on the remuneration of the management board and supervisory board in fiscal year 2022. This confirms the appropriateness of the system and the level of compensation compared to listed peer companies with a similar number of employees and similar sales not belonging to any indices. Comparable companies in the SDAX with a similar number of employees, sales or comparable market capitalization tend to compensate the management board members more than Basler AG. The study also provides suggestions for the further development of the remuneration system.

According to the recommendations of the German Corporate Governance Code, the members of the supervisory board receive a fixed remuneration. Since the beginning of fiscal year 2022, each member of the supervisory board shall additionally receive an attendance fee of €1,000.00 (one thousand euros) per meeting for participating in a meeting of the supervisory board or a committee (in each case lasting at least 2 hours or more) – whether physically, by telephone or by other means, but not for mere participation in the passing of resolutions.

The remuneration report 2022 for the management board and the supervisory board, the applicable remuneration system pursuant to § 87 a Sec 1 and 2, sent. 2 Aktiengesetz (Stock Corporation Act) as well as the auditor's report pursuant to § 162 Aktiengesetz (Stock Corporation Act) are open to the public with reservation from April 18, 2023 on until approval of the annual general meeting on May 26, 2023, under:
baslerweb.com/en/company/investors/corporate-governance/

In line with the legal changes introduced by the Act Implementing the Second Shareholders' Rights Directive (ARUG II), which came into force on January 1, 2020, the supervisory board has further developed the existing management board remuneration system. The existing system, which was approved by the annual general meeting in May 2021, also essentially complies with the recommendations of the German Corporate Governance Code (GCGC) in the version of April 28, 2022.

TARGET FIGURES FOR PROPORTIONS OF WOMEN, §§ 76 PARA. 4, 111 PARA. 5 AKTIENGESETZ (STOCK CORPORATION ACT) AND DIVERSITY CONCEPT

Pursuant to Section 111 (5) AktG, the supervisory board must set targets for the female quota in the supervisory board and the management board.

To date, there is no written diversity concept for the supervisory board and the management board. The management board is made up of experienced managers who all worked in different areas of the company for a number of years before becoming members of the management board, have the corresponding experience, professional backgrounds and areas of focus complementing each other very well. The individual professional CVs can be found at: baslerweb.com/en/company/management/board/.

Against this background, the management board of the company is currently fully staffed. An expansion of the board or a change is not planned for the time being. In the event of a change, the supervisory board has set a target of 20 % female representation.

The supervisory board has decided that, until further notice, an increase of the female quota in the supervisory board would be desirable but need not be achieved. Two positions on the supervisory board are currently held by women. The female quota in the supervisory board is 33 %.

In its proposals to the general meeting, the supervisory board will continue to observe legal requirements and give priority to women in case of equal qualification. The decision on the candidates which the supervisory board considers to be the most appropriate ones, is to be taken whenever a new election is scheduled. The supervisory board and the management board do not consider it as useful to be bound to pre-formulated abstract targets for selecting candidates instead of freely deciding on a person which is available and seems to be most suitable for the position.

In January 2022, the supervisory board and the management board decided that a female quota of 30 % of senior executives and department heads should be achieved or maintained in the group by the end of 2025.

The first level of management beneath the management board is the divisional management and below it the department management follows. On December 31, 2022, 28.57 % of the Basler Group divisional managers and 27.52 % of its department managers were female.

The targets for promoting the participation of women in management positions have not yet been met at the end of the reporting period. This is due to the M&A transactions of smaller companies which had mostly males in management positions in the past four years. The possibilities in the context of organic growth over the short period of time were not sufficient to compensate for this effect. In addition, there were significant new hires in 2021, however, most of them for development. Typically, the number of female applicants in this area is relatively low.

FURTHER DISCLOSURES ON CORPORATE GOVERNANCE

Accounting and Auditing

Basler AG prepares its consolidated financial statements and consolidated interim reports in accordance with the International Financial Reporting Standard (IFRS). Basler AG's annual financial statements (separate financial statements) are prepared in accordance with the provisions of the German Commercial BASLER ANNUAL REPORT 2021 CORPORATE GOVERNANCE 27 Code (HGB). The consolidated financial statements are prepared by the management board, audited by the auditor and approved by the supervisory board. BDO AG Wirtschaftsprüfungsgesellschaft was elected by the annual general meeting as auditor/consolidated financial statements auditor for the fiscal year 2022. BDO took part in the supervisory board's discussions on the annual financial statements and consolidated financial statements on March 29, 2023, and reported on the results of this audit. In addition, the auditors were available to the supervisory board to provide additional information and answer questions on the audit.

Transparency and Communication

Basler attaches great importance to open and trusting communication with shareholders and other stakeholders and maintains a fair, timely and reliable dialog. All information relevant to the capital market is published simultaneously in German and English and made available on the Company's website. This includes annual and quarterly reports, corporate news and insider information, information on the annual general meeting and company presentations. The financial calendar with the relevant publication and event dates can also be found there.

Shareholders and Annual General Meeting

At the annual general meeting, shareholders can exercise their rights and cast their votes. The management board presents the consolidated and annual financial statements, explains the company's prospects and, together with the supervisory board, answers shareholders' questions. In accordance with the provisions of stock corporation law, the invitation to the annual general meeting and the associated documents and information will be made available on the website of Basler AG or displayed for inspection at the company's offices on the day the meeting is convened. In exercising voting rights, Basler supports its shareholders by appointing proxies who vote in accordance with the shareholders' instructions.

Directors' Dealings, Voting Rights and Stock Option Plan

Basler AG provides information on trading in shares of the company by members of the management board and supervisory board (directors' dealings) in accordance with Art. 19 MAR, as well as on reported changes in shareholdings if the voting rights thresholds defined in the German Securities Trading Act are reached, exceeded or fallen below. Information on the shareholdings of the management board and the supervisory board can be found in the notes. The Basler Group currently has no stock option plan.

Ahrensburg, March 29, 2023

Dr. Dietmar Ley
CEO

Arndt Bake
CDO/CIO

Hardy Mehl
CFO/COO

Alexander Temme
CCO

Norbert Basler
Founder & Chairman Of the Supervisory Board

Horst W. Garbrecht
Vice Chairman of the Supervisory Board

Prof. Dr. Mirja Steinkamp
Supervisory Board

Lennart Schulenburg
Supervisory Board

Dorothea Brandes
Supervisory Board/ Employee Representation

MANAGEMENT REPORT

1. BASIC BASLER GROUP INFORMATION

1.1 BUSINESS MODEL

Basler AG is headquartered in Ahrensburg near Hamburg (Germany), along with the other strongly integrated group companies located throughout the world (hereinafter also called "Basler Group" or "Basler") develop, manufacture, and market image processing components for professional users. Currently, the majority of sales are related to digital cameras that are mainly used in industrial mass production, medical technology, traffic control as well as logistics. Furthermore, the Basler Group continuously expands its product range in order and thus gradually develops to become a full line provider of image processing tools and components with solution expertise. Basler products are recognized for innovation, high reliability, simple integration and an attractive price/performance ratio. Target customers are national and international manufacturers of investment goods (OEM customers), integrating image processing components in their own systems and equipment to market them to end users. The customers are mainly supported by a direct sales organization and/or by regional sales partners (distributors). Basler's component products comply with industry standards are generic and are usable in many industries and / or applications. After the OEM customer's successful integration within its product development (so-called design-in), they become a part of the specific customer solution. Since the customer normally does not change its components suppliers throughout the life cycle of its own products, the design-in phase will typically be followed by a long-term stable business relationship. Based on the range and technology of standard components, Basler also offers customization for high-volume OEM customers.

Basler AG has subsidiaries in the USA, Singapore, Taiwan, China, Japan, Korea, Italy, Poland and a minority interest in France. With the exception of the joint venture in France, all subsidiaries are fully consolidated in the financial statements. The minority interest in France is included in the consolidated financial statements using the equity method. Further representative offices are located in Poland, UK, Finland, France, Malaysia, and the Netherlands. The subsidiaries and representative offices mainly provide sales-related services. Additionally, there is a production site in the Singapore subsidiary for the supply of the local Asian markets. In addition, customer-specific adaptations for the Asian market are developed in Taiwan and Korea. A software development center is located in Poland.

External factors influencing the business model are the general macroeconomic situation and the demand situation in the regional markets in Asia, Europe, and North America. Due to the alignment towards industrial goods manufacturers, the economic situation of the machinery and plant construction industry – particularly the semiconductor and electronics sector – is of particular importance for the business development of the group. Due to the expansion started in the past years to business outside of factory applications into, for example, the medical market and traffic technology market as well as the logistics market, Basler opens up further growth potential and reduces the cyclicality of its business. Basler participates in and at the same time drives the development of computer vision technology, which is growing step by step into further areas of application due to increasing performance, price reduction, easier application and digitization.

1.2 CONTROL SYSTEM

Basler pursues a largely self-financed, profitable growth strategy. Organic growth forms the main focus, but is supplemented by corporate acquisitions. An annual strategy process defining the alignment of the company regarding target markets, positioning, service program, technologies, sales strategy, and financial key figures is the basis of the group management. The key financial indicators are sales and pre-tax return (pre-tax result / sales). In addition, the economic value creation via the return on capital employed (ROCE) and the free cash flow are used to manage the group.

The strategy process concludes with a qualitative and quantitative mid- and long-term planning as well as with a budget for the upcoming fiscal year. Financial and non-financial performance indicators that are essential for the group management are derived from both planning perspectives and summarized in a balanced score card system (BSC) with derived scorecards for key valueadded processes. The BSC figures and the underlying scorecards are updated monthly and discussed within the management team. On the operational level there is a so-called "daily management" or "shop floor management" where the daily work progress and continuous improvements are controlled. Thus, potential deviations from the targets are recognized at an early stage on different hierarchic levels and addressed by appropriate counter- and preventive measures.

In order to ensure high quality, robustness and reliability of the manufactured products and the value-added processes defined in the company, Basler has a worldwide quality management system (QM system). On a regular basis a quality management review is conducted in which the management board, the process owner, and the quality management representative check the effectiveness of the existing management system and provide for its sustained improvement. During the year, internal audits are carried out to check whether the processes in practice are in line with the process descriptions of the QM system. Additionally, once a year, an external audit is held in order to verify whether the QM system is applied according to the provisions of the DIN ISO 9001:2015 and ISO 13485 (Medical Norm). Furthermore, once a year an audit conducted by the internal audit department takes place in business areas selected by the supervisory board. A compliance management system is used to manage adherence to standards, laws and ethical guidelines.

1.3 RESEARCH AND DEVELOPMENT

As a technology company, Basler relies on an early recognition of technological trends and their fast integration in product development. Since image processing technology develops fast and the company pursues a sustainable growth strategy, the average annual investment in research and development (R&D) amounts to approximately 13 – 15 % of sales. R&D activities are structured according to their maturities as follows:

- Controlled innovation management
- Pre-development of new technologies
- Development of new platform architectures for future product lines as well as corresponding manufacturing technologies
- Development of new product lines respectively products on existing product platforms
- Customer specific adjustments of products and integrated image processing solutions
- Maintenance of existing products

Within innovation management; the collection, valuation, testing and selection of innovative ideas follows a defined process. The principle "fail fast, learn fast" is applied during the entire process. In the framework of the process, sustainable technological as well as commercial aspects are considered, so if successful, at the end of the innovation process, a qualified product or business idea is identified which can be scaled by applying classic product creation processes.

Pre-development examines technologies that seem to be reasonable for integration in future products. As far as possible, Basler aims to master new technologies prior to platform or product developments in order to have sufficiently analyzed possible risks beforehand. This way, product developments can be conducted more efficiently and closer to planning. Already at this stage selected customers are informed about technology developments in order to get early feedback from customers and / or markets.

Within the platform and product development, the following measures in the financial year 2022 should be particularly pointed out:

- Development of new platform technologies:
  - Expansion of the current camera platform ace 2 and boost by further sensor families and interfaces, particularly 5GigE
  - Expansion of the pylon development software by features and image processing algorithms. In addition, various new hardware products were integrated into pylon to flank the full-range strategy with ease of use

▶ Product Development

- Expansion of the ace 2 product line by new CMOS sensors and new features
- Expansion of the boost camera line by new high resolution and faster image sensors
- Development and qualification of complementary accessory products, especially in the field of cables, lenses, interface cards and lighting. Various customer-specific product innovations

For confidentiality reasons this report does not go into more detail regarding innovations and pre-developments. In fiscal year 2022, expenses for product adjustments during the life cycle were significantly higher than in previous years due to the shortage of semiconductor components. To maintain delivery capability, a special task force was established to carry out redesigns for scarce components.

Full costs for R&D increased significantly compared to the previous year from € 28.3 million to € 33.5 million and amounted to 12.3 % of sales. Due to new hirings, the number of fulltime equivalent employees in research and development increased from 221 on December 31, 2021, to 286 on December 31, 2022. Overall, the Corona pandemic had no significant impact on the working capacity and productivity in the research and development area. However, the impact of the cyberattack in November 2021 led to noticeably poorer productivity in this area during the first months of the fiscal year. However, seen over the year as a whole, the innovative strength of the company was further expanded and powerful investments were made for the sustainable medium to long-term technological future of Basler.

The expenses include third-party services in the amount of € 397 thousand (previous year: € 375 thousand). The capitalized investments in own developments amounted to € 9.2 million (previous year: € 8.0 million). The amount of depreciation for own developments amounted to € 7.1 million (previous year: € 9.7 million).

At the end of fiscal year 2022, Basler was the owner of 115 patents and patent applications; 52 are granted, 63 are in the process of application. Furthermore, it is the owner of 5 utility models and 22 designs. At the end of fiscal year 2022, Basler AG is the owner of 167 trademarks. Further trade-marks are in the application procedure.

2. ECONOMIC REPORT

2.1 BASIC CONDITIONS

The year 2022 was characterized by the Russia-Ukraine war, which led to a sharp rise in gas prices in Europe and a further increase in the inflation rate. China's strict Corona policy also weighed on the global economy. Furthermore, there is high wage pressure due to the shortage of skilled workers, which in turn had a driving effect on inflation. Global economic growth was only 3 %. The euro zone grew by 2.9 %, the USA by 2.1%, and China's economic growth fell significantly from 8 % to 3 % (source: Berenberg, Annual Economic Report / Macro Outlook January 2023).

Within the industry, the situation on the procurement markets normalized in the course of the fiscal year and the full order books were gradually reduced. The overheated incoming orders fell and the economic outlook became increasingly gloomy in the second half of the year. This development was also reflected in the Purchasing Managers' Index figures. The overall index was below the expansion threshold of 50 in many major economies in the second half of 2022 (source: PMI, IHS Markit).

The market for robotics & automation, which is relevant for Basler, grew again compared to the previous year. Incoming orders of German companies in this sector recorded a strong increase of 24 %. Sales revenues grew by 6 %. The manufacturers of industrial image processing systems and components recorded an overall increase in incoming orders of 1% and in sales of 7 %. The growth rates of the German manufacturers of image processing components were stronger than those of the manufacturers of image processing systems, at 5 % in incoming orders and 14 % in sales. (source: VDMA statistics, Jan-Dec 2022).

2.2 BUSINESS DEVELOPMENT

For the second year in a row, the group grew well above its medium-term target of 15 % per year. After having achieved sales of € 215 million in 2021, Basler targeted a sales corridor of € 235 – 265 million and a pre-tax return rate of 9 % to 12 %. At the end of October, this forecast was increased to sales of € 262 – 270 million and 10 % to 12 % and finally fulfilled at € 272 million and a pre-tax return rate of 10.4 %.

The fiscal year was very dynamic. While the strong, overheated demand from the previous year continued in the first quarter, the units produced only increased slowly due to ongoing bottlenecks in semiconductor components. Demand cooled in the second quarter, particularly in the Asian markets. Lock downs in China and weaknesses in the consumer goods equipment industry and in logistics led to a decline in incoming orders. At the same time, the availability of missing parts increased and delivery capability gradually improved. After six consecutive quarters of incoming orders ranking significantly higher than sales, they converged in the second quarter and turned to a book-to-bill ratio well below 1 in the last two quarters of the fiscal year. The record order backlog of approximately € 153 million in the middle of the fiscal year was consequently reduced to the level of approximately € 103 million by the end of the year as a result of rising sales, declining incoming orders and cancellations. The Basler Group closed fiscal 2022 with a high order backlog but with weak momentum in incoming orders. In the full fiscal year, sales increased by 27 % to € 272 million. Incoming orders decreased by 29 % to € 248 million compared to the previous year. With these results, Basler once again gained market shares and expanded its leading market position. The weaker incoming orders compared to the German industry for image processing components can be attributed to Basler Group's higher proportion of Asian customers compared to the German industry. In this customer segment, both the downturn in incoming orders and order cancellations were significantly higher than in North America or Europe. According to VDMA, the industry of German manufacturers of image processing components grew by 5 % in incoming orders and 14 % in sales in 2022 (source: VDMA Statistics December 2022).

The M&A transactions in Korea in January and Italy in July contributed about half of the sales growth. The integrations went according to plan and the approximately 80 new colleagues strengthen the direct market presence in Korea and Italy.

The strategic investments made in recent years in the product portfolio and market access developed their effect in fiscal year 2022, and the investment path was consistently pursued. In total, Basler increased the size of the organization by 228 new colleagues. The headquarters building was extended by a state-of-the-art building addition including approximately 300 office workplaces and attractive communal areas to accommodate staff growth and modern working environments. The building extension was transferred to use and lease in mid-January 2023. In addition, the global SAP R/3 system was successfully replaced by SAP S/4 HANA on January 1, 2023, thus laying the foundation for further digitization initiatives. These investment projects were successfully mastered despite the particular pandemic challenges in China, the ongoing chip crisis, and the aftermath of the cyberattack in November 2021.

Beyond the operating business, Basler achieved further milestones and awards in the fiscal year. For the second time in a row, in May 2022 the Basler management received the Axia Best Managed Companies Award. With this award, a high-profile jury honored Basler and other medium-sized companies as outstanding, particularly versatile and strongly globally oriented companies that exemplify the courage and innovative strength of the German economy. The companies were evaluated in the areas of strategy, productivity & innovation, culture & commitment, governance, sustainability and finance.

SALES REVENUE 2022 €272.2 million

PRE-TAX MARGIN 2022 10.4%

2.3 PROFIT SITUATION

in € million	2022	2021	Change	in %
Sales revenues	272.2	214.7	57.5	27%
Currency result	-1.4	0.1	-1.5	<100%
Costs of service performed	-139.0	-102.2	36.8	36%
Gross result	**131.8**	**112.6**	**19.2**	**17%**
Other operating income	3.6	1.2	2.4	>100%
Expenses	-106.5	-85.4	-21.3	25%
Operating result	**28.9**	**28.4**	**0.3**	**1%**
Financial result	-0.6	-0.4	-0.2	50%
Earnings before profit tax	**28.3**	**28.0**	**0.1**	**1%**
Taxes	-6.9	-7.2	0.3	4%
Group's annual surplus	**21.4**	**20.8**	**0.4**	**1%**

With revenues in an amount of €272.2 million, 2022 sales increased by €57.5 million compared to the previous year. The costs of service performed increased accordingly from €102.2 million in 2021 to €139.0 million. The gross margin (gross profit/sales) decreased from 52.5% in the previous year to 48.4%, as bottlenecks in the supply chain led to a sustained increase in the cost of materials due to structural price increases by suppliers and a temporary increase due to spot buys. Only structural price increases were passed on to customers despite the fact that spot buys significantly negatively impacted the group's gross margin. In addition, there were margin-diluting effects from the acquisition of distributors. On the one hand, inventories of Basler products were taken over in the course of the acquisitions temporarily weighing extraordinarily on the consolidated gross margin in the group when they were sold off. On the other hand, the M&A transactions led to a change in the product mix in favor of lower-margin trading products. This effect will only correct itself in the medium term.

The personnel costs developed from €79.3 million in 2021 to €95.8 million in 2022. They include a general market-oriented salary increase as well as individual salary increases and anincrease of the number of employees. In addition, an inflation bonus of €2,600.00 per employee, or a total of €2.0 million, was paid out for the German sites. The average number of employees increased from 914 to 1,188 employees in 2022. In addition to operational positions for managing revenue growth, strategically relevant positions in marketing, sales, support, R&D and digitalization in particular were newly created. Compared to the previous year, the material expenses increased by €14.3 million to €34.6 million. The significant increase was mainly driven by recurring travel and event expenses due to fewer Corona restrictions. In addition, expenses for digitization and M&A consulting increased. Furthermore, the M&A transactions and organic organizational growth resulted in rising material costs.

With a pre-tax result of €28.3 million (previous year: €28.0 million) and a pre-tax margin (pre-tax result / sales) of 10.4% (previous year: 13%), Basler closed the financial year at the upper end of the forecast and better than the previous year, despite the very challenging external market conditions.

The tax expense for financial year 2022 amounted to €6.9 million corresponding to a tax ratio of 25.0% (previous year: 26%).

The after-tax result increased from €20.8 million in 2021 to €21.4 million and corresponds to an after-tax return of 8%.

At the end of the financial year, the order backlog decreased to €102.5 million (previous year: €140.9 million). This was due to continuous improvements in the supply chain for semiconductors over the course of the fiscal year and the associated increases in production output and sales. At the same time, customers adapted their ordering behavior in the form of shorter ordering horizons and cancellations of "panic orders" from previous quarters. The order backlog remains high and ensures a solid start to fiscal year 2023.

LIQUID ASSETS 2022 **€ 28.7 million**

2.4 FINANCIAL SITUATION

The liquidity management of the group is aimed at meeting the demand for capital such that investments in organic growth are self-financed by a positive free cash flow. Temporary peak amounts for acquisitions are partially debt-financed and replaced by equity in the long term via positive cash flows. In doing so, maturity risks, ratings of the creditors as well as costs of equity and the costs of debt are appropriately balanced striving for independence from outside creditors. Furthermore, the dividend policy provides for a constant distribution ratio of 30 % of the earnings after tax, unless there are particularly stressful economic circumstances.

In the financial year 2022, a positive cash flow of € 12.4 million (previous year: € 25.3 million) was generated from current business activity. This was negatively impacted in particular by the further increase in raw materials and supplies inventories due to supply shortages of critical common parts, rising receivables and finished goods inventories as a result of the M&A transactions, and a poorer payment behavior of Chinese customers.

In the reporting period, the cash flow from investing activities amounted to € -44.2 million (previous year: € -15.3 million). It was significantly burdened in particular by four M&A transactions and by the ERP switch to S/4 HANA.

The free cash flow calculated as the sum of cash flows from operational activity and investment summed up to € -31.8 million (previous year: € 10.0 million).

On the financing side, liabilities to banks in an amount of € 7.9 million were paid off and additional KfW loans of € 26.8 million were taken out to promote innovation in 2022. At the balance sheet date, unused credit lines with banks amounted to € 14.0 million.

Considering dividend payments, payments for the purchase of treasury shares as part of the ongoing share buyback program, and the taking out of further KfW loans, the total cash flow from financing activities amounted to € 5.7 million (previous year: € -3.1 million).

At the end of the financial year, cash and cash equivalents, which consist solely of liquid assets decreased to € 28.7 million (previous year: € 54.8 million). The liquidity was secure at all times.

2.5 ASSET SITUATION

in € million	2022	2021*	Change	in %
Intangible assets	94.5	66.0	28.5	43 %
Tangible assets	16.8	12.6	4.1	33 %
Buildings and land in finance lease	12.6	10.5	2.1	-20 %
Other long-term assets	5.2	0.0	5.2	>100 %
Deferred tax claims	1.8	0.8	1.0	>100 %
Long-term assets	**130.9**	**91.6**	**39.3**	**43 %**
Inventories	50.3	37.1	13.2	36 %
Receivables from deliveries and services	41.2	33.3	7.9	24 %
Other short-term assets	14.4	9.2	5.2	56 %
Bank balances and cash balances	28.7	54.8	-26.1	-48 %
Short-term assets	**134.6**	**134.5**	**0.1**	**1 %**
Total assets	**265.5**	**226.1**	**39.4**	**17 %**
Equity	**141.5**	**129.4**	**12.1**	**9 %**
Long-term interest bearing bank liabilities	51.7	32.0	19.6	61 %
Liabilities from finance lease	10.1	8.4	1.7	20 %
Other long-term liabilities	5.5	2.1	3.3	>100 %
Deferred taxes	10.9	9.4	1.5	16 %
Long-term liabilities	**78.1**	**52.0**	**26.1**	**50 %**

Short-term financial debt	4.0	4.1	-0.1	-2 %
Short-term provisions	10.7	12.1	-1.4	-12 %
Liabilities from finance lease	2.5	2.1	0.4	16 %
Short-term other financial debt	28.7	26.4	2.3	9 %
Short-term financial debt	**45.9**	**44.7**	**1.2**	**-1 %**
Total liabilities	**265.5**	**226.1**	**39.4**	**17 %**

* adjusted according to IAS 8

Intangible assets increased significantly from € 66.0 million (2021) to € 94.5 million. The business and company value increased by € 18.5 million to € 46 million as a result of M&A transactions. Capitalization less amortization of proprietary developments added only € 2.1 million compared with the previous year; capital expenditure less amortization already made in the conversion of the ERP system to SAP S/4 HANA amounted to € 8.8 million.

Investments in tangible assets amounted to € 9.1 million (previous year: € 3.9 million) and were mainly related to equipment for the new office building.

In connection with the lease agreement concluded at the end of January 2023 regarding the building extension, the existing leases were subjected to an analysis that identified the need to adjust the accounting treatment of the existing leases. Buildings and land under finance leases decreased by € 3.5 million as a result of scheduled depreciation and retrograde adjustments of accounting. As this change relates to the period from 2019 to 2022, the retrospecitve adjustment was made through equity with no effect on profit or loss. The extension of the company building has only been handed over for use to Basler AG as tenant on January 16, 2023.

Inventories significantly increased by € 13.2 million compared to the previous year's level. Due to missing bottleneck parts and a weaker demand in the second half of the year, the production volumes could not be increased to the planned level. In addition, finished goods inventories were taken over in the course of the M&A transactions, which can only be reduced in the medium term as part of post-merger integration. There are no devaluation risks.

Compared to the previous year, receivables from deliveries and services increased by € 7.9 million to € 41.2 million. This was due to the double-digit sales growth, the build-up of receivables at the acquired companies and increasingly longer payment terms in the Chinese market because of the market and competitive situation.

Bank balances and cash on hand showed a € 26.1 million lower balance than in the previous year.

In comparison to the previous year, equity increased by € 12.8 million to € 141.5 million. This increase in equity is due to the annual surplus minus the distribution of a dividend of € 6.2 million and the adjustment of the balancing of the building.

Non-current liabilities to banks increased by € 19.7 million.

At the reporting date, the sum of order commitments amounted to € 33.4 million (previous year: € 56.7 million). There have been no premature payment obligations in the elapsed fiscal year. Due to the structural supply bottlenecks for semiconductor components, since the beginning of 2021 Basler AG has been forced to accept significantly longer order horizons in order to secure the supply of materials. In the past fiscal year, the order horizons were in some cases up to 18 months, but gradually began to return to normal during the course of the year.

2.6 FINANCIAL PERFORMANCE INDICATORS

In addition to the above-mentioned figures, further performance indicators are measured and are used for managing the company.

Inter alia, productivity in the Basler Group is measured based on the result per employee (EBITDA divided by FTEs). In the financial year 2022, the result per employee decreased from € 51.5 thousand in the previous year to € 29.7 thousand. After an under proportionate organizational growth in fiscal years 2020, 2021 and 2022, the significantly improved market outlook led the company to expand the organization and to enable market access in strategically relevant

EQUITY RATIO 2022 **53.3%**

regions through further acquisitions of distribution partners. Since a significant portion of the organization is working on the future of the company, this is to be considered as anticyclical investment in the medium-term future of the company in order to take further steps in the transformation from camera supplier to full-range provider. As part of the group-wide lean management system, continuous efforts are made to increase the efficiency of processes.

in € million	2022	2021
EBIT	**28.9**	**28.4**
Inventories	50.3	37.1
Receivables from deliveries and services	41.2	33.3
Liabilities from deliveries and services	-19.4	-18.8
Fixed assets	133.2	95.5
Capital employed	**205.3**	**147.1**
ROCE (EBIT/ Capital employed)	**14 %**	**19 %**

At the end of the financial year, the ROCE amounted to 14 % (previous year: 19 %). The decrease is due to the disproportionate increase in fixed and current assets, which was mainly caused by the M&A transactions and the chip crisis.

Despite considerable investments in the future, the management assumes an overall return of approximately 20 % in the upcoming years. However, this performance indicator will be considered to be subordinate to sales growth and pre-tax return rate in the corporate strategy. Furthermore, the management of the company strives to be financially independent, also in periods of weaker economic activity and therefore steers the company with relatively high financial resources.

The working capital (inventories plus receivables from deliveries and services minus liabilities from deliveries and services) amounted to € 72.1 million (previous year: € 51.6 million) at the end of the financial year and amounts to 26.5 % of sales. The increased working capital due to supply bottlenecks and acquisitions is to be reduced back to a level of 18 – 20 % of sales in the coming years. However, due to ongoing risks in the supply chain and time-consuming integration processes in acquired distributors, increased inventories are expected until fiscal year 2024, as delivery capability is given higher priority than capital commitment. For achieving this target, an interdisciplinary team is working on measures for continuously optimizing the working capital.

Absolute equity increased from € 128.7 million on December 31, 2021, to € 141.5 million on December 31, 2022. However, the equity ratio (equity / balance sheet total) decreased from 56.6 % in 2021 to 53.3 % at the end of the elapsed fiscal year. It is therefore temporarily below the targeted threshold of > 60% due to the expansive M&A activities and the higher inventories in 2022.

2.7 OVERALL STATEMENT

After a very strong and overheated demand in the previous year, together with extreme limitations in the supply chain for semiconductor components, the situation changed in the course of the financial year 2022. While the supply situation improved from quarter to quarter, demand weakened, particularly in the Asian markets and among manufacturers of automation technology for the electronics industry and in logistics. In China, moreover, the zero-covid policy led to a significant cooling of market demand and a simultaneous increase in the intensity of competition. Demand in Europe remained very stable throughout the year and Basler was able to gain market shares due to its relatively good delivery capacity. The very high order backlog from the previous year and the improving delivery situation carried the Basler Group through the fiscal year and led to a new sales record. The acquisitions of three distributors made a substantial contribution of around € 35 million to the double-digit sales growth. In this strongly buoyant market environment, Basler was able to gain further market shares with a growth rate of 27 %. In the course of the year, Basler AG increased its forecast once and closed the financial year within the increased forecast range. However, rising material costs and effects from the M&A transactions put pressure on the gross margin and led to a deterioration of around four percentage points compared to the previous year. Personnel expenses and material costs developed slightly disproportionately to sales. Overall, pre-tax result increased slightly to € 28.3 million and the pre-tax return decreased to 10.4 %. The management aims to maintain the company at a pre-tax return level of approximately 12 % in the long

DIVIDEND PROPOSAL 2022 €0.14

term. Above this level, priority is given to sales growth and a long-term average growth of at least 15% per year is strived for. Until further notice, development expenses will continuously be increased and maintained at approximately 13% of sales. In 2022, the management adhered to its investment path and was able to gain further competitive advantages due to its consistent growth path. As a result of the continuous expansion of its product portfolio and its sales and marketing organization, Basler has a very broad product portfolio and the strongest global market access in the industry. Due to the acquisition of three distributors in Korea and Italy as well as a joint venture in France in the course of the financial year, the market access was strongly expanded. The Basler brand has a leading brand awareness and stands for high reliability, ease of use and a very good price-performance-ratio. The latest VSD study "Brand Awareness" names Basler as one of the top 3 providers for industrial cameras and is leading the industry regarding reliability, quality, and sustainability.

Continuously striving for achieving more, in the event of a positive market development, the Basler Group plans to reach a sales level of €400 million until 2025. Besides a further expansion of the strong market position in factory automation, adjacent markets like medical, traffic, and logistics, are to be opened further. Moreover, Basler will continue to gradually develop from a camera supplier to a full line provider of image processing components and customized image processing solutions. Due to the progress made in the elapsed fiscal year, a solid asset and finance situation, as well as to the market and technology potentials, the management team feels assured in its sustainable and strategic orientation and looks to the future with confidence.

The goal of Basler AG is to let its shareholders participate in its success and at the same time to maintain sufficient liquidity to finance the company's growth course. Against the background of the very high investments in the past year and the capital tied up by the chip crisis on the one hand, and the current weak market outlook and geopolitical uncertainties on the other, the management is managing liquidity with caution. It will therefore be proposed to the annual general meeting in May 2023 that a dividend of €0.14 (previous year: €0.21) per eligible share (equivalent to €4.2 million) will be paid. This corresponds to a payout ratio of 20% (usually 30%).

GROUPS SALES FORECAST 2023 €235–265 million

3. SUPPLEMENTARY REPORT

There are no relevant events affecting the annual financial statement to report after the reporting date.

4. FORECAST REPORT

Weaker economic data as well as improvements in the supply chains for semiconductor components led to a significant decrease of the order backlog at the end of the reporting period due to increased production volumes and decreasing demand. Nevertheless, the Basler Group started the 2023 financial year with an untypically large order backlog. With the exception of Europe, the order situation in the first weeks of the new financial year was weak in all regions. The macroeconomic outlooks for 2023 are rather restrained. The purchase manager indices are below the expansion threshold of 50 in the economies relevant for Basler. The VDMA (Verband Deutscher Maschinen- und Anlagenbau, VDMA; German Engineering Association) has not yet published a forecast for the computer vision market in 2023 as – for reasons of prudence – it would like to wait for the course of the first quarter. The Association of Manufacturers of Machinery and Equipment for the early cyclical Semiconductor Industry (SEMI) assumes an economic slowdown and a decline of 10–15% compared to 2022, however, expects a market recovery for 2024 (source: Market Study SEMI).

In consideration of the development of incoming orders in the past two quarters and the restrained market outlooks, the management plans for sales revenues within a corridor of €235 – €265 million for the financial year 2023. Depending on business development, the group aims for a pre-tax return rate of 5% to 8% for the financial year 2023. The over average width of the forecast corridors reflects the current uncertainties regarding the market demand. In addition, competition is expected to intensify further, particularly in China. The current market weakness comes at a time of rising costs due to the effects of inflation and the organizational expansion that took place in the previous year. In order to maintain the pre-tax return rate between 5% and 8%, even in the event of a significant decline in sales compared to the previous year, the management

PRE-TAX RETURN FORECAST 2023 5–8%

board has initiated a cost-cutting program which will gradually begin to take effect from April and is intended to strike a balance between short-term profitability and medium-term growth until incoming orders recover. Assuming that the market weakness is limited to 2023, management continues to target a sales level of € 400 million with a pre-tax return rate of 12 % by 2025.

5. OPPORTUNITIES AND RISKS REPORT

The growth strategy pursued by Basler can only be implemented if opportunities are seized and, at the same time, measures are taken in order to minimize risks in an appropriate way.

The purpose of the opportunity and risk management system at Basler is:

- to systematically record and evaluate opportunities and risks and to generate transparency within the executive team
- to create scopes of action, however, to avoid risks that are unacceptable or to reduce avoidable risks to an acceptable level
- to agree within the executive team how the probability of occurrence of relevant risks for the company can be limited and to derive corresponding measures.

Essential parts of the opportunities and risks management system are the risk strategy, the risk atlas, the risk matrix, and the measures for risk management. Again, in the elapsed fiscal year, the risk inventory was conducted. Here, risks were identified and quantified according to their occurrence probability and monetary amounts, and measures were defined in order to minimize risk. The sum of identified risks has been compared to the defined risk cover amount (available capital for covering risks). The risk capacity of the group was not exceeded. The risk management system is flanked by the internal control system (IKS), the compliance management, and the quality management system and finally by the annual external audit in the frame of the EN ISO 9001:2015.

The accumulated expected value of the top ten risks (without growth risks) amounts to € 23 million. The expected value is the estimated probability of occurrence multiplied by the possible impact. The active management of the probabilities of occurrence reduces the risks. The group's risk-bearing capacity is estimated at € 61 million.

Significant risks identified were:

- Trade conflict and political conflicts between China and the USA respectively Western nations
- Availability of materials and cost increases in procurement (chip crisis)
- Gas supply risks
- Increase in influence of Chinese competitors
- Cyber risks
- Project risks in the implementation of SAP S/4 HANA
- Risks in the post-merger integration of newly acquired distributors

Risks and opportunities are presented on a net basis. The following sections take a closer look at the risks in the main areas.

5.1 INTERNAL ORGANIZATION

The subject of this category is the business model, organizational structures and processes, the IT infrastructure and communication, and personnel.

The company is essentially organized by functions with divisional elements and superimposed project organizations. Flat hierarchy and short decision-making processes are intended to maintain the flexibility and the exchange among employees despite increasing growth. In the frame of a comprehensive lean management initiative, the company is aligned to its main value streams and continuously works on increasing their efficiency. Furthermore, strategy and planning processes have been set up ensuring a breakdown of the company strategy and a managed capital allocation on different working levels.

As a technology company, Basler is heavily dependent on the knowledge and commitment of its employees. We continuously work on maintaining innovation fostering structures, processes, behavior patterns, and cultures – despite an increasing size of the company. We are striving for an organization that is able to further optimize the existing business and at the same time pivot to new technologies and markets in an agile and innovative manner.

In times of the Corona pandemic, the organization and the culture were put to the test. Although pandemic risks were not previously recorded as a potential risk, the pandemic spread of Corona was successfully managed. Office activities were completely transferred to home office within a short time. Production processes were redesigned while maintaining special protection against infection. Communication from management to the employees was changed to regular video messages and the transparency of business development was increased once again. Particularly, Basler China with its approximately 160 employees, continued to be heavily affected by the Covid pandemic throughout 2022. For the rest of the organization, the restrictions gradually diminished over the course of the year and increasingly faded into the background. In addition, the Basler team was challenged by three acquisitions in Korea and Italy as well as an investment in France and a global ERP system change to S/4 HANA. In fiscal year 2022, the employees' high level of identification with the company, their loyalty and their team spirit were once again evident. The continuous nurturing and active further development of the corporate culture has been a key success factor in mastering the special challenges in fiscal year 2022. This experience confirms management's conviction to continue the course of the past years in terms of corporate culture and leadership.

The company's IT infrastructure is continuously expanded and improved in order to increase its security and the company's efficiency. Regular penetration tests and analyses are part of the security concept. To further limit existing residual risks, Basler AG also has cyber insurance. In fiscal year 2021, Basler AG became the victim of a broad-based cyberattack for the first time. As a result of this experience, the high level of safety was once again significantly strengthened. Basler Group's IT systems are significantly more robust after the cyberattack, there is 24/7 monitoring by external cyber experts, and all employees are significantly more aware of cyber risks.

5.2 FINANCE

Credit default risk is regularly countered by a credit and receivables management system, in which larger customers are continually subject to credit checks and their credit limits are stored in the system according to their rating. In case of an exceeding of a credit limit, the specific situation is checked and, if necessary, the delivery of further goods is stopped. Outstanding debts are subject to a three-stage default action. Default risks are countered through individual valuation allowances. In the fiscal year 2022, individual value adjustments and write-offs on accounts receivables were posted in the amount of only €1 thousand (previous year: €7 thousand).

Liquidity is controlled in collaboration between finance and accounting, controlling, sales, and strategic purchasing. Based on the four-year planning and the budget of the current fiscal year, a liquidity planning is made which is updated regularly and part of the monthly reporting. On that basis, the liquidity requirements can be identified in time and be prematurely financed. At the reporting date, there are unused credit lines with banks in the amount of €14 million.

As a medium-sized technology company with significant expenses for research and development and a positive rating, Basler gets low interest KfW loans.

Basler has a relatively high equity ratio and solid cash position despite recent acquisitions. Basler management currently does not see a liquidity risk, it nevertheless manages the group's liquidity vigilantly due to the combination of high investment intensity, strong organizational growth, increased inventories and macroeconomic demand risks.

5.3 PROCUREMENT MARKET

In principle, there is a risk of a certain dependence on suppliers of technological components. On the suppliers' side, we reduce the risk by establishing long-term business relationships and regular supplier audits, and by regularly observing the procurement markets. As far as technically possible and economically useful, a second source is built up. Furthermore, processes and systems are implemented in order to ensure the short-term availability and the adherence to delivery dates of components. The situation on the procurement market for semiconductor and electronic components gradually improved over the course of fiscal 2022 and is expected to return to normal by mid-2023. In the medium term, there is still a risk of new supply bottlenecks for semiconductors in the event of significant changes in demand, as decisions for capacity expansion investments of medium structure size generally used in industry, are taken with hesitation and need implementation periods of several years. Furthermore, the risks are increased by trade tensions between the USA and China. In addition to a continuously professional supply chain management, this particular procurement market situation is countered with a special package of measures. The key elements of this program are increased inventory levels, long-term ordering horizons, and the screening of spot markets. During the ongoing bottlenecks in the first quarters of fiscal 2022, Basler worked with allocation processes for customers and set up a special task force to quickly make component changes to products and improve delivery capability. As a result of the measures, the 2022 production volume at the Ahrensburg production plant increased despite the semiconductor crisis. At the Singapore production plant, the previous year's production volume was not achieved due to relatively weak demand in China. Earnings and capital employed were again significantly impacted by the chip crisis in 2022.

Referring to the extraordinary situation of the Corona pandemic, risks are occurring and occurred in the supply chains in China. Lockdowns and increased protection against infection led to an increase in delivery times, a reduction in delivery quantities, and even a temporary interruption of deliveries. Outside the semiconductor components, Basler Group's supply chain management system was able to cushion this stress situation without any significant impact on its customers.

Even though the turning point on the procurement markets for electronics and semiconductor components has been passed, there are still increased risks in the supply chain, as buffer stocks in the production chain are not yet filled and delivery times for critical semiconductors are still significantly increased. This special situation is countered by intensive contact with suppliers, long order horizons and increased inventories. Furthermore, separate production plants and value chains in Ahrensburg and Singapore dampen the risk.

5.4 SALES MARKET AND COMPETITION

There is a risk of a short-term decrease of market growth. Currently, the macroeconomic and geopolitical conditions lead to lower investments in many industries and country markets. Since the machinery and equipment manufacturers in many industries still have well filled order books, the economic clouding is not yet reflected in sales. In the upcoming quarters, there will be a higher risk of a weakness in demand. However, in the medium and long term it can be assumed that the computer vision market will develop positively driven by increasing automation and new application fields. The forecasts coming from associations and market research institutes assume a sustainable growth in a single digit percentage range for applications in industrial mass production and a double digit percentage growth in newer sales markets, like traffic, logistics and medical. Since Basler continuously expands its product portfolio and pushes the diversification of possible applications, the business model is estimated to be scalable and future-proof.

Due to its broad portfolio mix of industries and customers, as well as its design-in characteristics, the volatility of the camera business in the capital goods markets is relatively low.

Due to constantly emerging applications for image processing and the lack of substitute technologies, the computer vision market in the capital goods market is expected to continue to grow in the near future. However, temporarily there will be fluctuations in demand in individual target markets. This applies in particular to capital goods markets in the semiconductor and electronics industry.

The dynamic in the Asian markets tends to increase the volatility of the business of the Basler Group and requires a higher adaptability from the structure and process organization. Furthermore, in the upcoming years, further localization will be necessary in order to ensure sufficient proximity of the value creation to the main sales markets as well as to counter geopolitical risks.

The intensity of competition in the industrial camera market further increased in 2022. In the past years, the competitive landscape particularly changed due to takeovers and aggressive investments of Chinese competitors from the video surveillance industry. Also, the distribution landscape gradually becomes part of the consolidation trend. Regional distributors are taken over by larger acting distributors or manufacturers. Basler strives for gradually expanding its market position relative to the competition and to transfer from a camera maker to a full range provider. The competitive environment is gradually consolidating from small niche providers to larger, globally active competitors. The top competitors of Basler are: Teledyne-Dalsa (Canada), HIK-Vision (China), Dahua (China), TKH (The Netherlands). The Chinese competitors HIK Vision and Dahua, which entered the computer vision market a few years ago, are currently mainly active in China, but they are growing disproportionately fast and are considered by the management of the Basler Group to be very serious competitors due to their financial strength, competence and aggressive approach.

The risk of market price and margin erosion is countered through robust and innovative products. A slim product design, the use of platform architectures, as well as lean manufacturing processes are key success factors for the company's competitiveness and differentiation power. Furthermore, competitive advantages are achieved by economies of scale reached by the volume strategy. There are increasingly better opportunities for differentiation that arise from the positioning as a full range provider due to well-coordinated single components, a uniform software development kit, and an additional consultancy service. Additionally, the direct market access in important sales regions (USA, China, Germany, Korea) leads to competitive advantages and a strengthening of revenues.

Given the current shareholder structure with the Norbert Basler Holding GmbH as majority shareholder, a hostile takeover of Basler AG can almost be excluded. The shareholder structure is nonetheless constantly checked for changes. At the end of the elapsed fiscal year, Basler AG held 528,769 pieces of its own shares.

5.5 POLITICAL AND LEGAL RISKS AND OPPORTUNITIES

Due to the regional diversification of the camera business in almost 60 countries of which 20 countries belong to the OECD, the risk of political events with catastrophic effects on the business is considered manageable. Effects of the Brexit on Basler's earnings were not expected and did not materialize. The warlike escalation in Ukraine had a limited direct economic impact due to a low share of business with Russia. Business with Russian customers was discontinued immediately after the outbreak of the war, and open orders were cancelled. A major second-series effect affecting the group was the inflation of electricity and gas prices at its German sites. Management countered the uncertain gas supply in Germany with an emergency supply plan for production and logistics, which has not yet had to be activated. The risks arising from the trade conflict between the USA and China are serious due to the size of these sales and procurement markets and access to key technologies. Trade restrictions and increased tariffs may motivate or force customers to switch to local suppliers, if any exist, in the long run. Basler further minimized this risk with a second production site in Singapore as well as an own sales company in China and the USA and will increasingly localize value creation activities in the coming years to counter the risk of a further "decoupling" between East and West in the medium to long term.

Legal risks are mitigated by appropriate insurance coverage. The legal department is involved in contract negotiations as well as in change processes. Additionally, in special cases, external experts are consulted for legal and tax advice. Within the context of compliance management and sensitive information, furthermore, we worked on the subject "Business damage due to own employees". Currently, there are no indications for criminal activities or gross negligence. In addition, an intensive cultivation of the corporate and management culture promotes ethical and legally compliant behavior as well as open communication.

Furthermore, there is a risk of patent infringements. Basler counters this with a multi-stage testing procedure in the product development process. The review is carried out by the legal department in collaboration with experienced employees and external law offices.

The development and maintenance of the Basler brand are integral parts of the competitiveness and are legally protected. Name and logo of Basler as well as key product names are registered and protected brands.

5.6 OPERATING RISKS AND OPPORTUNITIES

Another essential success factor is an on time and targeted product development. The implemented processes and planning instruments in the product development are continuously reviewed and adjusted so that development processes can be concluded on schedule and according to budget within the scope of normal deviations. In the 3D ToF and embedded vision, Basler currently is one of the pioneers working in these fields. Insofar, these developments are linked with higher technological and market risks.

In the design-in business the continuous development and the winning of customer projects is a major precondition for a long-term positive sales development. Also in 2022, the project pipeline was developed further in order to support the long-term growth target of 15% per year.

Due to the ISO certification and the lean management approach, the production corresponds to modern standards and is oriented to manage variations of incoming orders, as well as being able to implement an appropriate capacity utilization of employees and machines. In 2022, the maximum machine capacity amounted to approximately 1,000,000 units (calculation based on a three-shift-operation). With a current output quantity of about 553,000 units, Basler is very well prepared for the medium-term demand. Due to historical experiences, intransparency as well as a high volatility, particularly in the Asian markets, the management consciously accepts some idle costs in order to ensure deliverability. In the first half of fiscal year 2022, the maximum output volume was severely limited by the semiconductor crisis.

In financial years 2021/2022, Basler hired many new employees. The productive recruitment and initial training of new employees are a huge challenge in view of the current labor market situation and therefore represent a growth limiting risk. This risk is successfully countered through professional personnel marketing, standardized onboarding, an open company culture, as well as possibilities to balance working and family life. Promoted by growth, individual development and a motivating corporate culture, there is a low fluctuation rate in the Basler Group. It amounted to 3.2% across the group in fiscal year 2022 and represents a sustainable strategic advantage in the competition for talent.

The successful integration of the acquired companies represents an operational challenge for Basler. They are accompanied by dedicated project and change management. The recent acquisitions in Korea and Italy went according to plan in terms of commercial success and progress in post-merger integration.

Basler's comparatively labor-intensive business model is affected by recent wage inflation and will require increases in productivity in the coming years. In the short term, the combination of temporary weak demand, strong organizational growth in 2021/2022 and inflation-related wage increases will put increased pressure on the group's returns.

5.7 OVERALL STATEMENT

As manufacturer of image processing components for the investment goods industry the management board assesses the corporate strategy risk still to be low and the opportunities to be strong. This assessment is based on the fact that comprehensive substituting technologies for computer vision are not in sight and machine viewing becomes increasingly important in the industry/factory automation as well as in all other areas, as for example in traffic, medical, logistics or for system providers for the retail trade. Due to Basler image processing components being typically integrated in machines and equipment during the complete life cycle of the machine connected with a high barrier of change for the customer, business is quite stable and predictable, even though it should be men-tioned that the predictability becomes weaker with an increasing Asian project business.

Basler's growth and sustainability strategy is based on an expansion of the product portfolio as well as on opening new sales markets and application fields. By doing so, Basler strives for an over average development of the company compared to the market. Diversification into new fields of application is steadily reducing the already low level of dependence on individual vertical markets.

The Asian sales market – particularly China – will most likely continue to show high growth rates in the medium term. Due to its direct market access and the alignment of the product portfolio, Basler is very well positioned to benefit from this trend. On the one hand, there is the opportunity of disproportionate growth rates, and on the other hand there is the risk of an increasing reliance on relatively competitive and cyclical Asian markets. It is to be expected that financially strong Chinese competitors and the ongoing consolidation of Western competitors will continue to increase the competition intensity in the future. The management of Basler meets this tension by a balanced investment policy and by ensuring sustainable and profitable growth for the company.

For the near future, there is an increased risk of a weak market environment combined with inflation-related cost increases and an increasing competitive intensity. Due to the focus on the medium- to long-term profitable growth of the Basler Group, there is a risk of a temporarily weaker return of the company than the targeted pre-tax return of around 12 %. The management board counters any short-term fluctuations in the sales and procurement markets by a liquidity policy that is based on a solid cash balance and a high equity ratio. Furthermore, it strives for a positive free cash flow and an even balance between investments in growth that are effective in the long run and short-term profitability.

There were no events of particular significance outside the ordinary course of business that are not described in the management report, nor were there any circumstances that would speak against the appropriateness and effectiveness of our control systems.

6. INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM RELATED TO THE ACCOUNTING PROCESS

The management board of Basler 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 the Basler Group in the quality management system, which is valid for the entire group. The processes are designed in accord with the "four-eye" principle and a strict separation of functions. They are supported by the group-wide SAP system or by local ERP systems in China, Korea, and Italy that include 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 or with other ERP systems, the group-wide standards for commercial financial statements II (IFRS standards) 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 almost completely automated and are governed by appropriate computer based workflows. The completeness and correctness of accounting data are regularly reviewed by sampling inspections, plausibility checks and by manual control supported by the software used.

Within its activity, the supervisory board of Basler, and particularly the audit committee, regularly addresses key aspects of accounting, risk management and IKS as well as audit engagements and key audit areas for auditors and internal auditors.

Basler's compliance management system is organized on a decentralized basis. This ensures that the respective compliance topics are always managed by the compliance officer who has the necessary professional competencies. In the future, it is intended to appoint a Compliance Manager who will bundle the topics and maintain an overall view of the requirements and implementation. The management board has not become aware of any information indicating material weaknesses in the compliance management system at Basler.

7. RISK REPORTING RELATED TO THE USE OF FINANCIAL INSTRUMENTS

Because of Basler's high export rate, the majority of the payments are made in foreign currencies. Due to sales revenues minus material purchases and other expenses in the respective foreign currency, payment surpluses in CNY, USD, JPY and KRW occurred. Foreign currency balances are always exchanged into Euro. Furthermore, surpluses in foreign currencies that possibly evolve in the future are hedged using forward exchange contracts, the maturity of which in general does not exceed twelve months. Thus, currency risks from fluctuations of the exchange rate are minimized.

Derivative transactions are not used for speculative purposes, but merely serve to minimize foreign currency risks. As of the balance sheet date, there were no derivative transactions in foreign currencies.

Basler exclusively concludes derivative transactions with its principal banks. We consider the risk of a default of the counterparty to be very low.

8. REPORT PURSUANT TO § 315a HGB (GERMAN COMMERCIAL CODE)

The management board of Basler consists of four members who are responsible for the following assignment of functions: Dr. Dietmar Ley is responsible for M&A, research and development as well as personnel and organizational development, Alexander Temme is responsible for sales, market communications, and the subsidiaries, Arndt Bake is responsible for innovation, software and digitization, IT, new business, solutions business, and Hardy Mehl is responsible for product business, production, purchasing and logistics, finance, legal, investor relations and facility.

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 chairman."

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 € 31.5 million is divided into 31.5 million of no-par-value bearer shares.

The Norbert Basler Holding GmbH, which in turn is wholly owned by the Basler-Beteiligungs-GmbH & Co. KG, held 16,591,050 shares and thus 52.67 % of the voting rights in Basler AG on December 31, 2022.

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 € 15.750,000.00 by May 22, 2027 with the supervisory board's approval by the issuing of up to 15,750,000 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 for the shareholders for fractional amounts. Furthermore, 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 € 31,500,000.00 and the issue amount does not fall considerably 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 (AktG)). 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 amount."

The management board is in addition authorized to buy own shares not exceeding 10 % of 10,500,000.00 share capital until May 26, 2025. The authorization can be exercised partially or fully, once or several times, for one or several purposes. It may, however, also be exercised by companies that are dependent or majority owned by the corporation or on their behalf by third parties. According to the corporation's choice, the acquisition may be effected (i) via the stock market or (ii) via a public purchase bid directed to all shareholders of the company or a public invitation directed to all shareholders of the company to make sales offers or (iii) via a public offer directed to all shareholders to exchange shares for shares of a company listed within the meaning of § 3 Sec. 2 German Stock Corporation Act (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. German Stock Corporation Act (AktG) as far as these persons are entitled to their purchase based on employee share ownership plan.

With the supervisory board's approval, the management board is in addition authorized to use the shares obtained according to this authorization and 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 shareholders' 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 shareholders' meeting about each acquisition of own shares and their use. Further issues according to § 315a German Code of Commercial Law do not exist.

9. GROUP DECLARATION REGARDING CORPORATE GOVERNANCE (§ 315D OF THE GERMAN COMMERCIAL CODE, HGB), CORPORATE GOVERNANCE REPORT

You can find on our website (baslerweb.com/Investors/CorporateGovernance) the group declaration of compliance with the Corporate Governance Code, the corporate governance report, explanations regarding our practices of corporate governance, and a description of the working practices of the management board and the supervisory board.

The German Corporate Governance Code ("GCGC") provides for disclosures on the internal control and risk management system that go beyond the statutory requirements for the management report and are therefore excluded from the auditor's review of the content of the management report. These are thematically assigned to the corporate governance statement.

Responsibility for sustainability is assumed at the level of the management board and the supervisory board. A dedicated sustainability management ensures that the issue is given high priority in all areas of the company. The explicit integration of sustainability into the overall strategy ensures that the conflicting economic, ecological, and social objectives can be well balanced at all times. Reference is made to the separately published Sustainability Report (baslerweb.com).

10. DECLARATION OF THE LEGAL REPRESENTATIVES

Pursuant to Sec. 312 (3) Sentence 3 of the German Stock Corporation Act (AktG), Basler has prepared a report on relations with affiliated companies. This report concludes with the following statement by the management board:

"We declare that Basler AG, Ahrensburg, has received appropriate consideration for the legal trans-actions listed in the report on relationships with associated companies and persons according to the circumstances known to us at the time of the legal transactions and that we have not been disadvantaged. No other measures within the meaning of Art. 312 AktG have been taken or omitted."

Ahrensburg, March 29, 2023

Management Board

Dr. Dietmar Ley	Arndt Bake	Hardy Mehl	Alexander Temme
CEO	CDO/CIO	CFO/COO	CCO


Device Status
BASLER
powered by
Basler SLP Strobe Controller 121040
PLEASE REFER TO THE SAFETY ADVICE IN THE DOCUMENTATION
WARNING: CASE CAN BE HOT
SUPPLY 24 V
Power & I/O
Opto GND
Opto In
Opto GND
Camera I/O 2
GND
GPIO
Power GND
Light +
Light -
Light Data
GND
SLP Comm
GND

FIGURES/RESULTS

CONSOLIDATED PROFIT AND LOSS STATEMENT

Group´s annual balance sheet according to IFRS for the fiscal year from January 1, 2022 to December 31, 2022

in € k	Notes	01/01/ – 12/31/2022	01/01/ – 12/31/2021 (adjusted)*	01/01/ – 12/31/2021
Sales revenues	4, 24	272,203	214,728	214,728
Currency earnings	3.1	-1,357	157	157
Cost of sales		-139,040	-102,248	-102,248
Gross profit on sales		**131,806**	**112,637**	**112,637**
Other income	5	3,636	1,174	1,174
Sales and marketing costs		-47,933	-34,883	-34,883
General administration costs		-26,749	-20,193	-20,395
Research and development	6			
Full costs		*-33,472*	*-28,147*	*-28,147*
Capitalisation of intangible assets		*9,246*	*8,004*	*8,004*
Depreciations intangible		*-7,144*	*-9,738*	*-9,738*
Research and development		-31,370	-29,881	-29,881
Other expenses		-460	-291	-291
Operating result		**28,930**	**28,563**	**28,361**
Financial income	7	289	186	186
Financial expenses	7	-1,044	-548	-591
Financial result		**-755**	-362	**-405**
Profit shares in companies accounted for using the equity method		156	0	0
Earnings before tax		**28,331**	**28,201**	**27,956**
Income tax	8	-6,969	-7,200	-7,200
Group´s year surplus		**21,362**	**21,001**	**20,756**
of which are allocated to				
shareholders of the parent company		21,362	21,001	20,756
Average number of shares	9.4	29,878,360	29,913,693	29,961,130
Earnings per share diluted = undiluted (€)	9.4	0.71	0.70	0.69

* See 3.12.2 in the appendix

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Group´s annual balance sheet according to IFRS for the fiscal year from January 1, 2022 to December 31, 2022

in €k	01/01/ – 12/31/2022	01/01/ – 12/31/2021 (adjusted)*	01/01/ – 12/31/2021
Group's year surplus	21,362	21,001	20,756
Result from differences due to currency conversion, directly recorded in equity (to be reclassified to the consolidated income statement in the future under certain conditions)	-138	2,408	2,408
Total result, through profit or loss	**-138**	**2,408**	**2,408**
Total result	**21,224**	**23,409**	**23,164**
of which are allocated to			
shareholders of the parent company	21,224	23,409	23,164

* See 3.12.2 in the appendix

CONSOLIDATED CASH FLOW STATEMENT

Group´s annual balance sheet according to IFRS for the fiscal year from January 1, 2022 to December 31, 2022

in € k	Notes	01/01/ – 12/31/2022	01/01/ – 12/31/2021
Operating activities			
Group's period surplus		21,362	20,756
Increase (+)/decrease (-) in deferred taxes	11	462	-206
Payout/ incoming payments for interest		1,180	827
Depreciation of fixed assets	9.1	16,835	16,172
Change in capital resources without affecting payment		-138	2,625
Increase (+)/decrease (-) in accruals	20	-1,342	6,576
Profit (-)/loss (+) from asset disposals		-8	1
Increase (-)/decrease (+) in reserves	12	-13,205	-17,097
Increase (+)/decrease (-) in advances from demand	13	-1,465	1,804
Increase (-)/decrease (+) in accounts receivable	13	-7,877	-13,833
Increase (-)/decrease (+) in other assets		-11,672	930
Increase (+)/decrease (-) in accounts payable		584	7,759
Increase (+)/decrease (-) in other liabilities		7,686	-981
Net cash provided by operating activities		**12,402**	**25,333**
Investing activities			
Payout for investments in fixed assets		-29,974	-15,726
Incoming payments for asset disposals		281	433
Expenses for acquisitions less cash acquired		-14,497	0
Net cash provided by investing activities		**-44,190**	**-15,293**

in € k	Notes	01/01/ – 12/31/2022	01/01/ – 12/31/2021
Financing activities			
Payout for amortisation of bank loans		-7,910	-4,110
Payout for amortisation of finance lease		-3,137	-3,498
Incoming payment for borrowings from banks		26,800	15,000
Interest payout		-863	-494
Interest portion finance lease		-317	-333
Incoming payment for sale of own shares		0	83
Payout for own shares		-2,731	-3,916
Dividends paid		-6,184	-5,801
Net cash provided by financing activities		**5,658**	**-3,069**
Change in liquid funds		**-26,130**	**6,971**
Funds at the beginning of the year	16	54,831	47,860
Funds at the end of the year		**28,701**	**54,831**
Composition of liquid funds at the end of the year			
Cash in bank and cash in hand	16	28,701	54,831
Payout for taxes		-6,791	-3,695

GROUP BALANCE SHEET

Group´s annual balance sheet according to IFRS for the fiscal year from January 1, 2022 to December 31, 2022

in €k	Notes	12/31/2022	12/31/2021 (adjusted)*	01/01/2021 (adjusted)*
Assets				
A. Long-term assets				
I. Intangible assets	3.10, 10	48,477	38,556	37,346
II. Goodwill	3.10, 10	46,069	27,474	27,474
III. Fixed assets	3.9, 10	16,790	12,645	12,125
IV. Buildings and land in finance lease	3.9, 17	12,575	10,465	11,451
V. Other financial assets	29	1,418	5	5
VI. Other long term assets	3.12	3,803	1,700	200
VII. Deferred tax assets	11	1,815	776	879
		130,947	**91,621**	**89,480**
B. Short-term assets				
I. Inventories	12	50,337	37,131	20,034
II. Receivables from deliveries and services	13	41,181	33,304	19,471
III. Other short-term financial assets	14	4,397	1,853	2,198
IV. Other short-term assets	14	7,429	4,947	4,113
V. Claim for tax refunds	15	2,535	2,392	4,176
VI. Cash in bank and cash in hand	16	28,701	54,831	47,860
		134,580	**134,458**	**97,852**
		265,527	**226,079**	**187,332**

* See 3.12.2 in the appendix

in €k	Notes	12/31/2022	12/31/2021 (adjusted)*	01/01/2021 (adjusted)*
Liabilities				
A. Equity	18			
I. Subscribed capital		29,834	9,971	10,005
II. Capital reserves		7,223	26,818	22,590
III. Retained earnings		107,192	94,937	87,591
IV. Other components of equity		-2,763	-2,370	-4,778
		141,486	**129,356**	**115,408**
B. Long-term debt				
I. Long-term liabilities				
1. Long-term liabilities to banks	19	*51,655*	*32,011*	*21,121*
2. Other financial liabilities		*3,517*	*545*	*638*
3. Liabilities from finance lease	17	*10,076*	*8,423*	*9,466*
II. Non-current provisions	20	1,956	1,603	1,080
III. Deferred tax liabilities	11	10,901	9,401	9,710
		78,105	**51,983**	**42,015**
C. Short-term debt				
I. Other financial liabilities	19	4,025	4,110	4,110
II. Short-term accrual liabilities	20	10,700	12,086	5,644
III. Short-term other liabilities				
1. Liabilities from deliveries and services		*19,416*	*18,831*	*11,072*
2. Other short-term financial liabilities		*7,371*	*5,312*	*4,394*
3. Liabilities from finance lease	17	*2,470*	*2,139*	*2,037*
IV. Current tax liabilities		1,954	*2,262*	*2,652*
		45,936	**44,740**	**29,909**
		265,527	**226,079**	**187,332**

* See 3.12.2 in the appendix

DEVELOPMENT OF FIXED ASSETS FOR FISCAL YEAR 2022

Group´s annual balance sheet according to IFRS for the fiscal year from January 1, 2022 to December 31, 2022

	Acquisition and production costs					
in €k	As at 01/01/2022	Additions	Transfers/Other adjustments	Disposals	Foreign exchange differentials	As at 12/31/2022
Intangible assets						
Software, trademark rights, patents, and licenses	14,720	11,009	680	0	-6	26,403
Finished own developments	79,422	0	7,016	0	0	86,438
Own developments in process	10,227	9,487	-7,016	0	0	12,698
Payments for third-party developments	60	341	-60	0	-8	333
Total intangible assets	**104,429**	**20,837**	**620**	**0**	**-14**	**125,872**
Goodwill						
Goodwill	27,467	18,563	0	0	32	46,062
Total Goodwill	**27,467**	**18,563**	**0**	**0**	**32**	**46,062**
Tangible Assets						
Land and buildings on third-party land	6,256	580	96	0	-18	6,914
Technical equipment and machinery	14,353	3,113	185	-60	-19	17,572
Other furniture, fixtures, and equipment	8,790	2,671	378	-1	-8	11,830
Assets under construction	385	2,234	-1,279	0	1	1,341
Total tangible assets	**29,784**	**8,598**	**-620**	**-61**	**-44**	**37,657**
Buildings and Land under finance leases						
Land of finance lease	2,278	0	0	-1,567	0	711
Buildings of finance lease	32,236	3,222	0	-4,596	-182	30,680
Total Buildings and Land under finance leases	**34,514**	**3,222**	**0**	**-6,163**	**-182**	**31,391**
Other financial assets						
Other financial assets	18	1,413	0	0	0	1,431
Total other financial assets	**18**	**1,413**	**0**	**0**	**0**	**1,431**
Total Assets	**196,212**	**52,633**	**0**	**-6,224**	**-208**	**242,413**

Depreciation							Net book value	
As at 01/01/2022	Additions	Unscheduled depreciations	Disposals	Transfers / Other adjustments	Foreign exchange differentials	As at 12/31/2022	As at 12/31/2022	Previous year
8,257	4,186	2	0	216	-10	12,651	13,752	6,463
57,616	7,128	0	0	0	0	64,744	21,694	21,806
0	0	0	0	0	0	0	12,698	10,227
0	0	0	0	0	0	0	333	60
65,873	**11,314**	**2**	**0**	**216**	**-10**	**77,395**	**48,477**	**38,556**
-7	2	0	0	0	-2	-7	46,069	27,474
-7	**2**	**0**	**0**	**0**	**-2**	-7	46,069	**27,474**
2,290	441	0	0	0	-15	2,716	4,198	3,966
9,475	1,832	0	-59	532	-11	11,769	5,803	4,878
5,375	1,012	0	-1	5	-8	6,383	5,447	3,415
-1	0	0	0	0	0	-1	1,342	386
17,139	**3,285**	**0**	**-60**	**537**	**-34**	**20,867**	**16,790**	**12,645**
0	0	0	0	0	0	0	711	2,278
18,449	2,232	0	-1,870	12	-7	18,816	11,864	13,787
18,449	**2,232**	**0**	**-1,870**	**12**	**-7**	**18,816**	**12,575**	**16,065**
13	0	0	0	0	0	13	1,418	5
13	**0**	**0**	**0**	**0**	**0**	**13**	**1,418**	**5**
101,467	**16,833**	**2**	**-1,930**	**765**	**-53**	**117,084**	**125,329**	**94,745**

DEVELOPMENT OF FIXED ASSETS FOR FISCAL YEAR 2021

Group´s annual balance sheet according to IFRS for the fiscal year from January 1, 2021 to December 31, 2021

	Acquisition and production costs					
in € k	As at 01/01/2021	Additions	Transfers	Disposals	Foreign exchange differentials	As at 12/31/2021
Intangible assets						
Software, trademark rights, patents, and licenses	10,804	3,614	458	-227	71	14,720
Finished own developments	76,625	0	4,282	-1,485	0	79,422
Own developments in process	6,368	8,141	-4,282	0	0	10,227
Payments for third-party developments	0	60	0	0	0	60
Total intangible assets	**93,797**	**11,815**	**458**	**-1,712**	**71**	**104,429**
Goodwill						
Goodwill	27,467	0	0	0	0	27,467
Total Goodwill	**27,467**	**0**	**0**	**0**	**0**	**27,467**
Tangible Assets						
Land and buildings on third-party land	6,084	245	50	-168	45	6,256
Technical equipment and machinery	12,760	2,519	1	-998	71	14,353
Other furniture, fixtures, and equipment	9,751	200	276	-1,483	46	8,790
Assets under construction	223	946	-784	0	0	385
Total tangible assets	**28,818**	**3,910**	**-457**	**-2,649**	**162**	**29,784**
Buildings and Land under finance leases						
Land of finance lease	2,278	0	0	0	0	2,278
Buildings of finance lease	31,356	1,157	0	-737	460	32,236
Total Buildings and Land under finance leases	**33,634**	**1,157**	**0**	**-737**	**460**	**34,514**
Other financial assets	18	0	0	0	0	18
Total other financial assets	**18**	**0**	**0**	**0**	**0**	**18**
Total Assets	**183,734**	**16,882**	**1**	**-5,098**	**693**	**196,212**

Depreciation							Net book value	
As at 01/01/2021	Additions	Unscheduled depreciations	Disposals	Transfer	Foreign exchange differentials	As at 12/31/2021	As at 12/31/2021	Previous year
7,088	1,362	0	-227	0	34	8,257	6,463	3,716
49,363	8,466	1,272	-1,485	0	0	57,616	21,806	27,262
0	0	0	0	0	0	0	10,227	6,368
0	0	0	0	0	0	0	60	0
56,451	**9,828**	**1,272**	**-1,712**	**0**	**34**	**65,873**	**38,556**	**37,346**
-7	0	0	0	0	0	-7	27,474	27,474
-7	**0**	**0**	**0**	**0**	**0**	**-7**	**27,474**	**27,474**
2,011	410	0	-162	0	31	2,290	3,966	4,073
8,820	1,542	0	-930	0	43	9,475	4,878	3,940
5,862	929	2	-1,442	0	24	5,375	3,415	3,889
0	0	0	0	0	-1	-1	386	223
16,693	**2,881**	**2**	**-2,534**	**0**	**97**	**17,139**	**12,645**	**12,125**
0	0	0	0	0	0	0	2,278	2,278
16,483	2,187	2	-419	0	196	18,449	13,787	14,873
16,483	**2,187**	**2**	**-419**	**0**	**196**	**18,449**	**16,065**	**17,151**
13	0	0	0	0	0	13	5	5
13	**0**	**0**	**0**	**0**	**0**	**13**	**5**	**5**
89,633	**14,896**	**1,276**	**-4,665**	**0**	**327**	**101,467**	**94,745**	**94,101**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group´s annual balance sheet according to IFRS for the fiscal year from January 1, 2022 to December 31, 2022

				Other components of equity			
in € k	Subscribed capital	Capital reserve	Retained earnings incl. group's earnings	Differences due to currency conversion	Adjustment recognized directly in equity Finance lease/ IFRS15	Sum of other components of equity	Total
Shareholders´ equity as of 01/01/2021	**10,005**	**22,590**	**87,091**	**-221**	**-4,557**	**-4,778**	114,908
adjusted equity previous year			532				532
Adjusted Shareholders´equity as of 01/01/2021	**10,005**	**22,590**	**87,623**	**-221**	**-4,557**	**-4,778**	**115,440**
Total result		3,709	17,292	2,408		2,408	23,409
Share salesback / Share buyback	-34	519	-4,100				-3,615
Dividend outpayment*			-5,801				-5,801
Shareholders´equity as of 12/31/2021	**9,971**	**26,818**	**95,014**	**2,187**	**-4,557**	**-2,370**	**129,433**
Total result			21,362	-138	-255	-393	20,969
Share salesback / Share buyback	-1,137	1,405	-3,000				-2,732
Capital increase from company funds	21,000	21,000					0
Dividend outpayment**			-6,184				-6,184
Shareholders´equity as of 12/31/2022	**29,834**	**7,223**	**107,192**	**2,049**	**-4,812**	**-2,763**	**141,486**

* 0.58 € per share

** 0.62 € per share

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. THE COMPANY

The Basler Group develops, manufactures, and sells on a worldwide scale industrial goods in Vision Technology (the technology of machine vision). The Basler Corporation has its headquarters at 22926 Ahrensburg (Germany), An der Strusbek 60 – 62 (local court Lübeck HRB 4090AH). It maintains subsidiaries in Singapore, Taiwan, the USA, China, Japan, South Korea, and Germany as well as sales and service offices in Finland, Poland, the Netherlands, France, Malaysia, and UK. Development and manufacturing are carried out in the German headquarters and in Singapore.

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 German Code of Commercial Law, Handelsgesetzbuch – 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 throughout.

Unless stated otherwise, all amounts are shown in thousands of € (€ thousand). The financial year corresponds to the calendar year. The consolidated financial statements are prepared on a going concern basis.

2.2 STANDARDS WITH NO EFFECT ON THE CONSOLIDATED STATEMENTS

The amendments to the references to the framework in various IFRS standards to be applied from January 1, 2021, as well as the amendments to IFRS 4 and IAS 39 currently have no impact on the consolidated financial statements of Basler AG.

2.3 APPROVED BUT NOT YET ADOPTED STANDARDS

The following IFRS incorporated into EU law were issued on December 31, 2022, their application is, however, only mandatory in future reporting periods if no use is made of the right for an earlier application:

Amendment/Standard	Date of Publication	Date of Incorporation into EU Law	Date of Application
IFRS 17 Insurance contracts as well as amendments of IFRS 17	May 18, 2017 / June 25, 2020	November 19, 2021	January 1, 2023
Amendments IFRS 17: Initial Application of IFRS 17 and IFRS 9 – Comparison Information	December 9, 2021	September 8, 2022	January 1, 2023
Amendments IAS 12: Deferred Taxes, relating to assets and liabilities arising from a single transaction	May 7, 2021	August 11, 2022	January 1, 2023
Amendments IAS 1 and IFRS Practice Statement 2: Explanation of Accounting Principles	February 12, 2021	March 2, 2022	January 1, 2023
Amendments IAS 8: Definition of Accounting Estimates	February 12, 2021	March 2, 2022	January 1, 2023

Following standards as well as interpretations and amendments to existing standards that have also been issued by the IASB are not yet obligatory for the consolidated financial statements as of December 31, 2022. The application of these standards presumes that they will be taken over by the EU within the scope of the IFRS endorsement procedure:

Amendment/Standard	Date of Publication	Date of Incorporation into EU Law	Date of Application
Amendments IAS 1: • Classification of debt as non-current or current • Classification of debt as non-current or current- Postponement of the Date of First Application • Non-current liabilities with covenants	January 23, 2020/ July 15, 2020 / October 31, 2022	Open	January 1, 2024
Amendments IFRS 16: Lease liability for sales and leaseback	September 22, 2022	Open	January 1, 2024

2.4 USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions about the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and about the reported amounts of revenues and expenses during the reporting period. The actual results may differ from these estimates. Significant estimation uncertainties arise in the valuation of property, plant and equipment with respect to useful lives and in the valuation of internally generated intangible assets with respect to useful lives and expected sales. There are also uncertainties relating to deferred taxes on loss carryforwards, provisions and assumptions for impairment tests. The carrying amounts of tangible and intangible assets are derived from the development of non-current assets.

3. ACCOUNTING AND VALUATION METHODS

3.1 PRINCIPLES OF CONSOLIDATION

All subsidiaries that are directly or indirectly controlled by Basler AG as provided by IFRS 10 are included in the group's annual balance sheet. For a list of subsidiaries and investments, see note IV, 29.

Harmonization

The financial statements to be consolidated of Basler AG as parent company and of the subsidiaries included in the consolidation were prepared using uniform accounting and valuation methods. All intercompany transactions, balances and intercompany profits are eliminated in full on 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 Euro. Consequently, on the balance sheet date, assets and liabilities are converted into Euros using the applicable exchange rate on the reporting date.

Income and expenses are converted using the average exchange rate of the period under review. Accumulated exchange rate gains and losses are reported as a separate component of the equity capital. In the fiscal year, equity capital was decreased by €491 thousand (previous year: increased by €2,408 thousand).

Balance sheet items in foreign currencies in the individual financial statements are converted at the closing rate on the transaction date. This resulted in income of €3,346 thousand (previous year: €2,141 thousand) and in expenses of €4,703 thousand (previous year: €1,984 thousand) in the financial year 2022. The currency result is shown as currency result in the gross result of sales.

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

	Applicable Exchange Rate as of		Average Exchange Rates	
	12/31/2022	**12/31/2021**	**2022**	**2021**
USD	1.020	1.133	1.053	1.183
TWD	32.482	31.371	31.309	33.051
JPY	145.120	-*	138.030	-*
KRW	1,384.190	-*	1,358.070	-*
PLN	4.696	-*	4.686	-*
CNY	7.317	8.833	7.079	7.628

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

* no operating currency in 2021

Consolidation Principles

Capital consolidation is performed in accordance with the provisions of IFRS 3, whereby all assets and liabilities of the subsidiaries are recognized at fair value. The pro rata equity thus determined is compared with the carrying amount of the investment. Any remaining positive differences are capitalized as company value and are subject to an annual impairment test in accordance with IAS 36.

All intercompany balances, income and expenses, and unrealized gains and losses on intercompany transactions are eliminated in full. Deferred taxes are recognized on consolidation transactions recognized in profit or loss in accordance with IAS 12.

3.2 REVENUE RECOGNITION

Revenues 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 valueadded 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 delivery of the goods and products.

Interest Income

Interest income is recognized when interest is earned on non-current liabilities (using the effective interest method). Interest income is recognized in the consolidated statement of income as part of financial income.

3.3 TAXATION

Current income taxes

Current tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The calculation of the amount is based on the tax rates and tax laws applicable at the balance sheet date. Current tax assets and liabilities are offset if the group has a legally enforceable right to set off current tax assets against current tax liabilities and these relate to income taxes levied by the same taxation authority on the same taxable entity.

Current taxes relating to items recognized directly in equity are recognized in equity and not in the income statement.

Deferred Taxes

Deferred taxes are recognized using the liability method on temporary differences at the balance sheet date between the carrying amount of an asset or liability in the balance sheet and its tax base.

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, and
- 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 liabilites due to a first-time valuation of goodwill or an asset or debt 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, and

- Deferred tax liabilites 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.

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. Unrecognized deferred tax assets are reviewed at each 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 deferred tax liabilities are offset against each other if the group has a claim against 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, released to income in equal annual rates over the estimated useful life of the related asset.

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 as income. Possible differences between book values and considerations are recorded in the capital reserve.

3.6 FINANCIAL ASSETS AND LIABILITIES

Receivables and other financial assets are capitalized at acquisition costs on the settlement date. 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.

IFRS 9 specifies the requirements for the recognition and valuation of financial assets, financial liabilities, as well as contracts for acquiring or selling of non-financial contracts. There were no impairments on financial assets identified in the fiscal year 2022. These would have to be shown as separate positions in the comprehensive income statement. As in previous years, Basler AG holds a stake in the “Beruf und Familie im HanseBelt gGmbH”, Bad Oldesloe. Due to the holding of 7.5 % of equity amounting to € 5 thousand, this stake is classified as non-material. In addition, since fiscal year 2022 there has been an investment in Basler France (formerly i2s). A 25.1% interest is held in this investment, which is therefore accounted for using the equity method.

If a receivable is in danger of not being recoverable due to a customer‘s illiquidity, individual value adjustments in the full amount of the receivable will be made. Due to low loss of receivables no value adjustments were made according to IFRS 9.

IFRS 9 contains three basic evaluation categories for the classification of financial assets:

- at amortized costs,
- at fair value with changes in value on other comprehensive income (FVOCI), as well as
- at fair value with changes in value in the profit or loss (FVTPL).

3.7 DERIVATIVE FINANCIAL INSTRUMENTS

The group enters into derivative financial instruments to manage its interest rate and foreign exchange risks. These include forward exchange contracts and currency option contracts. Derivatives are initially recognized at the time of the transaction at acquisition costs and subsequently valued at fair value at each reporting date. The resulting gain or loss is recognized in profit or loss 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 total 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.

Inventories are valued at the acquisition costs or the production costs and net selling price, whichever is less.

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

- Raw materials, supplies, 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

On principle, tangible assets are valued at acquisition costs or production costs minus 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 fixed assets are largely based on the following useful lives:

Asset	Useful Life in Years
Technical equipment and machinery	3 to 14
Operational and office equipment	3
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. For details please see 3.17.

The useful lives of assets recognized in accordance with IFRS 16 are based on the expected contractual useful lives of the leased asset. The rights of use are amortized on a straightline basis over the shorter period of time of the lease term and the useful life of the identified asset. For further details, please refer to 3.12.

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 expenses 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,
- 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 production cost model, i.e. using production costs minus accumulated amortizations and accumulated impairment expenses. 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 straightline 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 6
Software, product developments received against payment	3 to 7

The amortization expenses of capitalized development costs are included in „Research and development“ in the consolidated statement of income, while that of software and purchased product developments is included in „Sales and marketing expenses“ and „General and administration expenses“.

At least once a year and at particular instigation an impairment test is carried out during the development phase. For details please see 3.17.

According to IFRS 3 and/or IAS 38, business or company values are not written off on a scheduled basis. Instead, once a year and in case of indications for a value reduction they are subject to an impairment test according to IAS 36 and, if necessary, devaluated to their recoverable amount. For doing so, the fair value less costs to sell (FVLCS) is used as a basis.

According to IAS 38.60 the goodwill is attributable to the CGU (Cash Generating Unit) which presumably will benefit from the synergy effects of the merger. The CGU in question shall not be bigger than an operating segment. Viewed downwards within the company hierarchy, the lowest intragroup reporting level is mentioned where the goodwill is systematically monitored. At Basler this is the group including its total business. Thus, the goodwill is tested on corporate level.

If impairment is identified, first of all a possibly existing goodwill of the cash generating unit in question is valueadjusted. Any residual amount is allocated pro rata to the other assets of the respective cash generating unit on the basis of the residual book value of each individual asset at the balance sheet date. If the reason for an impairment recorded in the previous year no longer applies, with the exception of goodwill, the impairment loss is reversed up to a maximum of the amortized carrying amount.

The growth rates underlying the discounted cash flow calculation for external sales revenues in the detailed planning period 2022 – 2025 are approximately 2% to 25% (previous year: approximately 8% to 21%), and for earnings before taxes (EBT) 8% to 14% (previous year: 9% to 20%). The growth rates are based on past experiences and estimates of future demand and have been taken into account in our detailed planning. A growth rate of 1% is taken into account for the cash flows after the planning period. Discounting was carried out on the basis of a uniform risk-equivalent capitalization interest rate (weighted average cost of capital, WACC) of 11.3% (previous year: 10.0%) which is based on market data and considers company-specific risk factors. Sensitivity analyses have determined that there is no need to recognize an impairment loss on goodwill even if the key assumptions differ within a realistic range. In quantifying the sensitivity analysis, a reduction in future EBT result of 10% was assumed, as a change of up to this amount is reasonably possible. Based on past experience, no major changes are likely. The impairment tests carried out did not reveal any indications of a need for impairment

3.11 BANK BALANCES AND CASH ON HAND

The item includes cash on hand as well as short-term deposits with maturities of less than 3 months.

3.12 LEASES

3.12.1 General Information

In principle, all leases and the associated contractual rights and obligations are now to be accounted for under IFRS 16 in the lessee's balance sheet.

For leases that are not real estate, of low value and for short-term agreements with a term of up to twelve months, the application relief of IFRS 16.5 is used and the expense is recognized on a systematic basis over the term. Leases expiring no later than December 31, 2020 have been accounted for as short-term leases, irrespective of the original lease term.

For leases for which no application relief is claimed, future lease payment obligations liabilities are passivated. At the same time, rights for use for the underlying asset are capitalized and correspond to the present value of future lease payments plus initial direct costs, advance payments and dismantling costs and less incentive payments received.

The subsequent accounting is made according to the effective interest method. The applicable interest rate was determined in a country specific manner. During the term of the lease, leasing liabilities are updated in a financial mathematic way, similar to the previously applicable regulation according to IAS 17 for finance leases, while the right of use is amortized according to plan.

As lessee, Basler AG accounts for leases according to the so-called right-of-use model pursuant to IFRS 16.22 regardless of the economic ownership structure of the respective leased asset at the beginning of their term. Rights of use and liabilities are shown separately in the balance sheet. If events or changed circumstances suggest an impairment, an impairment test will be carried out according to IAS 36.

3.12.2 CORRECTION of accounting in accordance with IAS 8

In connection with the lease agreement for the expansion building concluded at the end of January 2023, the existing leases were subjected to an analysis. In this process, a need to correct the accounting treatment of the existing leases was identified. The following explanation for adjusting accounting in accordance with IAS 8.42 relates to the leasing relationship with Hastula II KG, concerning the leasing agreement for the existing building existing since January 1, 2019. As agreed, in addition to the lease payments to the lessor advanced rents were paid. From an economic point of view, a portion of these payments, which are referred to as advance rent payments, are tenant loans. For this reason, the balance sheet presentation had to be adjusted.

The retrospective correction resulted in an adjustment effect of € 532 thousand, which was recognized in the retained earnings. The valuations to be adjusted on the balance sheet related to non-current assets, other assets, retained earnings and unappropriated profit, as well as current and non-current liabilities. In the income statement, depreciation and amortization and interest expense were adjusted accordingly. The adjustment did not result in any changes in the cash flows.

The adjustments made had the following effects:

AFFECTED BALANCE SHEET POSITIONS

in € million	01/01/2021	Adjustment acc. to IAS 8	01/01/2021 (adjusted)
Right of use from finance lease	17.2	-5.7	11.5
Deferred expenses and accrued income[1]	1.3	2.7	4.0
Other long-term assets	0.0	0.2	0.2
	18.5	**-2.8**	**15.7**
Retained earnings and unappropriated profit	87.1	0.5	87.6
Current liabilities from finance leases	3.4	-1.4	2.0
Non-current liabilities from finance leases	11.4	-1.9	9.5
	101.9	**-2.8**	**99.1**

in € million	12/31/2021	Adjustment acc. to IAS 8	12/31/2021 (adjusted)
Right of use from finance lease	16.1	-5.6	10.5
Deferred expenses and accrued income[1]	1.6	2.7	4.3
Other longterm assets	0.0	1.7	1.7
	17.7	**-1.2**	**16.5**
Retained earnings and unappropriated profit	94.2	0.7	94.9
Current liabilities from finance leases	3.6	-1.5	2.1
Non-current liabilities from finance leases	8.9	-0.5	8.4
	106.7	**-1.2**	**105.5**

[1] reported under other financial assets

AFFECTED PROFIT AND LOSS POSITIONS

in € million	12/31/2021	Adjustment acc. to IAS 8	12/31/2021 (adjusted)
Depreciation and rights of use[3]	-16.2	0.2	-16.0
Interest expense[4]	-0.3	0.0[2]	-0.3
	-16.5	**0.2**	**-16.3**
in € million			
EBIT	28.0	0.2	28.2
Group´s year surplus	20.8	0.2	21.0
Result per share in Euro (diluted = undiluted)	0.69	0.01	0.70

[1] reported under other financial assets

[2] in € thousand: 42.6

[3] reported in general administrative expenses

[4] reported in financial expenses

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 as income in the period where they accrue.

3.14 FINANCIAL DEBTS

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

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 interest effect resulting from a discounting is material, provisions are discounted at a pre-tax interest 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 financial expense.

3.16 APPLICABLE FAIR VALUE

The fair value to be applied is the price at which an asset would be sold or at which a debt would be transferred at the valuation date in an orderly business transaction between market participants. This applies regardless of whether the price is directly observable or was estimated using a valuation method.

The fair value is not always available as market price. In many cases it must be determined on the basis of different valuation parameters. Depending on the availability of observable parameters and the significance of these parameters for the determination of the fair value in the whole, the fair value is assigned to the levels 1, 2, or 3. The classification is made as follows:

- Input parameters of level 1 are quoted prices (unadjusted) on active markets for identical assets or debts, which the company can refer to at the balance sheet date.
- Input parameters of level 2 are different to the input parameters and quoted prices of level 1, which are – for the asset or the debt - either directly observable or can be indirectly derived from other prices.
- Input parameters of level 3 are for non-observable parameters for the asset or the debt.

3.17 IMPAIRMENT OF ASSETS

The book values of tangible and intangible assets are reviewed at each reporting date (December 31) for indications of impairment (impairment-test). If such indications are apparent, the recoverable amount of the asset is estimated in order to determine the amount of the possible impairment loss. If the recoverable amount cannot be estimated at the level of the specific asset, the recoverable amount is determined at the level of the cash-generating unit (CGU) to which the respective asset is allocated. At Basler AG, the allocation is made at the level of product families as CGU.

Intangible assets that are not yet in use are tested for impairment at least once a year and in case of indications of an impairment (triggering events). The recoverable amount is the higher amount of the fair value less costs to sell and the value in use. For determination of the value in use the estimated future cash flows are discounted using a pre-tax interest rate. This pre-tax interest rate considers the current market evaluation of the time value of money as well as risks related to the asset, if this has not already been considered in the estimation of the cash flows. The calculations are based on forecasts resulting from financial plans approved by the management. The fair value minus cost to sell is determined using an appropriate valuation model which does not differ from the calculation of the utility value. If the recoverable amount of an asset falls below its book value, the book value is depreciated to the recoverable amount. An impairment loss is recognized immediately in profit or loss.

In case of a reversal of the impairment loss, the book value of the asset will be increased to the newly determined recoverable amount. Here the upper value limit of the attribution in the amount of the original book value of the asset and/or of the CGU needs to be observed. A reversal is immediately recognized in the profit and loss.

For intangible assets that cannot be used yet the impairment test will be made at the level of product families as CGU (cash generating unit). The recoverable amount will be determined on the basis of the calculation of a utility value based on cash flow forecasts. The cash flow forecasts are based on financial plans approved by the management for a period of four years. The planning period reflects the assumptions for short- to mid-term market developments. The group assumes a sales growth in the lower double-digit percentage range for 2020 and the following years. The gross profit margin is expected to decline slightly. Cash flows arising after the planning period are not considered. The discount factor before taxes used for the cash flow forecasts is 11.5 % (previous year: 11.3 %). The discount rate is based on the concept of weighted average capital costs.

In the calculation of the utility value as well as of the fair value less cost to sell (using DCF method) there are uncertain estimates for the underlying assumptions, particularly with regard to:

- Gross profit margins
- Discounting factor (interest rate)
- Sales growth rate

A discount interest rate of more than 28.1% and/or an expected decline of the planned sales revenues by 12.1% would lead to a devaluation of certain intangible assets.

If there are indications of a devaluation of fixed assets in the course of the financial year, these will be examined and their value adjusted, if necessary.

4. SALES REVENUES

The sales revenues originate from the business with cameras, frame grabbers, and complementary accessories, such as cables, lenses and lighting.

Pursuant to IFRS 15 revenues are recorded upon obtaining control of the goods or services by the customer. The determination of whether the transfer of control is depending on the point of time or the period of time requires discretionary decisions. Sales are measured based on a consideration determined in a contract with a customer. The following table provides information about receivables and liabilities resulting from contracts with customers:

in € thousand	**2022**	**2021**
Receivables from deliveries and services	40,672	32,161
Contractual liabilities	-214	-209
Contractual receivables	723	1,352

The contractual obligations relate to the extended warranty that is a separate service obligation (service-type-warranty) and that has to be cut off over the warranty period of three years.

In the financial year 2022, € 5 thousand (previous year: € 39 thousand) were cut off as contractual liabilities in sales. Upon fulfillment of the contractual liabilities, revenue is recognized in the corresponding amount.

The contract receivables relate to period-related services from customer contracts that have not yet been billed. In the 2022 financial year, € 629 thousand (previous year: €1,352 thousand) were deferred as contract receivables in revenue.

5. OTHER OPERATIONAL PROFIT

The other operational profits include the following:

in € thousand	2022	2021
Subsidies for research and development	75	136
Income from the release of provisions	328	131
Rental income	4	11
Others	3,227	896
	3,635	**1,174**

6. RESEARCH AND DEVELOPMENT

The expenses include the following:

in € thousand	2022	2021
Full costs for research and development	33,470	28,147
Capitalization of own development costs	-9,246	-8,004
Depreciations on capitalized developments	7,144	9,738
Net effect from capitalization and depreciation	-2,201	1,734
	31,368	**29,881**

7. FINANCIAL RESULT

in € thousand	2022	2021
Income from adjustment of earn-out relating to other periods	176	0
Income from interest on deposits	131	158
Other interest income	0	9
Interest income discounting	-18	19
Financial income	**289**	**186**
Interest expense for finance leases	-339	-290
Interest expense from bank loans	-708	-334
Expenses relating to other periods from adjustment of Earn-out	-265	-53
Other intetrest expense	-27	-8
Capitalization of interest in accordance with IAS 23	241	137
Financial expenses	**-1,044**	**-548**
Financial result	**-755**	**-362**

In 2022, the average financing cost rate considered in accordance with IAS 23 was 1.77 % (previous year: 1.39 %). The share of profits in companies that are accounted for using the equity method amounts to € 157 thousand (previous year: € 0 thousand).

8. INCOME TAXES

Both current taxes (paid or owed) on income and deferred taxes are reported as income taxes.

Any income obtained is stated as a negative amount.

in € thousand	2022	2021
Current tax expense from consolidated companies	8,052	7,411
Deferred tax income from consolidated companies	-1,083	-211
Tax expense	**6,902**	**7,200**

Determination deferred tax expenses:

in € thousand	2022	2021
Deferred tax expenses from losses carried forward (continuously)	0,00	1,134
Deferred tax income from temporary differences	-1,083	-1,345
Deferred tax expense	**-1,083**	**-211**

The following is a breakdown of the effective tax burden which includes the German corporate income tax rate including the solidarity surcharge of 15.83 % (previous year: 15.83 %), and the applicable trade income tax rate of 13.51 % (previous year: 13.51 %), amounting to a total tax rate of 29.34 % (previous year: 29.34 %):

Tax reconciliation (in € thousand)	2022	2021
Net profit for the year before income taxes	28,331	27,956
Applicable tax rate	29.34 %	29.34 %
Expected tax expense / income	8,312	8,202
Reconciliation:		
Effect from deviating tax rates	-1,940	-1,194
Tax effect from non-deductible expenses and tax-free earnings	472	-47
Effect from intragroup sales	-421	-163
Foreign withholding tax	331	632
Others	215	288
Current tax expense / income	6,969	7,200
Group tax rate	24.59 %	25.99 %

As of December 31, 2022, there were no tax loss carryforwards.

9. ADDITIONAL INFORMATION

9.1 SCHEDULED AND UNSCHEDULED DEPRECIATIONS

In fiscal year 2022, no depreciations (previous year: €1,272 thousand) were recognized on capitalized product developments.

The depreciations are included in the following areas:

in € thousand	2022	2021
Cost of Sales	1,402	1,463
Research and Development	7,144	9,738
Sales and Marketing Costs	3,339	1,289
General Administration Costs	4,515	3,304
Other Expenses	435	378
	16,835	**16,172**

9.2 PERSONNEL EXPENDITURES

in € thousand	2022	2021
Wages and salaries	81,360	67,557
Social security contributions and expenses for pensions and for support thereof for pensions € 6,244 thousand (previous year: € 5,352 thousand)	14,489	11,780
	95,849	**79,337**

The expenses for the contribution-based pension schemes amounted to € 6,244 thousand (previous year: € 5,352 thousand). The employees in the group are for the most part insured under the mandatory statutory pension insurance scheme and are thus subject to a government contribution-based plan.

9.3 COST OF MATERIALS

in € thousand	2022	2021
Expenses for raw, auxiliary, and operating supply items as well as purchased goods	110,783	77,959
Expenses for purchased services	1,424	1,593
	112,207	**79,552**

In the year 2022, costs for warranty services amounted to € 508 thousand (previous year: € 476 thousand).

9.4 RECONCILIATION FOR RESULT PER SHARE

	2022	2021
Result (diluted = undiluted) in € thousand	21,362	20,756
Weighted average number of ordinary shares	29,878,360	29,961,130
Result per Share (diluted = undiluted) (€)	**0.71**	**0.69**

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. On December 31, 2022, Basler AG's share capital amounted to € 31.5 million divided into 31.5 million no-par value bearer shares at € 1.00 each.

	Number of Shares
Shares in circulation on January 1, 2022	29,913,693*
Sales	10,506*
Purchases	-90,668*
Shares in circulation on December 31, 2022	29,833,531

* calculated after share split on July 20, 2022

10. DEVELOPMENT OF FIXED ASSETS

On December 31, 2022, the purchase commitments for tangible assets amounted to € 2,093 thousand (previous year: € 678 thousand).

For the financial statements, the following intangible assets are of essential importance according to IAS 38.122b at the reporting date:

Description of the Intangible Asset (in € thousand)	Book value 12/31/2022 (12/31/2021)	Useful Lives in years (previous year)
New camera platforms Mainstream/Upper Mainstream	18,359 (19,780)	5 (5)
Development of camera modules for use with embedded processors	2,694 (3,698)	3 (3)
Camera development and improvement of 3D TOF technology	2,658 (2,237)	3 (3)
pylon Software Development Kit	3,572 (0)	3 (0)

The item „Goodwill" as of December 31, 2022 relates to goodwill arising on the initial consolidation of consolidated subsidiaries.

11. DEFERRED TAXES

The following deferred tax assets and liabilities are attributable to recognition and measurement differences in the individual balance sheet items:

Deferred Tax Assets (in € thousand)	12/31/2022	12/31/2021
Provisions	197	0
Other liabilities	155	0
Deferred items	0	1,289
Participation	65	45
Inventories	554	241
Others	1,349	704
Offsetting	-505	-1,503
	1,815	**776**

Deferred Tax Liabilities (in € thousand)	12/31/2022	12/31/2021
Capitalized Developments	9,647	8,607
Finance Lease	54	1,077
PPA Capitalized Developments	444	666
PPA Customer Relationships	741	0
Sales Realization	149	336
Tangible Assets	78	66
Goodwill	124	0
Others	169	152
Offsetting	-505	-1,503
	10,901	**9,401**

12. INVENTORIES

The inventories include the following:

in € thousand	12/31/2022	12/31/2021
Raw materials and supplies	30,592	23,597
Semi-finished Products	1,897	3,217
Finished Products	11,047	7,184
Trade Goods	6,801	3,133
	50,337	**37,131**

As of December 31, 2022, inventories were subject to range deductions amounting to € 1,729 thousand (previous year: € 1,490 thousand). The increase in raw materials and supplies resulted from the tense procurement market situation in connection with the semiconductor crisis. Reference is made to the disclosures in the management report.

13. RECEIVABLES FROM DELIVERIES AND SERVICES AS WELL AS PRODUCTION ORDERS

Of the receivables from deliveries and services in the amount of € 41,181 thousand (previous year: € 33,304 thousand) € 41,181 thousand (previous year: € 33,290 thousand) are due within one year.

The receivables from deliveries and services are adjusted in the amount of € 222 thousand (previous year: € 1 thousand). Value adjustments are performed as far as the collectability of a receivable is in danger e.g. due to insolvency. The necessary value adjustments have been below € 500 thousand for years. There were no material bad debts in the past years due to a consistent credit management. Thus, for reasons of materiality, a value adjustment according to the lifetime expected loss was not carried out.

The age of the receivables from deliveries and services after their individual value adjustment is as follows:

in € thousand	Book Value as of 12/31	Of which not overdue as of 12/31	Of which past due up to 60 days	Of which more than 61 days past due
2022	41,181	29,910	6,676	4,595
2021	33,304	17,134	3,136	1,868

Despite the Corona pandemic, and the war in Ukraine, no deterioration in customer payment behavior was observed. Accordingly, there were only immaterial specific valuation allowances in 2022 and previous years. The total of advance payments received amounts to €1,468 thousand (previous year: € 2,933 thousand). 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 of the balance sheet date, if applicable). The fair values do not differ significantly from the book values.

14. OTHER SHORT-TERM FINANCIAL ASSETS AND OTHER SHORT-TERM ASSETS

in € thousand	12/31/2022	12/31/2021*
Miscellaneous other current assets	4,397	1,853
Other current financial assets	**4,397**	**1,853**
Accrued expenses	5,575	4,334
Advance payments made	1,854	613
Other short-term assets	**7,429**	**4,947**
Total	**11,826**	**6,800**

* adjusted pursuant to IAS 8

The fair values do not significantly differ 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 € 1,203 thousand (previous year: € 1.128 thousand) and the reclaim of taxes paid in advance on income and profit amounting to € 1,332 thousand (previous year: € 1,264 thousand).

The fair values do not significantly differ 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

Liquid assets include bank deposits and cash balances in the amount of € 28,701 thousand (previous year: € 54,831 thousand). The decrease results from the committed financial resources the further increase in inventories due to the semiconductor crisis, as well as the investments made in the context of M&A activities.

17. LEASE

At the balance sheet date December 31, 2022, the rights of use in an amount of € 12,575 thousand are off-set by lease liabilities with a present value of € 12,548 thousand. The short-term portion of the lease liability amounts to € 2,470 thousand. The short-term lease payments mainly include payments for software amounting to approximately € 3,281 thousand (previous year: € 2,100 thousand) and payments for low-value lease amounting to € 309 thousand (previous year: € 449 thousand).

The payment obligations have the following maturity structure:

in € thousand	Minimum lease payments		Interest portion included		Cash values	
	2022	2021*	2022	2021*	2022	2021*
Due within 1 year	2,796	2,341	326	202	2,470	2,139
Due from 1 to 2 years	2,213	1,640	252	142	1,961	1,498
Due from 2 to 3 years	2,021	1,294	186	110	1,835	1,184
Due from 3 to 4 years	2,003	1,150	120	84	1,883	1,066
Due from 4 to 5 years	1,754	1,123	55	58	1,699	1,065
Due in more than 5 years	3,020	4,032	321	422	2,699	3,610
Total	**13,807**	**11,580**	**1,260**	**1,018**	**12,547**	**10,562**

* adjusted in accordance with IAS 8 (cf. 3.12.2 Adjustment of accounting in accordance with IAS 8)

In addition to the existing payment obligations, the following payment obligations exist since January 2023 with regard to the extension building in Ahrensburg:

in € thousand	Minimum lease payments	Interest portion included	Cash values
	2022	2022	2022
Due within 1 year	2,393	39	2,354
Due from 1 to 2 years	2,118	39	2,079
Due from 2 to 3 years	2,118	39	2,079
Due from 3 to 4 years	2,118	39	2,079
Due from 4 to 5 years	2,118	39	2,079
Due in more than 5 years	18,382	2,772	15,610
Total	**29,247**	**2,967**	**26,280**

After expiry of the basic lease terms, there are standard market extension options. Leases with a value of less than €12 thousand would not be classified as finance leases in accordance with the application simplifications; these do not exist.

The total cash outflows for leases amounted to € 3,137 thousand (previous year: € 3,679 thousand).

The present value was measured on the basis of the following interest rates:

Country	interest rate in % (prev.year)	Country	interest rate in % (prev.year)
Germany	2.7 (2.7)	Taiwan	3.0 (3.0)
USA	4.5 (4.5)	Japan	3.0 (3.0)
Singapore	4.0 (4.0)	Korea	3.0 (3.0)
China	5.3 (5.3)	Italy	5.0 (–)*

*No leasing in place in the previous year

The interest rates are derived from the respective lease agreement or from calculations made by resident financial institutions, thus taking into account any country risks as well as maturities of the respective lease agreement.

18. EQUITY

18.1 SUBSCRIBED CAPITAL

The fully paid-up share capital of the company amounts to € 31,500 thousand (previous year: €10,500 thousand) and is divided into 31,500,000 (previous year: 10,500,000) no-par value shares issued. The shares are in bearer form.

On May 23, 2022, the annual general meeting resolved to increase the company's share capital by € 21,000 thousand to € 31,500 thousand in accordance with the provisions on capital increases from company funds (Secs. 207 et seq. AktG). The capital increase was carried out by converting capital reserves in the amount of € 21,000 thousand into share capital.

On the reporting date, Basler AG holds 1,666,469 (previous year: 528,769) own shares. In the reporting year, 90,668 own shares were acquired and 10,506 own shares were sold.

18.2 AUTHORIZED CAPITAL

A share buyback program is in place. The basis for the share buyback program was the authorization pursuant to Section 71 (1) No. 8 of the German Stock Corporation Act (AktG) dated May 16, 2019. This authorization was cancelled at the annual general meeting on May 26, 2020 and a new authorization was granted. Hereafter, Basler AG may acquire own shares up to a total of 10 % of the share capital existing at the time of the resolution or – if this value is lower – at the time of the exercise of the authorization. It may not be used for the purpose of trading in own shares. The shares acquired may be used for all legally permissible purposes. The authorization is valid until the end of May 25, 2025. On the acquisition side, this means that a total of no more than 1,050,000 shares may be acquired under the authorization. The shares issued as part of the capital increase from company funds on July 20, 2022 are not to be counted here, but only the 544,956 shares actually acquired up to July 20, 2022 and the 31,601 shares acquired thereafter.

In the reporting period, Basler AG acquired a total of 90,668 shares. In addition, 10,506 shares were issued to the members of the management board within the scope of the variable remuneration.

As of the reporting date December 31, 2022, Basler AG holds 1,666,469 own shares, which correspond to € 1,666,469.00 or 5.29 % of the share capital of € 31,500 thousand.

18.3 COMPONENTS OF THE RESIDUAL TOTAL INCOME

The pre-tax and after-tax results of the components are as follows:

in € thousand	12/31/2022			12/31/2021		
	Before taxes	Taxes	Net	Before taxes	Taxes	Net
Currency conversion of foreign subsidiaries	-491	0	-491	2,408	0	2,408
Total	**-491**	**0**	**-491**	**2,408**	**0**	**2,408**

18.4 DIVIDEND PAYMENT

On May 23, 2022, a dividend was paid amounting to € 0.62 per share (total dividend: € 6,184 thousand for financial year 2021.).

19. FINANCIAL LIABILITIES

Of the financial liabilities, € 51,655 thousand (previous year: € 32,011 thousand) are attributable to non-current interest-bearing liabilities to banks. The short-term repayment portion is reported under other financial liabilities in the amount of € 4,025 thousand (previous year: € 4,110 thousand).

The fair values of the above-mentioned financial liabilities, trade payables and other shortterm liabilities do not differ significantly from the carrying amounts reported.

A transition of the liabilities movements to the cash flow from financing activities according to IAS 7 is shown separately.

20. PROVISIONS

The provisions for personnel costs were mainly made for variable salaries for the reporting year. The short-term provisions are expected to be utilized in the course of one year.

in € thousand	01/01/2021	Allocation	Utilizations	Liquidations	Interests	Currency Differences	12/31/2021
Long-term provisions / Personnel costs	1,603	335	0	0	18	0	1,956
Short-term provisions							
Personnel costs	10,404	8,595	-9,726	-257	0	-28	8,988
Warranty	539	15	0	-5	0	0	549
Legal and consultancy costs	139	195	-104	0	0	2	232
Other	1,004	831	-842	-65	0	3	931
Short-term provisions	**12,086**	**9,636**	**-10,672**	**-327**	**0**	**-21**	**10,700**
Total	**13,689**	**9,971**	**-10,672**	**-327**	**18**	**-23**	**12,656**

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 the currency risks in China, Basler uses forward exchange contracts. As these dealings are intended as security for underlying operating transactions, their terms are less than one year in each case. There were no such transactions as of the reporting date of December 31, 2022 (or the previous yearIn accordance with IFRS 9, the financial instruments are classified into the following valuation classes.

Category	Significance		Valuation
AfS	Available for sale	Financial assets available for sale	Fair value (without affecting net income against equity)
FAHfT	Financial Assets Held for Trading	Financial assets available for trading	Fair value (with effect on net income through profit or loss)
FLAC	Financial Liabilties Measured at Amortised Cost	Financial liabilities measured at amortized cost	At amortized cost
FVTPL	At Fair Value Through Profit or Loss	At market value through profit or loss	Fair value (with effect on net income through profit or loss)
HtM	Held to Maturity	Financial investments held to maturity	At amortized cost

The book values of the financial instruments as of December 31, 2022 (previous year: December 31, 2021), are as follows:

31/12/2022 (31/12/2021)

in € thousand	Valuation Category acc. to IFRS 9	Book Value	Amortized Costs	Market Value, affecting Net Income	Fair Value
Assets					
Other long-term financial assets	Fair value	3,803 (1,700)			3,803 (1,700)
Other financial assets	FVTPL Amortized costs	1,418 (5)	1,418 (5)		
Long-term financial assets		**1,418 (5)**			**1,418 (5)**
Receivables from deliveries and services	FLAC Amortized costs	41,181 (33,304)	41,181 (33,304)		
Short-term financial assets		**41,181 (33,304)**			**41,181 (33,304)**
Derivative assets (short-term)	FVTPL	0 (0)			
Remaining other short-term financial assets	Amortized costs	4,397 (1,853)	4,397 (1,853)		
Other short-term financial assets		**4,397 (1,853)**			**4,397 (1,853)**
Liquid assets	Amortized costs	28,701 (54,831)	28,701 (54,831)		
Cash and cash equivalents		**28,701 (54,831)**			**28,701 (54,831)**
		79,500 (91,693)			
Liabilities					
Liabilities to credit institutions	FLAC	51,655 (32,011)	51,655 (32,011)		
Liabilities from finance lease	Other financial liabilities	10,076 (8,873)	10,076 (8,873)		
Long-term financial liabilities		**61,731 (40,884)**			**61,731 (40,884)**
Other financial liabilities	Other financial liabilities	4,025 (4,110)	4,025 (4,110)		
Short-term derivative liabilities	Fair value	0 (0)			
Liabilities from deliveries and services	Other financial liabilities	19,416 (18,831)	19,416 (18,831)		
Liabilities from finance lease	Fair value	2,470 (3,589)	2,470 (3,589)		
Remaining other short-term financial liabilities	Other financial liabilities	5,904 (2,380)	5,904 (2,380)		
Short-term liabilities		**31,815 (28,910)**			**31,815 (28,910)**
		93,546 (69,794)			

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. Essential observable input parameters are not present.

Except for the described instrument, Basler AG considers the book values for financial assets and debts to be a good approach to the fair value.

Please refer to chapter 7 and 13 for the recording of impairments and net profits/losses of the stated financial assets and financial liabilities.

22. TYPE AND MANAGEMENT OF FINANCIAL RISKS

22.1 RISK OF BAD DEBTS

Basler regularly 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 chapter 13, 14, and 15 for statements of the maximum default risks.

22.2 INTEREST RATE RISK

All longer-term financial liabilities stated as of 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.

22.3 CURRENCY RISK

An analysis of the sensitivity of all receivables and liabilities in foreign currency of all group entities regarding a decreasing and/or increasing exchange rate by 10 % each as of the balance sheet date would result in the following effects on profit (in € thousand):

Country	Exchange rate +10 %	Exchange rate -10 %
USD	425	-425
JPY	149	-149
SGD	55	-55
KRW	256	-256
CNY	1,222	-1,222
	2,107	**-2,107**

In doing so, the main foreign currencies were taken into consideration.

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.

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

in € thousand	12/31/2022	12/31/2021
Liquid funds	28,701	54,831
Free bank lines	10,000	10,600
	38,701	**65,431**

This strategy was not changed compared to the previous year.

On the reporting date, Basler had access to credit lines amounting to € 10,000 thousand (previous year: € 10,600 thousand). The availability of credit lines and the granting of bank loans are tied to compliance with certain financial key figures. As in the previous years, Basler AG complied with the key figures. Most of the interest rates of these funds are fixed.

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

2022 in € thousand (2021 in € thousand)	Total amount	< 1 Year	> 1 Year	Of which > 5 Years
Bank debt	55,680 (36,121)	4,025 (4,110)	51,655 (32,011)	17,435 (10,198)
Liabilities from deliveries and services	19,434 (18,831)	19,434 (18,831)	0 (0)	0 (0)
Other current financial and tax liabilities	9,325 (7,574)	9,325 (7,574)	0 (0)	0 (0)
Liabilities from finance lease	12,547 (12,462)	2,470 (3,589)	10,077 (8,873)	2,742 (1,693)
	96,986 (74,988)	**35,254 (34,104)**	**61,732 (40,884)**	**20,177 (11,891)**

24. SEGMENT REPORT

Within the internal reporting there is no distinction between any segments or management in segments. The planning and allocation of resources throughout the group is carried out exclusively for the standard business.

Customers of Basler are global players. In the following statement of turnover per region, 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.

in € thousand	2022	2021
Asia	145,438	121,760
EMEA	49,509	40,943
Americas	47,855	31,544
Germany	29,401	20,481
Total	**272,203**	**214,728**

In 2022 and 2021, there was no customer with a sales portion of more than 10 %.

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

in € thousand	12/31/2022	12/31/2021
Germany	103,335	89,377
Asia	26,804	5,078
EMEA	591	0
USA	217	290
	130,947	**94,745**

25. NUMBER OF EMPLOYEES

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

	Number FTE* 2022	Number FTE* 2021
Sales and Marketing	424 (405)	312 (299)
Development	284 (265)	234 (221)
Production	242 (226)	221 (210)
Administration	174 (157)	148 (135)
	1,124 (1,053)	**915 (865)**

* Full Time Equivalent

26. REMUNERATION OF THE AUDITORS

The remuneration paid to BDO AG Wirtschaftsprüfungsgesellschaft is separated into the following categories:

in € thousand	2022	2021
Audit fees	175	101
Other services	0	9
Total	**175**	**110**

27. RELATIONS TO CLOSELY AFFILIATED PERSONS

In fiscal year 2022, there were no business relationships with related parties except for the remuneration of the management board and the remuneration of the supervisory board.

52.67% of the shares/voting rights in Basler AG are held by Norbert Basler Holding GmbH, which in turn is wholly owned by Basler-Beteiligungs-GmbH & Co. KG.

28. MANAGEMENT BOARD AND SUPERVISORY BOARD

28.1 MANAGEMENT BOARD

In 2022, the management board consisted of the following members:

- Dr. Dietmar Ley, Chief Executive Officer, responsible for research and development, organization development, and human resources
- Alexander Temme, Chief Commercial Officer, responsible for product distribution (sales, communications, service), as well as all foreign subsidiaries
- Arndt Bake, Chief Digital Officer and Chief Innovation Officer, responsible for IT, SAP, digital and software business, solutions business management as well as innovation
- Hardy Mehl, Chief Financial Officer and Chief Operations Officer, responsible for finance, investor relations, administration, operations, as well as product business

28.2 SUPERVISORY BOARD

In 2022, the supervisory board consisted of the following members:

Norbert Basler	Chairman of the Supervisory Board, Chairman of the nomination committee, member of the audit committee, entrepreneur
Dorothea Brandes	Member of the Supervisory Board, Employee representative, Environment Manager, Basler AG
Horst W. Garbrecht	Vice Chairman of the Supervisory Board (since May 23, 2022), member of the nomination committee, Managing Director CeramTec in Plochingen
Dr. Marco Grimm	Vice chairman of the Supervisory Board, Employee representative, Team leader Software development for quality control, Basler AG
Prof. Dr. Eckart Kottkamp (until May 23, 2022)	Vice Chairman of the Supervisory Board, member of the nomination committee, member of the audit committee, consultant, Chairman of the University Council of the Hamburg University of Applied Sciences (HAW)
Lennart Schulenburg (since May 23, 2022)	Member of the Supervisory Board, member of the audit committee, Managing Director of VisiConsult X-ray Systems & Solutions GmbH in Stockelsdorf
Prof. Dr. Mirja Steinkamp	Member of the Supervisory Board, Chairwoman of the audit committee, auditor, tax consultant, Professor for auditing and corporate accounting at NORDAKADEMIE

Additional mandates held by the supervisory board members in 2022, compliant with § 285 No. 10 HGB:

Norbert Basler

- Member of the Advisory Board, AT Holding GmbH, Bad Oldesloe
- Vice Chairman of the Advisory Board, Zöllner Holding GmbH, Kiel
- Member of the Advisory Board, Buhck Umweltservices GmbH & Co. KG, Wentdorf
- Member of the Supervisory Board, Nothern Institute of Technology Management, Hamburg

Prof. Dr. Eckart Kottkamp (until May 23, 2022)

- Member of the Supervisory Board, KROMI Logistik AG, Hamburg
- Chairman of the Advisory Committee, PEP NewCo IV GmbH (LKE Group), Marl

Lennart Schulenburg (since May 23, 2022)

- Member of the Board of Administration, Schauenburg International GmbH, Mühlheim an der Ruhr

Prof. Dr. Mirja Steinkamp

- Vice Chairwoman of the Supervisory Board, Alper & Schetter AG, Neuss (bis 06/2022)
- Member of the Supervisory Board, SÜSS MicroTec SE, Garching near Munich
- Member of the Supervisory Board, HOCHTIEF AG, Essen
- Vice Chairwoman of the Supervisory Board, BartHaas GmbH & Co. KG, Nuremberg

The other members of the supervisory board do not hold any mandates in other supervisory bodies.

28.3 REMUNERATION OF THE MEMBERS OF THE MANAGEMENT BOARD

As of January 1, 2011, the remuneration model of the management board was changed by the implementation of a long-term clause (see Remuneration Report in the management report). According to this, the variable claims acquired in one fiscal year are paid over a period of three years and during this period of time are subject to the intermediate risk of substantial decreases due to subsequent worsening of the situation.

The total remuneration of the management board amounted to €2,127 thousand (previous year: €1,815 thousand) and is shown in a separate remuneration report. €152 thousand were paid out for former members of the management board.

28.4 REMUNERATION OF THE SUPERVISORY BOARD

The total remuneration of the members of the supervisory board amounted to €230.3 thousand (previous year: €185.4 thousand) in the year 2022. As in the previous year, there was no performance-related remuneration.

	Fixed Remuneration in €thousand	
	2022	**2021**
Norbert Basler	72.5	63.5
Dorothea Brandes	22.5	16.5
Horst W. Garbrecht	30.8	19.0
Dr. Marco Grimm	22.5	16.5
Prof. Dr. Eckart Kottkamp (until May 23, 2022)	15.2	33.6
Lennart Schulenburg (since May 23, 2022)	20.0	0.0
Prof. Dr. Mirja Steinkamp	46.8	36.3

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:

Company Name	**Proportion of Stake in %**
Basler Inc., Exton/USA	100
Basler Asia Pte. Ltd., Singapore/Singapore	100
Basler Korea, Jungwongu/Korea	100
Basler Japan KK, Minato-ku/Japan	100
Basler Vision Technologies Taiwan Inc., Jhubei City/Taiwan	100
Basler Vision Technology (Beijing) Co. Ltd., Beijing/China	100
Basler Poland, Krakow/Polen (founded on January 1, 2022)	100
Basler Italy, Trezzane/Italy	100

On July 5, 2022, the distribution business of the distribution partner Datvision Co., Ltd. was taken over. Within the purchase price allocation a customer order backlog, and customer relationships amounting to €0.7 million and finished goods inventories amounting to €1.5 million were identified.

On December 17, 2021, Basler AG announced the acquisition of its long-time sales partners Datvision and IOVIS in Korea. The 100% acquisition of the assets attributable to the distribution business of Datvision was made by Basler Korea on January 7, 2022. Basler Asia acquired 100% of the shares in IOVIS Tech. on January 10, 2022. Within the purchase price allocation of the acquired IOVIS Tech, a customer order backlog and customer relationships amounting to €2.6 million, finished goods inventories amounting to €3.7 million, and trade receivables amounting to €5.5 million were identified.

Basler AG successfully implemented the 25.1% stake in the distribution business of its French sales partner i2S as of July 1, 2022, as announced on May 2. The newly formed joint venture trades as Basler France. In the further course, it is intended that Basler will take over the remaining 74.9% of the shares from Basler France on July 1, 2024.

Furthermore, on May 19, the company announced the acquisition of the distribution business of its long-time Italian sales partner Advanced Technologies S.p.a.. The takeover was successfully implemented on July 4, 2022. Since then, the newly founded subsidiary operates as Basler Italy. Within the purchase price allocation of the acquired Advanced Technologies S.p.a., a customer order backlog and customer relationships amounting to € 2.2 million, finished goods inventories amounting to € 0.6 million were identified.

In 2022, total additional direct sales revenues of € 47,502 thousand were attributable to the group from the acquisitions of former distribution partners.

There are the following investments:

Company Name	Proportion of Stake in %	Result 2022 (€ thousand)	Equity 12/31/2022 (€ thousand)
Beruf und Familie im Hanse-Belt gGmbH, Bad Oldesloe	7.5*	14*	233*
Basler France SA, France	25.1	626	5,551

* A financial statement as of December 31, 2022 was not available by the time this report was prepared. Here, the 2021 financial statements are used as a basis.

30. INFORMATION ON THE DECLARATION OF CONFORMITY

The declaration of conformity with the German Corporate Governance Code required by Section 161 of the German Stock Corporation Act (AktG) has been issued and made available to shareholders on the company's website: baslerweb.com/en/company/investors/corporate-governance/declaration-of-compliance/

31. APPROVAL OF THE ANNUAL BALANCE SHEET

The annual balance sheet is expected to be released for publication by the supervisory board on March 29, 2023.

32. RECOMMENDATION FOR THE APPROPRIATION OF PROFIT OF THE PARENT COMPANY

The management board proposes that the unappropriated profit of € 47,431,396.47 be appropriated as follows:

Distribution of a dividend of € 0.14 € per share (20 % group's EAT)	4,176,694.34
Transfer to retained earnings	0.00
Carry forward to new account	3,254,702.13
Unappropriated profit	**47,431,396.47**

33. SUPPLEMENTARY REPORT

No events occurred after the balance sheet date that had an impact on the consolidated financial statements of the group.

Ahrensburg, March 29, 2023

Management Board

Dr. Dietmar Ley	Arndt Bake	Hardy Mehl	Alexander Temme
CEO	CDO/CIO	CFO/COO	CCO


Made in China

INDEPENDENT AUDITOR'S REPORT

To the Basler Aktiengesellschaft, Ahrensburg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

AUDIT OPINIONS

We have audited the consolidated financial statements of Basler Aktiengesellschaft, Ahrensburg, and its subsidiaries (the group), which comprise the consolidated statement of financial position as at 31st December 2022, and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1st January 2022 to 31st December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Basler Aktiengesellschaft, Ahrensburg, for the financial year from 1st January 2022 to 31st December 2022. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in section "OTHER INFORMATION".

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the group as at 31st December 2022, and of its financial performance for the financial year from 1st January 2022 to 31st December 2022, and
- the accompanying group management report as a whole provides an appropriate view of the group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of those parts of the group management report listed in section "other information".

Pursuant to § 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1st January 2022 to 31st December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

We identified the following matters as key audit matters:

1. Valuation of inventories

2. Recoverability of intangible assets (incl. goodwill)

1. VALUATION OF INVENTORIES

Facts

The consolidated financial statements of Basler Aktiengesellschaft show inventories in the amount of EUR 50 million (19 % of the balance sheet total). Inventories are valued at the lower of acquisition or production cost and net realisable value. The assessment of the recoverability and realisability of inventories requires a large number of discretionary decisions by the legal representatives. These discretionary decisions relate in particular to the estimation of future sales volumes and sales prices for the determination of the net realisable value as well as the application of range discounts. Due to the degree of estimation uncertainty associated with the inventory valuation and the amount of the balance sheet item, the valuation of inventories was a particularly important audit matter for us within the scope of our audit.

The disclosures of Basler Aktiengesellschaft on the valuation of inventories are included in sections 3.8 and 12 of the notes to the consolidated financial statements.

Audit response

We have reviewed the assessment of the legal representatives regarding the recoverability and realisability of the inventories. In doing so, we evaluated the approach used by the legal representatives to determine the net realisable values and satisfied ourselves of the appropriateness of this approach. For work in progress and finished goods, we critically reviewed the calculation of the production costs used for the valuation at the balance sheet date. Furthermore, we critically examined the expectations of the legal representatives with regard to future sales volumes and sales prices on the basis of past experience. Furthermore, we examined whether the inventories were appropriately value-adjusted taking into account their ranges of coverage. For this purpose, we checked the plausibility of the range analyses of the legal representatives and compared the valuation discounts used in the reporting year with the discounts from previous years.

2. RECOVERABILITY OF INTANGIBLE ASSETS (INCL. GOODWILL)

Facts

As at 31 December 2022, the company reports intangible assets (including goodwill) of EUR 95 million (36 % of the balance sheet total) in the consolidated financial statements. Of this amount, capitalised development costs account for EUR 35 million and goodwill for EUR 46 million. The carrying amounts of the Group's own developments are reviewed at each reporting date for indications of impairment. If there are indications of impairment, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. Capitalised own developments that have not yet been completed and goodwill are also subjected to an annual impairment test. The assessment of impairment requires a large number of discretionary decisions by the legal representatives. The assessment is based on the present values of the expected future cash flows of the cash-generating unit to which the development costs and goodwill were allocated. The assumed future cash flows are derived from planning calculations prepared by the legal representatives. Expectations of future market developments are also taken into account. The present values are determined using discounted cash flow models. They are highly dependent on how the legal representatives estimate future cash inflows and on the discount rates used in each case. Due to the uncertainty associated with discretionary decisions and estimates and the amount of the balance sheet items, the recoverability of the capitalised development costs and the goodwill was a particularly important audit matter for us within the scope of our audit.

The disclosures of Basler Aktiengesellschaft on capitalised development costs are included in sections 3.10 and 3.17, on goodwill in sections 3.1 and 3.10 of the notes to the consolidated financial statements..

Audit Response

We have reviewed the legal representatives' assessment of the recoverability of capitalised development costs and goodwill. First, we assessed the appropriateness of the valuation methods used for the impairment tests. Subsequently, we critically questioned the assumptions underlying the planning and checked their plausibility. To this end, we recorded the planning process, assessed the accuracy of the planning and checked the consistency of the existing plans, taking into account the economic market environment. Since even small changes in the discount rate used can have a significant impact on the amount of the recoverable amount of the respective cash-generating unit, we consulted our valuation specialists to assess the discount rate, who checked the appropriateness of the parameters used, including market risk premiums and beta factors, using market data. In addition, the completeness of the disclosures in the notes required by IAS 36, including the sensitivity analysis, was verified by using checklists.

OTHER INFORMATION

The executive directors or the supervisory board are responsible for the other information. The other information comprises:

- to the separately published Group Corporate Governance Statement and Corporate Governance Report referred to in section 9 of the Group Management Report,
- to the separately published Non-financial Group Statement referred to in Section 10 of the Group Management Report,
- the other parts of the management report, with the exception of the audited consolidated financial statements and Group Management Report and our audit opinion.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and thereby acknowledge whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

However, future events or conditions may cause the group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

REPORT ON THE ASSURANCE IN ACCORDANCE WITH § 317 (3A) HGB ON THE ELECTRONIC REPRODUCTION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT PREPARED FOR PUBLICATION PURPOSES

Reasonable Assurance Opinion

We have performed assurance work in accordance with § 317 (3a) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file "Basler_KA_2022.zip" and prepared for publication purposes complies in all material respects with the requirements of § 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1st January 2021 to 31st December 2021 contained in the „AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND ON THE MANAGEMENT REPORT" above.

Basis for the Reasonable Assurance Opinion

We conducted our assurance work on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file in accordance with § 317 (3a) HGB and the IDW Assurance Standard: Assurance in Accordance with § 317 (3a) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (IDW PS 410 (10.2021)). Accordingly, our responsibilities are further described below in the "Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with § 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 (1) sentence 4 no. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB for the electronic reporting format.

The supervisory board is responsible for overseeing the process of the preparation of ESEF documents as part of the financial reporting process.

Auditor's Responsibilities for the Assurance Work on the ESEF documents

Our objective is to obtain reasonable assurance that the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinions.

- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documentation meets the require-ments of the Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file applicable at the reporting date.

- Evaluate whether the ESEF documents enable a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) according to the Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file applicable at the reporting date enables an appropriate and complete machine-readable XBRL copy of the XHTML formatted information.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the consolidated general meeting on 23 May 2022. We were engaged by the supervisory board on 12 October 2022.

We have been the group auditor of the Basler Aktiengesellschaft without interruption since the financial year 2002.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

OTHER MATTERS — USE OF THE AUDIT OPINION

Our audit opinion should always be read in conjunction with the audited annual consolidated financial statements and the audited group management report as well as the audited ESEF documents. The annual consolidated financial statements and group management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic reproductions of the audited annual consolidated financial statements and the audited group management report and do not replace them. In particular, the ESEF opinion and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Christian Heesch.

Luebeck, 29th March 2023

BDO AG
Wirtschaftsprüfungsgesellschaft

Signed by Dirks	Signed by Heesch
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public 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 29, 2023

Dr. Dietmar Ley	Arndt Bake	Hardy Mehl	Alexander Temme
CEO	CDO/CIO	CFO/COO	CCO

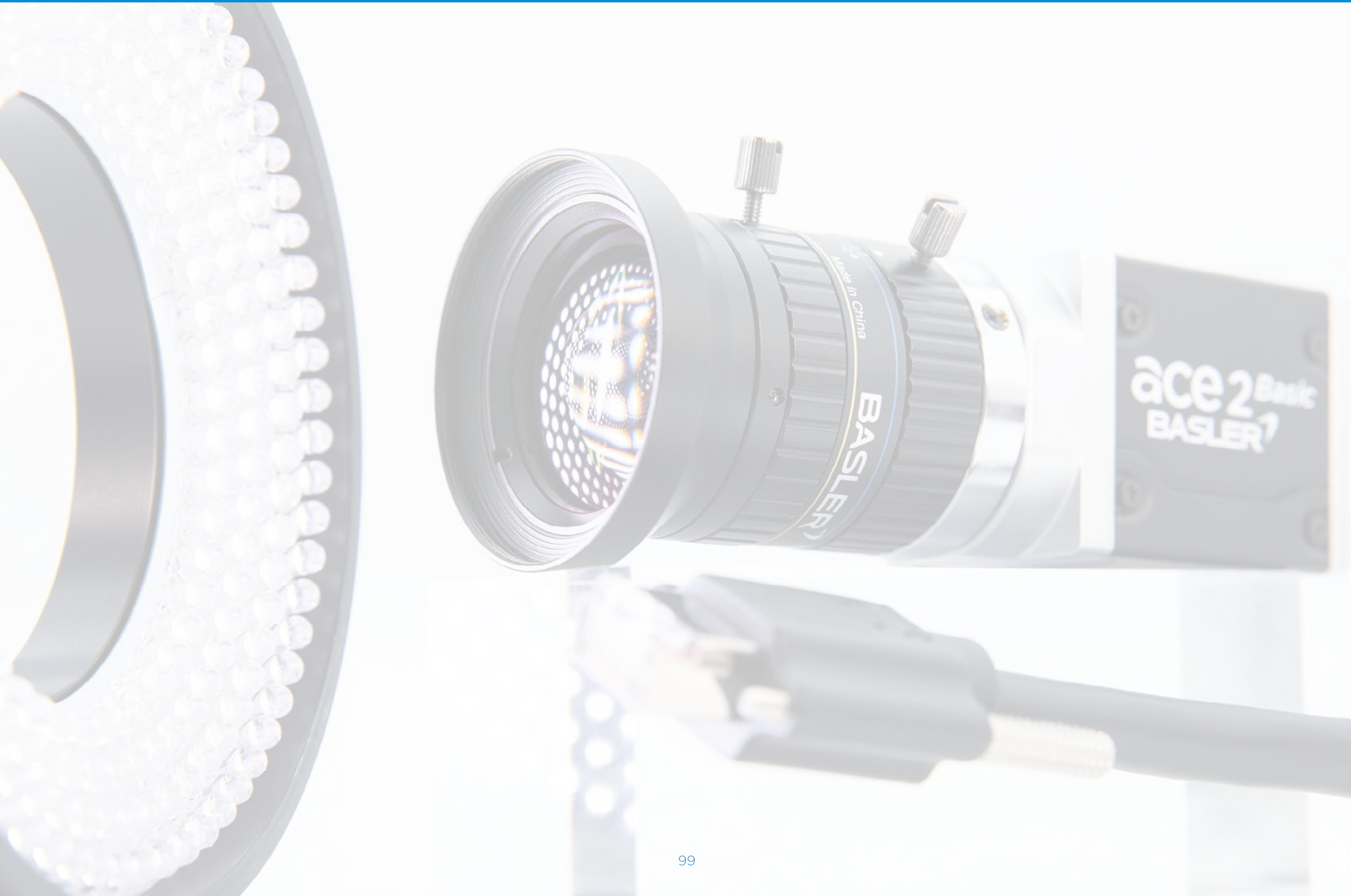
EVENTS 2023

IR-EVENTS

Date	Event	Venue
5/4/2023	Release of Three-Month-Report 2023	Ahrensburg, Germany
5/26/2023	Annual Shareholder Meeting 2023	Chamber of Commerce, Hamburg
8/10/2023	Release of results for First Half Year 2023	Ahrensburg, Germany
11/8/2023	Release of Nine-Month-Report 2023	Ahrensburg, Germany
11/27 – 11/29/2023	German Equity Forum, Frankfurt	Frankfurt/Main, Germany

SHOWS AND CONFERENCES

Date	Event	Venue
04/17/2023 – 04/21/2023	HANNOVER MESSE	Hanover, Deutschland
05/22/2023 – 05/24/2023	Embedded Vision Summit	Santa Clara, CA, USA
05/22/2023 – 05/25/2023	Automate	Detroit, MI, USA
05/23/2023 – 05/25/2023	SPS ITALIA	Parma, Italy
06/20/2023 – 06/21/2023	UKIVA - Machine Vision Conference	Coventry, UK
06/27/2023 – 06/30/2023	automatica	Munich, Germany
3/7/2023	Vision China Beijing	Beijing, China
9/14/2023	China International Industry Fair (CIIF)	Shanghai, China
10/18/2023	Industrial Transformation Asia-Pacific (ITAP)	Singapore
11/30/2023	Healthcare+ Expo Taiwan	Taipei, Taiwan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