



6-MONTH REPORT 2016

KEY FIGURES

| in € m* | 01/01/ - 06/30/2015 | 01/01/ - 06/30/2016 | Changes to previous year | 04/01/ - 06/30/2015 | 04/01/ - 06/30/2016 | Changes to previous year |
|---|------------------------|------------------------|-----------------------------|------------------------|------------------------|-----------------------------|
| Sales revenues | 44.2 | 48.5 | 10 % | 21.9 | 26.1 | 19 % |
| Incoming orders | 41.6 | 50.2 | 21 % | 20.6 | 26.7 | 30 % |
| Gross results | 21.4 | 24.1 | 13 % | 10.4 | 13.0 | 25 % |
| Gross profit margin | 48.4 % | 49.7 % | 1 Pp. | 47.5 % | 49.8 % | 2 Pp. |
| Full costs for research and development | 6.2 | 6.8 | 10 % | 3.3 | 3.4 | 3 % |
| Research and development ratio | 14.0 % | 14.0 % | 0 Pp. | 15.1 % | 13.0 % | -2 Pp. |
| EBITDA | 8.3 | 9.0 | 8 % | 3.8 | 5.0 | 32 % |
| EBIT | 5.6 | 5.7 | 2 % | 2.4 | 3.3 | 38 % |
| EBT | 5.3 | 5.3 | 0 % | 2.3 | 3.1 | 35 % |
| Net income | 4.2 | 3.8 | -10 % | 1.9 | 2.2 | 16 % |
| Weighted average number of shares | 3,183,495 | 3,240,137 | 2 % | 3,188,361 | 3,239,218 | 2 % |
| Result per share (€) | 1.30 | 1.19 | -8 % | 0.58 | 0.68 | 17 % |
| Cash flow from operating activities | 2.7 | 6.4 | >100 % | 1.1 | 5.7 | >100 % |
| Cash flow from investing activities | -5.2 | -3.8 | -27 % | -2.3 | -1.8 | -22 % |
| Free Cash flow | -2.5 | 2.6 | >100 % | -1.2 | 3.9 | >100 % |

| in € m* | 12/31/2014 | 12/31/2015 | 06/30/16 | Changes to previous year |
|---|------------|------------|-----------|-----------------------------|
| Total assets | 72.3 | 76.7 | 83.9 | 9 % |
| Long-term assets | 38.8 | 42.5 | 43.1 | 1 % |
| Equity | 37.3 | 45.2 | 46.8 | 4 % |
| Liabilities | 35 | 31.5 | 37.1 | 18 % |
| Equity ratio | 51.6 % | 58.9 % | 55.8 % | -3 Pp. |
| Net cash | 4.5 | 6.6 | 5.7 | -14 % |
| Working Capital | 17.1 | 15.8 | 18.6 | 18 % |
| Number of employees for the fiscal year (full time equivalents) | 375 | 438 | 455 | 4 % |
| Share price (XETRA) in € | 38.66 | 43.43 | 49.21 | 13 % |
| Number of shares in circulation | 3,181,136 | 3,241,363 | 3,235,505 | 0 % |
| Market capitalization | 123 | 140.8 | 159.2 | 13 % |

* sofern nicht anders angegeben

OVERVIEW, GROUP RESULTS Q2/2016:

- Incoming orders: € 50.2 million (previous year: € 41.6 million, +21 %)
- Sales: € 48.5 million (previous year: € 44.2 million, +10 %)
- EBIT: € 5.7 million (previous year: € 5.6 million, +2 %)
- EBT: € 5.3 million (previous year: € 5.3 million)
- Operating cash flow: € 6.4 million (previous year: € 2.7 million, >100 %)
- Free cash flow: € 2.6 million (previous year: € -2.5 million, >100 %)

Dear Ladies and Gentlemen,

In a dynamic market environment, Basler AG closed the first half-year of 2016 with record values in incoming orders and sales. Also the operating cash flow increased significantly.

For the first five months of the year, the VDMA (Verband Deutscher Maschinen- und Anlagenbau; German Engineering Federation) reported a stagnant market for German manufacturers of image processing components, whereas incoming orders increased by 15 % compared to the same period of the previous year.

Compared to the market, in the first half-year, Basler AG achieved an increase in sales of 10 % and thus clearly gained market shares. In particular regarding orders, Basler AG developed better than the market. In the first half-year, incoming orders of Basler reached the € 50 million mark and recorded a growth of 21 %. Thus, in three consecutive quarters the trend of a positive book-to-bill ratio continued.

The main growth drivers in the first half-year were the Asian region, the semiconductor and electronics industries, the interface technologies GigE, USB, as well as CMOS sensor technology.

The high sales level as well as slightly increasing gross margins led to a solid pre-tax return rate above the long-term target value (10 % EBT margin).

In parallel to the commercial progress, new attractive product variants of the ace camera line based on CMOS sensors were transferred to series production. Furthermore, the company worked on expanding the camera business for medical applications and, for the first time, exhibited at the "Analytica" - the leading trade fair for laboratory automation and microscopy. Regarding new technologies, in the first half year, strides were particularly made in the 3D field based on the so-called time-of-flight (TOF) technology. An increasing number of leading customers tested 3D cameras and gave positive feedback.

BUSINESS DEVELOPMENT

The positive development of sales and incoming orders is particularly due to the very positive development of the Asian markets. Basler AG expanded its sales in Asia to 45 % (previous year 35 %). Despite a slight weakening, the company expects a strong demand from the Asian region for the upcoming months. This development is also reflected in the increasing number of units manufactured at the Singapore production site where the number of units was roughly doubled compared to the first half-year of 2015. Compared to the previous year, there were no major projects in the EMEA region so that the sales share decreased to 37 % (previous year: 45 %). The American sales remained relatively stable at 18 % (previous year: 20 %).

Overall, the management of Basler AG feels the Asian market to be slightly overheated in the second quarter. Allocation situations of semi-conductor factories as well as earth quakes led to a shortage in the procurement markets for sensors and electronic components. This in turn caused longer delivery times for camera products and consequently to panic buying. The current forecast reflects a slight weakening of the Asian markets in the second half of the year. Due to long-term contracts, the company estimates the risk of increasing purchase prices to be low right now

INTERIM GROUP MANAGEMENT REPORT

SALES & ORDER ENTRY

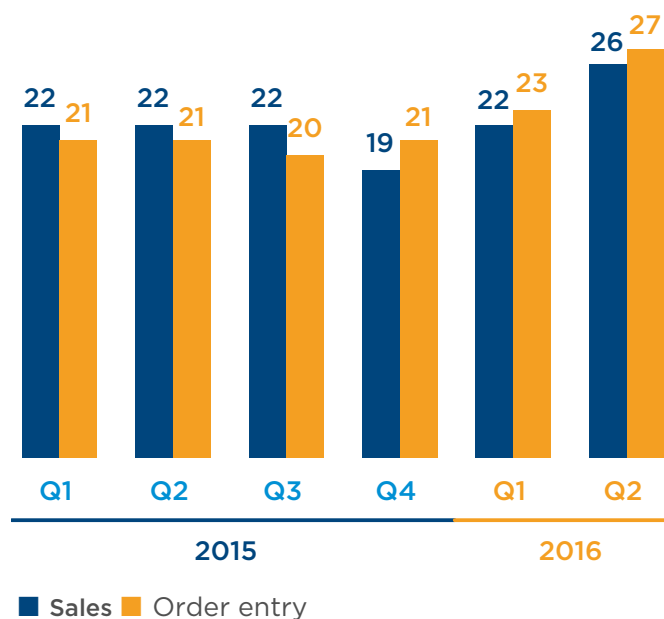
For the last six quarters (in € mill.)



Keyfact

+10 %

Sales revenues to previous year



Incoming orders, sales, and gross profit

Keyfact

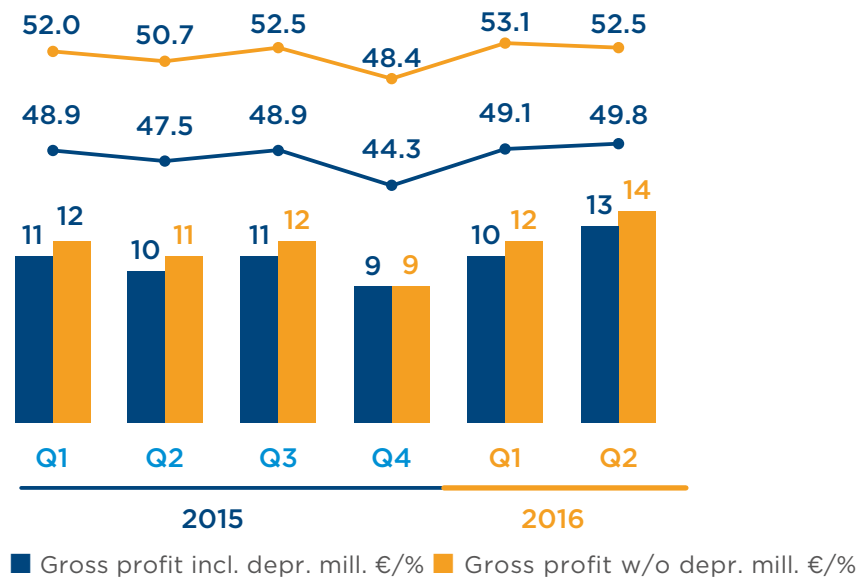
+21 %

Order entry to previous year

In the second quarter of 2016, the positive trend continued and incoming orders as well as sales significantly increased. In the first six months of 2016, sales amounted to € 48.5 million (previous year: € 44.2 million, + 10 %) and the incoming orders amounted to € 50.2 million (previous year: € 41.6 million, +21 %). The gross margin slightly increased to 49.7 % (previous year: 48.4 %) in the elapsed half year. Consequently, the gross profit grew disproportionately by 13 % compared to the first half-year of 2015.

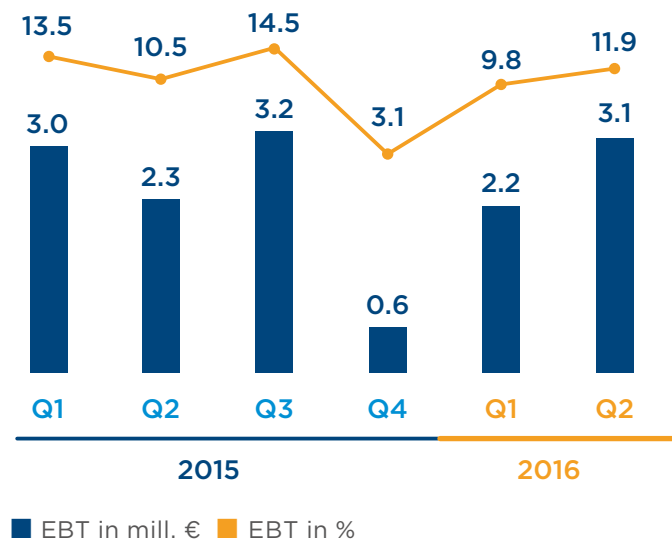
GROSS PROFIT (IFRS)

Development of IFRS Gross Profit (incl. R&D depreciation)



EARNING BEFORE TAX

For the last six quarters



Expenses, costs, profit, and equity

Despite the increase of the gross result the pre-tax result (EBT) remained stable at € 5.3 million (previous year: € 5.3 million). Thus, the pre-tax result was slightly above the EBT-return of 10 % strived for in the long term.

The net result decreased to € 3.8 million (previous year: € 4.2 million). Equity increased toward the end of the reporting period to € 46.8 million (12/31/2015: € 45.2 million, -10 %)

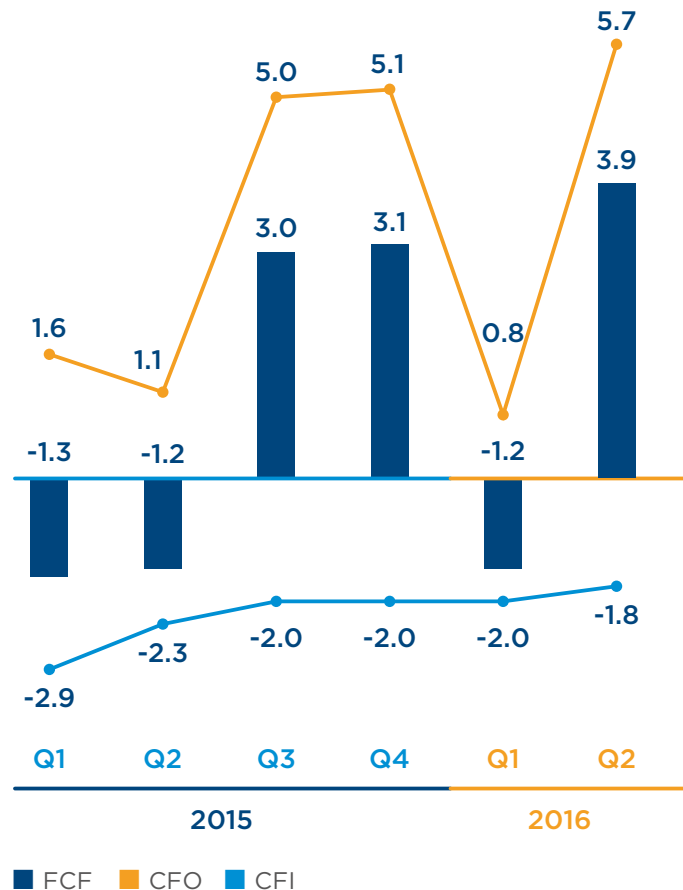
Compared to the previous year, expenses increased due to a higher cost basis caused by recently recruited staff in R&D, sales & marketing, and the setting up of provisions for bonus payments.

Additionally, the extraordinary results were dampened due to a lower capitalization ratio of R&D. The capitalization ratio reached a level 11 percentage points below the level of last year.

CASH FLOW AND LIQUIDITY

FREE CASH FLOW

For the last six Quarters (in € mill.)





The operating cash flow significantly increased and amounted to € 6.4 million in the reporting period (previous year: € 2.7 million, >100%). Trade payables were € 2.8 million above the previous year's figure. The increase is mainly due to a higher sales level but also to an increase of the days outstanding.

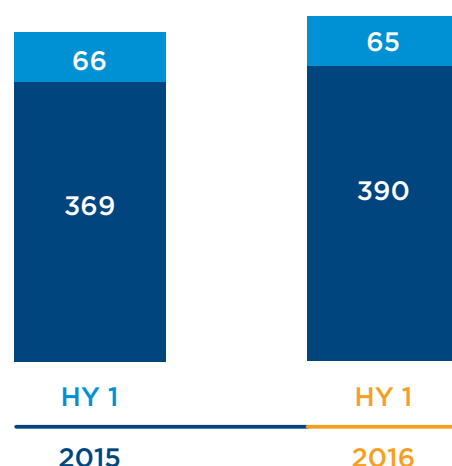
Furthermore, due to the positive results, the company formed provisions for employee bonuses in the second quarter. However, in the same period of the previous year, provisions were reversed.

The cash flow from investing activities decreased by 27 % to € -3.8 million (previous year: € -5.2 million). Compared to the previous year, in the first half-year of 2016 no extraordinarily high investments in production lines were made.

The free cash flow summed up to € 2.6 million (previous year: € -2.5 million, 100 %). It covered the cash flow from financing activity in an amount of € -2.3 million and led to a slight liquidity surplus of € 0.4 million. The payment of the dividend for financial year 2015 amounting to € 1.9 million was settled against the taking up of a low-interest KfW loan amounting to € 1.6 million.

The positive development of the cash flow will probably continue in the second half-year of 2016. At the end of the reporting period, liquid assets amounted to € 14.4 million and were thus above the value of the same period of the previous year (06/30/2015: € 9.1 million). The net cash position amounted to € 5.7 million (06/30/2015: € 1.2 million, <100 %) at the reporting date.

DEVELOPMENT EMPLOYEES FULL-TIME EQUIVALENTS (FTE)



■ Basler AG ■ Subsidiaries

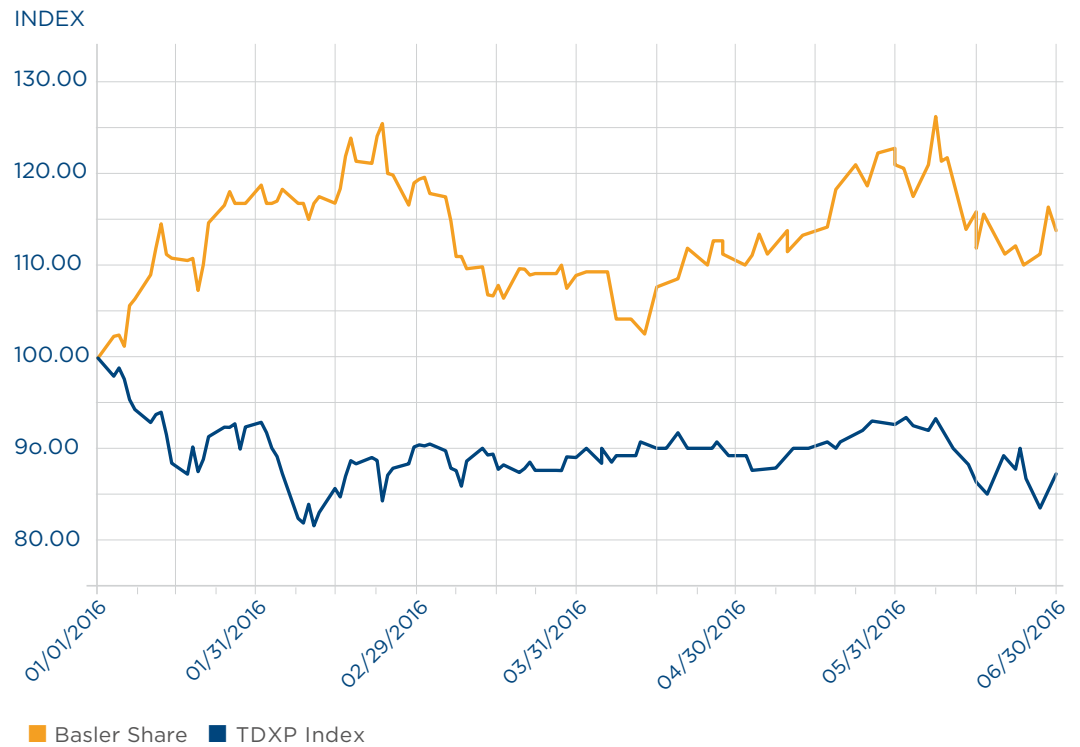
The expansion of employees mainly took place in 2015. In the course of the current financial year, the company will focus on the efficient training of these new employees and the adjustment of structures. Consequently, the potential of the expanded staff will be better used and productivity will be increased. Only few new positions will be added in the upcoming months.

Outlook

For Basler AG, the financial year 2016 successfully started slightly above the budget planning. We expect a minor slowdown of the Asian markets for the second half-year. However, we feel confident about the second half-year and confirm the forecast adjusted in mid-July according to which the group sales 2016 will be within a corridor of € 92 – 94 million at a pre-tax margin of 10 – 11 %. Given the solid results of the first half-year, we will decisively push forward with our growth strategy in the course of the year.

SHARE PRICE DEVELOPMENT

BASLER (Xetra) vs. TecDax 2016/01/01-2016/03/31



Keyfact

45,50 €

Opening price 01/01/2016

Keyfact

49,21 €

Closing price 06/30/2016

On April 21, 2016, the Management Board together with the Supervisory Board of Basler AG decided to carry out an additional share buyback program. Based on a solid liquidity as well as an effective resolution of the shareholders' meeting of June 4, 2014, the company wants to use the currently favorable share price to buy back additional bearer shares via the stock market. Ultimately in August 2015, the company sold bearer shares to the capital market. At the reporting date of June 30, 2016, the number of 264,495 own shares was in the possession of Basler AG, corresponding to 7.6 % of overall shares.



The shareholders' meeting of June 4, 2014, authorized the company to buy back own shares up to a total of 10 % of the share capital of Basler AG existing at the time the resolution was adopted. The authorization is approved until June 3, 2019. The shares can be used for all purposes provided for in the authorization of the shareholders' meeting of June 4, 2014. When acquiring own shares via the stock exchange, the price paid per share (without considering incidental purchase costs) must not differ by more than 10 % from the share price of the company for shares with same conditions as determined on the trading day by the opening auction on the trading day for XETRA trade on the Frankfurt stock exchange.

Declaration of the legal representatives

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

The management board

Dr. Dietmar Ley
CEO

John P. Jennings
CCO

Arndt Bake
CMO

Hardy Mehl
CFO/COO

Consolidated Profit and Loss Statement

Group's annual balance sheet according to IFRS for the fiscal year from January 1, 2016 to June 30, 2016

| in € k | 01/01/ - 06/30/2015 | 01/01/ - 06/30/2016 | 04/01/ - 06/30/2015 | 04/01/ - 06/30/2016 |
|--|------------------------|------------------------|------------------------|------------------------|
| Sales revenues | 44,203 | 48,508 | 21,886 | 26,142 |
| Cost of sales | -22,849 | -24,444 | -11,478 | -13,108 |
| - of which depreciations on capitalized developments | -1,391 | -1,516 | 9,980 | -696 |
| Gross profit on sales | 21,354 | 24,064 | 10,408 | 13,034 |
| Other operating income | 1,392 | 594 | 342 | 288 |
| Sales and marketing costs | -7,873 | -8,272 | -4,141 | -4,193 |
| General administration costs | -5,668 | -6,116 | -2,165 | -3,259 |
| Research and development | -3,291 | -4,136 | -1,835 | -2,197 |
| Other expenses | -275 | -411 | -163 | -380 |
| Operating result | 5,639 | 5,723 | 2,446 | 3,293 |
| Financial income | 274 | 103 | 150 | 34 |
| Financial expenses | -599 | -522 | -288 | -256 |
| Financial result | -325 | -419 | -138 | -222 |
| Earnings before tax | 5,314 | 5,304 | 2,308 | 3,071 |
| Income tax | -1,163 | -1,460 | -454 | -876 |
| Group's period surplus | 4,151 | 3,844 | 1,854 | 2,195 |
| of which are allocated to | | | | |
| shareholders of the parent company | 4,151 | 3,844 | 1,854 | 2,195 |
| non-controlling shareholders | 0 | 0 | 0 | 0 |
| Average number of shares | 3,183,828 | 3,240,137 | 3,188,361 | 3,239,218 |
| Earnings per share diluted / undiluted (€) | 1.30 | 1.19 | 0.58 | 0.68 |

Consolidated Statement of Comprehensive Income

Group's annual balance sheet according to IFRS for the fiscal year from January 1, 2016 to June 30, 2016

| in € k | 01/01/ - 06/30/2015 | 01/01/ - 06/30/2016 |
|---|------------------------|------------------------|
| Group's year surplus | 4.151 | 3.844 |
| Result from differences due to currency conversion, directly recorded in equity | 25 | -37 |
| Surplus from cashflow hedges | 0 | 0 |
| Total result, through profit or loss | 25 | -37 |
| Total result | 4.176 | 3.807 |
| of which are allocated to | | |
| shareholders of the parent company | 4.176 | 3.807 |
| non-controlling shareholders | 0 | 0 |



Consolidated Cash Flow Statement

Group's annual balance sheet according to IFRS for the fiscal year from January 1, 2016 to June 30, 2016

| in T€ | 01/01/ - 06/30/2015 | 01/01/ - 06/30/2016 | 04/01/ - 06/30/2015 | 04/01/ - 06/30/2016 |
|---|------------------------|------------------------|------------------------|------------------------|
| Operating activities | | | | |
| Group's period surplus | 4,151 | 3,844 | 1,854 | 2,195 |
| Increase (+) / decrease (-) in deferred taxes | 367 | 210 | 94 | 158 |
| Payout/ incoming payments for interest | 691 | 605 | 356 | 299 |
| Depreciation of fixed assets | 2,644 | 3,235 | 1,334 | 1,710 |
| Change in capital resources without affecting payment | 301 | -37 | -140 | 75 |
| Increase (+) / decrease (-) in accruals | -1,536 | 1,618 | -1,095 | 1,224 |
| Profit (-) / loss (+) from asset disposals | 0 | -2 | 0 | 0 |
| Increase (-) / decrease (+) in reserves | 108 | -847 | 520 | -667 |
| Increase (+) / decrease (-) in advances from demand | -116 | 58 | 58 | 32 |
| Increase (-) / decrease (+) in accounts receivable | -3,697 | -5,110 | -701 | -2,579 |
| Increase (-) / decrease (+) in other assets | -254 | -377 | 167 | 170 |
| Increase (+) / decrease (-) in accounts payable | | | | |
| | 386 | 3,149 | -428 | 2,930 |
| Increase (+) / decrease (-) in other liabilities | -358 | 76 | -951 | 121 |
| Net cash provided by operating activities | 2,687 | 6,422 | 1,068 | 5,668 |
| Investing activities | | | | |
| Payout for investments in fixed assets | -5,274 | -3,801 | -2,294 | -1,791 |
| Incoming payments for asset disposals | 63 | 6 | 1 | 4 |
| Net cash provided by investing activities | -5,211 | -3,795 | -2,293 | -1,787 |
| Financing activities | | | | |
| Payout for amortisation of bank loans | -444 | -344 | -222 | -122 |
| Payout for amortisation of finance lease | -698 | -741 | -351 | -373 |
| Incoming payment for borrowings from banks | 0 | 1,600 | 0 | 1,600 |
| Interest payout | -691 | -605 | -356 | -299 |
| Incoming payment for sale of own shares | 3,068 | 0 | 3,068 | 0 |
| Payout for own shares | -247 | -288 | 0 | -288 |
| Dividends paid | -2,222 | -1,878 | -2,222 | -1,878 |
| Net cash provided by financing activities | -1,234 | -2,256 | -83 | -1,360 |
| Change in liquid funds | -3,758 | 371 | -1,308 | 2,521 |
| Funds at the beginning of the period | 12,812 | 14,043 | 10,362 | 11,893 |
| Funds at the end of the period | 9,054 | 14,414 | 9,054 | 14,414 |
| Composition of liquid funds at the end of the period | | | | |
| Cash in bank and cash in hand | 9,054 | 14,414 | 9,054 | 14,414 |
| Payout for taxes | 1,048 | 845 | 689 | 785 |

Group Balance Sheet

Group's annual balance sheet according to IFRS for the fiscal year from January 1, 2016 to June 30, 2016

in € k

12/31/2015 06/30/2016

Assets

A. Long-term assets

| | | |
|--|---------------|---------------|
| I. Intangible assets | 20,859 | 21,747 |
| II. Fixed assets | 6,276 | 6,294 |
| III. Buildings and land in finance lease | 15,316 | 14,970 |
| IV. Other financial assets | 5 | 5 |
| V. Deferred tax assets | 64 | 53 |
| | 42,520 | 43,069 |

B. Short-term assets

| | | |
|---|---------------|---------------|
| I. Inventories | 10,763 | 11,610 |
| II. Receivables from deliveries and services and from production orders | 7,793 | 12,903 |
| III. Other short-term financial assets | 233 | 324 |
| IV. Other short-term assets | 521 | 850 |
| V. Claim for tax refunds | 791 | 750 |
| VI. Cash in bank and cash in hand | 14,043 | 14,414 |
| | 34,144 | 40,851 |
| | 76,664 | 83,920 |



in € k

12/31/2015 06/30/2016

Liabilities

A. Equity

| | | |
|---|---------------|---------------|
| I. Subscribed capital | 3,241 | 3,236 |
| II. Capital reserves | 2,443 | 2,443 |
| III. Retained earnings including group's earnings | 38,944 | 40,627 |
| IV. Other components of equity | 543 | 506 |
| | 45,171 | 46,812 |

B. Long-term debt

| | | |
|-----------------------------------|---------------|---------------|
| I. Long-term liabilities | | |
| 1. Long-term liabilities to banks | 6,825 | 8,181 |
| 2. Other financial liabilities | 0 | 0 |
| 3. Liabilities from finance lease | 10,117 | 9,375 |
| II. Non-current provisions | 748 | 748 |
| III. Deferred tax liabilities | 4,046 | 4,245 |
| | 21,736 | 22,549 |

C. Short-term debt

| | | |
|---|---------------|---------------|
| I. Other financial liabilities | 1,579 | 1,864 |
| II. Short-term accrual liabilities | 1,970 | 3,161 |
| III. Short-term other liabilities | | |
| 1. Liabilities from deliveries and services | 2,731 | 5,880 |
| 2. Other short-term financial liabilities | 1,194 | 944 |
| 3. Liabilities from finance lease | 2,157 | 2,157 |
| IV. Current tax liabilities | 126 | 553 |
| | 9,757 | 14,559 |
| | 76,664 | 83,920 |

Consolidated Statement of Changes in Equity

Group's annual balance sheet according to IFRS for the fiscal year from January 1, 2016 to June 30, 2016

| in € k | Subscribed capital | Capital reserve | Retained earnings incl. group's earnings | Other components of equity | | | Total |
|--|--------------------|-----------------|--|--|-------------------------------|-----------------------------------|---------------|
| | | | | Differences due to currency conversion | Reserves for cash flow hedges | Sum of other components of equity | |
| Shareholders' equity as of 01/01/2015 | 3,181 | 0 | 33,931 | 195 | 0 | 195 | 37,307 |
| Total result | | | 4,151 | 301 | 0 | 301 | 4,452 |
| Share salesback | 54 | | 3,014 | | | 0 | 3,068 |
| Share buyback | -6 | | -242 | | | 0 | -248 |
| Dividend outpayment* | | | -2,222 | | | 0 | -2,222 |
| Shareholders' equity as of 06/30/2015 | 3,229 | 0 | 38,632 | 496 | 0 | 496 | 42,357 |
| Total result | | | 2,062 | 47 | 0 | 47 | 2,109 |
| Share salesback | 12 | 2,443 | -1,750 | | | 0 | 705 |
| Dividend outpayment* | | | 0 | | | 0 | 0 |
| Shareholders' equity as of 12/31/2015 | 3,241 | 2,443 | 38,944 | 543 | 0 | 543 | 45,171 |
| Total result | | | 3,844 | -37 | | -37 | 3,807 |
| Share salesback | | | 0 | | | 0 | 0 |
| Share buyback | -5 | 0 | -283 | | | 0 | -288 |
| Dividend outpayment** | 0 | 0 | -1,878 | | | 0 | -1,878 |
| Shareholders' equity as of 06/30/2016 | 3,236 | 2,443 | 40,627 | 506 | 0 | 506 | 46,812 |

* 0,70 € per share

** 0,58 € per share



IR EVENTS 2016

| Date | Event | Venue |
|-----------------|---|-------------------------------|
| 11/02/2016 | Publication 9-month report 2016 | Ahrensburg, Germany |
| 11/10/2016 | Analyst conference on exhibition VISION | Stuttgart, Germany |
| 11/21 - 23/2016 | Deutsches Eigenkapitalforum 2016 (German equity forum) | Frankfurt am Main, Germany |

BASLER AG
An der Strusbek 60-62
22926 Ahrensburg
Germany
Tel. +49 4102 463 0
Fax +49 4102 463 109
info@baslerweb.com

BASLER, INC.
855 Springdale Drive, Suite 203
Exton, PA 19341
USA
Tel. +1 610 280 0171
Fax +1 610 280 7608
usa@baslerweb.com

BASLER ASIA PTE. LTD.
35 Marsiling Industrial Estate Road 3
#05-06
Singapore 739257
Tel. +65 6367 1355
Fax +65 6367 1255
singapore@baslerweb.com

**BASLER VISION TECHNOLOGIES
TAIWAN INC.**
No. 21, Sianjheng 8th St.
Jhubei City,
Hsinchu County 30268
Taiwan/R.O.C.
Tel. +886 3 558 3955
Fax +886 3 558 3956
taiwan@baslerweb.com