



2014

THREE-MONTH REPORT

BASLER 

Key Figures

in € m*	Q1 2012	Q1 2013	Q1 2014	Changes to previous year
Sales revenues	12.3	15.1	17.2	14 %
Incoming orders	13.8	17.6	19.3	10 %
Gross results	5.4	7.6	8.7	14 %
Gross profit margin	43.9 %	50.3 %	50.6 %	0 Pp.
Full costs for research and development	2.0	2.2	2.8	27 %
Research and development ratio	16.3 %	14.6 %	16.3 %	2 Pp.
EBITDA	2.9	3.3	3.7	12 %
EBIT	1.2	2.0	2.3	15 %
EBT	1.0	1.8	1.9	6 %
Net income	0.8	1.2	1.3	8 %
Weighted average number of shares	3,432,164	3,324,192	3,237,476	-3 %
Result per share (€)	0.22	0.35	0.39	11 %
Cash flow from operating activities	1.4	1.9	1.6	-16 %
Cash flow from investing activities	-1.8	-1.2	-1.8	50 %
Free Cash flow	-0.4	0.7	-0.2	-129 %

in € m*	12/31/2012	12/31/2013	03/31/2014	Changes to previous year
Total assets	58.5	63.3	65.6	4 %
Long-term assets	34.5	35.6	36.0	1 %
Equity	29.6	32.5	33.7	4 %
Liabilities	28.9	30.8	31.9	4 %
Equity ratio	50.6 %	51.3 %	51.4 %	0 Pp.
Net cash	3.5	3.7	2.7	-27 %
Working Capital	12	13.7	16.2	18 %
Number of employees for the fiscal year (full time equivalents)	290	325	351	8 %
Share price (XETRA) in €	13.79	29.00	35.00	21 %
Number of shares in circulation	3,325,664	3,238,184	3,236,767	0 %
Market capitalization	45.9	93.9	113.3	21 %

*unless otherwise stated

OVERVIEW OF THE FIRST THREE MONTHS:

- **Incoming orders:**
€ 19.3 million (previous year: € 17.6 million, +10 %)
- **Sales:**
€ 17.2 million (previous year: € 15.1 million, +14%)
- **EBIT:**
€ 2.3 million (previous year: € 2.0 million, +15 %)
- **Pretax result (EBT):**
€ 1.9 million (previous year: € 1.8 million, +6 %)
- **Operating cash flow:**
€ 1.6 million (previous year: € 1.9 million, -16 %)

Dear Ladies and Gentlemen,

Compared to the same period of the previous year, Basler AG started with strong results into the new fiscal year.

The restrained economic environment did not have any negative impact on incoming orders, sales, and the results within the reporting period. Thus, the values are considerably above the comparative values of the previous year. Moreover, the double-digit percentage sales growth is clearly above the expectations published for fiscal year 2014 by the German Engineering Federation (Verband Deutscher Maschinen und Anlagenbau, VDMA) for the German image processing market (approximately +5 %).

The results of the first quarter 2014 prove that Basler AG continues to make major progress towards its medium-term sales goal of € 100 million and further expands its leadership position in the market of digital industrial cameras.

INTERIM GROUP MANAGEMENT REPORT

Profit situation

Incoming orders, sales, and gross profit

Incoming orders for the group summed to € 19.3 million in the first three months (previous year: € 17.6 million, +10 %). Sales revenue for the group amounted to € 17.2 million in the first three months (previous year: € 15.1 million, +14 %). In 2014, 44 % of the sales revenues derived from the Asian markets (previous year: 38 %), 37 % from the European market (previous year: 38 %), and 19 % from the North American market (previous year: 24 %). In the first three months, the group's gross profit developed better than in the previous year due to

the product mix. As a result, the gross margin increased by 0.3 percentage points to 50.6 % (previous year: 50.3 %).

Costs

In the first three months, expenses for sales and marketing amounted to € 3.0 million and thus were above the previous year's figure of € 2.7 million which is due to the expansion of the sales organization for developing future growth. The general administrative costs amounted to € 2.5 million (previous year: € 1.7 million). The full costs for research and development amounted to € 2.8 million, corresponding to an increase of 27 % compared to the previous year's figure of € 2.2 million. The disproportionate increase of development costs is also part of the growth strategy and is attributable to the expansion of the product portfolio as well as in platform developments for existing and new markets.

Result

In the first three months of 2014, Basler AG achieved earnings before taxes (EBT) for the group of € 1.9 million. This result exceeds the EBT of € 1.8 million generated in the same period of the previous year by 6 %. The pretax return rate amounted to 11 % (previous year: 12 %, -8 %) and was thus above the corridor of 8 to 10 %, predicted for fiscal year 2014. The deviation from the forecast particularly results from a lower than planned increase of personnel and materials costs. Furthermore, changes made to the product mix led to a slightly better gross margin than planned. The group's earnings before interest and taxes (EBIT) amounted to € 2.3 million (previous year: € 2.0 million, +15 %). This corresponds to an EBIT margin of 13 % (previous year: 13 %).

Business Development

In its business with digital cameras, Basler AG again set new benchmarks for incoming orders, sales, and profit in the first three months of 2014. Incoming orders in the first three months of the current fiscal year are clearly above the previous year's level (+10 %). The growth in sales of +14 % is considerably above the growth rate of approximately 5 % assumed by the German Engineering Federation (Verband Deutscher Maschinen und Anlagenbau, VDMA) for the German image processing industry.

Basler AG's strategic focus on the industrial camera market's mainstream and entry level segments made the number of units delivered grow again disproportionately compared to sales. Despite an increasing average revenue, accelerated by introductions of new products, Basler AG increased its gross margin based on product and process innovations. The increases in units and sales

were again mainly due to industrial cameras with Gigabit Ethernet interface (GigE Vision). Compared to the year-ago period, products with Gigabit-Ethernet interface delivered double-digit percentage growth reaching new record values. Revenues from the ace cameras with USB 3.0 interface launched onto the market last year, continuously increase as planned and show a promising development.

Employees

The number of employees of the Basler group was 351 on the reporting date (previous year: 311, +13 %). The regional allocation is as follows:

- Headquarters
Ahrensburg, Germany: 297 (previous year: 272)
- Subsidiary in the USA: 17 (previous year: 14)
- Subsidiary in Taiwan: 10 (previous year: 8)
- Subsidiary in Singapore: 18 (previous year: 13)
- Representative offices
in Korea, China and Japan: 9 (previous year: 4)

Cash flow, liquid assets, equity, and net cash

The operating cash flow amounted to € 1.6 million in the reporting period (previous year: € 1.9 million, -16 %). With higher investments in fixed assets in the amount of € 1.8 million (previous year: € 1.2 million), the free cash flow (calculated as operating cash flow less cash flow from investments) amounted to € -0.2 million (previous year: € 0.7 million).

At the end of the reporting period, liquid assets amounted to € 8.6 million and were thus 6 % above the level of the same period of last year (€ 8.1 million).

The equity amounted to € 33.7 million at the end of the reporting period (previous year: € 30.9 million, +9 %). The net cash amounted to € 2.7 million at the reporting date (previous year: € 3.4 million, -21 %).

The Basler share

In the beginning of the first quarter 2014, the Basler share opened at a share price of € 29.00. Following the publication of the preliminary business figures of fiscal year 2013, the share price increased to more than € 31.00 and developed intermediately to € 38.00 in the course of the month of March, and leveled off at a share price of € 35.00 by the end of the quarter. The average daily trading volume in the first quarter was approximately 3,690 units. The market capitalization of Basler AG amounted to € 113.3 million at the end of the first quarter (12/31/2013: € 93.9 million, +21 %).

As of March 31, 2014, the number of own shares amounted to 263,233 pieces.

The management board of Basler AG informed the Basler investors on September 24, 2013, about the company's buyback of bearer shares with an equivalent value of up to € 1 million via the stock market. This share buyback program is not fully completed at the end of the first quarter 2014. It is the fourth program carried out based on a resolution of the shareholders' meeting of May 18, 2010, authorizing the company to buy own shares amounting to a total of up to 10 % of the share capital of the corporation existing at the time the resolution was adopted. The authorization is approved until May 18, 2015. The shares can be used for all purposes provided for in the authorization of the shareholders' meeting of May 18, 2010. The buyback programs will be carried out through a credit institution that will decide upon the time for the individual buybacks independently of Basler AG and according to Commission Regulation (EC) No 2273/2003 of December 22, 2003.

As of March 31, 2014, the management board and the supervisory board held the following shares:

	03/31/2014 Number of shares in pieces	03/31/2013 Number of shares in pieces
Management board		
Dr. Dietmar Ley	144,358	144,358
John P. Jennings	5,500	5,500
Arndt Bake	700	700
Hardy Mehl	321	n.a.
Supervisory board		
Norbert Basler	1,816,891	1,816,891
Prof. Dr. Eckart Kottkamp	-	-
Konrad Ellegast	1,280	-

The shares held by Hardy Mehl were bought in 2012. Since January 1, 2014, Hardy Mehl belongs to the management board of Basler AG.

Corporate Governance - declaration of compliance according to Section 161 AktG

The management board and the supervisory board declare that in the elapsed fiscal year 2013 Basler AG complied with the recommendations for conduct as amended on May 13, 2013, by the „Government Commission of the German Corporate Governance Code“ (hereinafter called „code“) with the following exceptions:

Clause 3.8 Sect. 3 – Retention associated with D&O insurance for the supervisory board

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

Clause 5.3 – Establishment of committees within the supervisory board

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

Clause 5.4.1 – Composition of the supervisory board

For nominations to the general meeting, the supervisory board will also in the future continue to align itself to all necessary legal requirements and will emphasize the candidates' professional and personal qualifications independent of gender. Consideration will also be given to the international activities of the company, to potential conflicts of interest, and to diversity. Basler AG does not state specific pertinent goals in these areas.

Clause 6.3 – Share ownership of members of the management board and the supervisory board

With regard to the share ownership, the management board and the supervisory board declare pursuant to clause 6.3: The total share ownership of all members of the management board and the supervisory board exceeds 1 % of the total of shares issued by the company and is as follows:

As of the reporting date, the members of the management board held the following numbers of shares:

	12/31/2013 Number of shares in pieces	12/31/2012 Number of shares in pieces
Dr. Dietmar Ley	144,358	144,358
John P. Jennings	5,500	5,500
Arndt Bake	700	700

As of the reporting date, the members of the supervisory board held the following number of shares:

	12/31/2013 Number of shares in pieces	12/31/2012 Number of shares in pieces
Norbert Basler	1,816,891	1,816,891
Prof. Dr. Eckart Kottkamp	-	-
Konrad Ellegast	1,280	-

The declaration of compliance with the code and the constantly updated related compliance can be accessed on the Basler website's Investors area (www.baslerweb.com/investors). If you have any questions regarding the corporate governance code please contact the compliance officer of Basler AG Dr. Dietmar Ley (CEO), Tel. +49 4102 - 463 100, ir@baslerweb.com

Outlook

For Basler AG, fiscal year 2014 has started successfully according to our projections and results. We implemented the intended steps of our growth strategy and have again grown stronger than the image processing market. However, the hiring of personnel and the associated increase of materials costs were lower than planned.

At the same time, the uncertainties due to the global economic environment considered in the planning for 2014 remain unchanged. Due to these risks and the fact that we are still early in the fiscal year, for the time being we reaffirm our planning according to which the group's sales in 2014 will be within a corridor of € 70 million to € 74 million and a pretax return rate of 8 to 10 %. On the basis of the positive results of the first quarter we will decisively push forward our growth strategy in the course of the year.

If necessary, after the second quarter, we will review our forecast when the development of our business is more visible for us in the second half year.

Consolidated Profit and Loss Statement

Group's annual balance sheet according to IFRS for the fiscal year from January 1, 2014 to March 31, 2014

in € k	01/01/ - 03/31/2014	01/01/ - 03/31/2013
Sales revenues	17,238	15,119
Cost of sales	-8,565	-7,546
- of which depreciations on capitalized developments	-865	-805
Gross profit on sales	8,673	7,573
Other operating income	454	407
Sales and marketing costs	-2,994	-2,706
General administration costs	-2,473	-1,706
Research and development	-1,253	-1,361
Other expenses	-136	-212
Operating result	2,271	1,995
Financial income	7	346
Financial expenses	-416	-497
Financial result	-409	-151
Earnings before tax	1,862	1,844
Income tax	-587	-694
Group's quarterly surplus	1,275	1,150
of which are allocated to		
shareholders of the parent company	1,275	1,150
non-controlling shareholders	0	0
Average number of shares	3,237,476	3,324,192
Earnings per share diluted / undiluted (€)	0.39	0.35

Consolidated Statement of Comprehensive Income

Group's annual balance sheet according to IFRS for the fiscal year from January 1, 2014 to March 31, 2014

in € k	01/01/ - 03/31/2014	01/01/ - 03/31/2013
Group's quarterly surplus	1,275	1,150
Result from differences due to currency conversion, directly recorded in equity	3	40
Surplus / Net loss from cash flow hedges	0	168
Total result, through profit or loss	3	208
Total result	1,278	1,358
of which are allocated to		
shareholders of the parent company	1,278	1,358
non-controlling shareholders	0	0

Consolidated Cash Flow Statement

Group's annual balance sheet according to IFRS for the fiscal year from January 1, 2014 to March 31, 2014

in € k	01/01/ - 03/31/2014	01/01/ - 03/31/2013
Operating activities		
Group's quarterly surplus	1,275	1,150
Increase (+) / decrease (-) in deferred taxes	399	408
Payout / incoming payments for interest	432	384
Depreciation of fixed assets	1,382	1,305
Change in capital resources without affecting payment	3	209
Increase (+) / decrease (-) in accruals	206	-585
Profit (-) / loss (+) from asset disposals	-11	0
Increase (-) / decrease (+) in reserves	-1,870	-349
Increase (+) / decrease (-) in advances from demand	-125	314
Increase (-) / decrease (+) in accounts receivable	-1,368	-417
Increase (-) / decrease (+) in other assets	269	-124
Increase (+) / decrease (-) in accounts payable	925	-241
Increase (+) / decrease (-) in other liabilities	126	-140
Net cash provided by operating activities	1,643	1,914
Investing activities		
Payout for investments in fixed assets	-1,828	-1,204
Incoming payments for asset disposals	29	0
Net cash provided by investing activities	-1,799	-1,204
Financing activities		
Payout for amortisation of bank loans	-100	-38
Payout for amortisation of finance lease	-326	-307
Incoming payment for borrowings from banks	0	0
Interest payout	-432	-384
Payout for own shares	-42	-86
Dividends paid	0	0
Net cash provided by financing activities	-900	-815
Change in liquid funds	-1,056	-105
Funds at the beginning of the period	9,665	8,197
Funds at the end of the period	8,609	8,092
Composition of liquid funds at the end of the period		
Cash in bank and cash in hand	8,609	8,092
Payout for taxes	19	56

Group Balance Sheet

Group's annual balance sheet according to IFRS for the fiscal year from January 1, 2014 to March 31, 2014

in € k

	03/31/2014	12/31/2013
Assets		
A. Long-term assets		
I. Intangible assets	15,107	14,516
II. Fixed assets	4,304	4,295
III. Buildings and land in finance lease	16,527	16,700
IV. Other financial assets	5	5
V. Deferred tax assets	69	44
	36,012	35,560
B. Short-term assets		
I. Inventories	11,465	9,595
II. Receivables from deliveries and services and from production orders	8,246	6,878
III. Other short-term financial assets	454	217
IV. Other short-term assets	505	944
V. Claim for tax refunds	325	392
VI. Cash in bank and cash in hand	8,609	9,665
	29,604	27,691
	65,616	63,251

Group Balance Sheet

Group's annual balance sheet according to IFRS for the fiscal year from January 1, 2014 to March 31, 2014

in € k

	03/31/2014	12/31/2013
Liabilities		
A. Equity		
I. Subscribed capital	3,237	3,238
II. Capital reserves	0	0
III. Retained earnings including group's earnings	30,610	29,376
IV. Other components of equity	-151	-154
	33,696	32,460
B. Long-term debt		
I. Long-term liabilities		
1. Long-term liabilities to banks	5,419	5,599
2. Other financial liabilities	8	8
3. Liabilities from finance lease	12,532	12,859
II. Non-current provisions	515	515
III. Deferred tax liabilities	1,617	1,193
	20,091	20,174
C. Short-term debt		
I. Other financial liabilities	1,619	1,540
II. Short-term provisions	3,245	3,201
III. Short-term other liabilities		
1. Liabilities from deliveries and services	2,058	1,132
2. Other short-term financial liabilities	2,357	2,355
3. Liabilities from finance lease	2,151	2,151
IV. Short-term tax liabilities	399	238
	11,829	10,617
	65,616	63,251

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group's annual balance sheet according to IFRS for the fiscal year from January 1, 2014 to March 31, 2014

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 01/01/2013	3,326	0	26,498	-71	-168	-239	29,585
Total result			1,150	40	168	208	1,358
Share buyback	-6	0	-80			0	-86
Shareholders' equity as of 03/31/2013	3,320	0	27,568	-31	0	-31	30,857
Total result			4,412	-123	0	-123	4,289
Share buyback	-82	0	-1,622			0	-1,704
Dividend outpayment*			-982			0	-982
Shareholders' equity as of 12/31/2013	3,238	0	29,376	-154	0	-154	32,460
Total result			1,275	3	0	3	1,278
Share buyback	-1	0	-41			0	-42
Shareholders' equity as of 03/31/2014	3,237	0	30,610	-151	0	-151	33,696

* 0.30 € per share

SELECTED EXPLANATORY NOTES

Principles and methods

As already the consolidated annual financial statements as of December 31, 2013, these consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as valid and mandatorily applicable on the reporting date. In particular, application has been made of the interim financial reporting requirements set out in IAS 34. The present quarterly report was neither reviewed by an auditor nor reviewed in accordance with § 317 of the Handelsgesetzbuch (HGB, German Commercial Code).

All interim financial statements of companies included in the consolidated interim financial statements were prepared according to uniform accounting and valuation principles that were also applied for the preparation of the consolidated financial statements as of December 31, 2013.

There have been no changes to the group of consolidated companies compared to the consolidated annual financial statements as of December 31, 2013.

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

John P. Jennings

(CEO)

(CCO)




Arndt Bake

Hardy Mehl

(CMO)

(CFO/COO)

Events 2014

Finance Events

Date		Venue
06/04/2014	Shareholders' meeting 2014	Hamburg, Germany
06/25/2014	Small & Mid Cap Investors' Conference	Paris, France
07/31/2014	Publication 6-month report 2014	Ahrensburg, Germany
11/06/2014	Publication 9-month report 2014	Ahrensburg, Germany
11/24-26/2014	Deutsches Eigenkapitalforum 2014 (German equity forum)	Frankfurt am Main, Germany

Shows and Conferences

Date		Venue
05/14-15/2014	Vision Russia	Moscow, Russia
06/11-12/2014	Vision, Robotics & Mechatronics	Veldhoven, Netherlands
06/11-13/2014	Exhibition on Sensing via Image Information	Yokohama, Japan
06/11-14/2014	Propak Asia Thailand	Bangkok, Thailand
06/17-19/2014	Photonics Festival	Taipei, Taiwan
06/18-20/2014	Vision China, Shenzhen	Shenzhen, China
06/19-22/2014	Assembly Technology Thailand	Bangkok, Thailand
08/04-07/2014	NI Week, Austin (Texas)	Austin, USA
08/27-30/2014	Taipei Int'l Industrial Automation Exhibition	Taipei, Taiwan
10/15-17/2014	Vision China, Beijing	Beijing, China
October 2014	AOI Forum & Show	Hsinchu, Taiwan
11/04-06/2014	Vision Stuttgart	Stuttgart, Germany
11/19-20/2014	All-over-IP Expo 2014	Moscow, Russia
11/19-22/2014	Metalex Thailand	Bangkok, Thailand
12/03-05/2014	International Technical Exhibition on Image Technology and Equipment	Yokohama, Japan

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