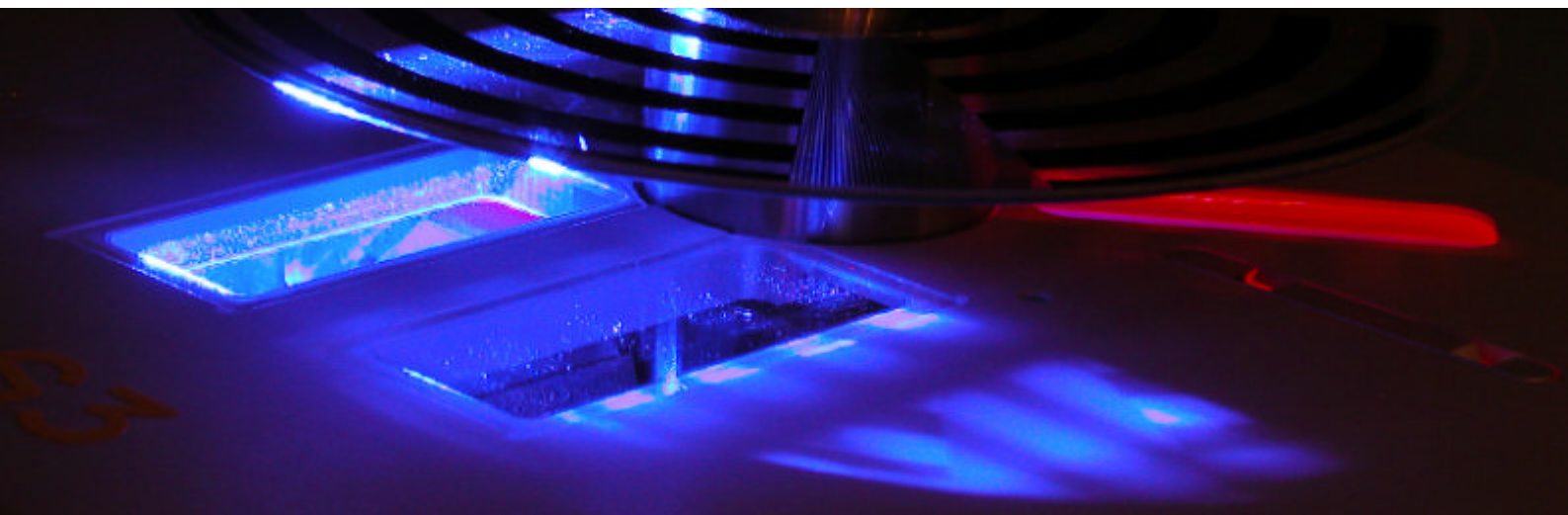


QUARTERLY REPORT  
*Q1 2003*



## Quarterly Report Q1/2003

### The quarter at a glance

- Sales in first quarter up 82% over prior year
- 36% surge in order income against prior year
- Quarterly results confirm turnaround plans for 2003



	Q1 2003	Q1 2002		+/-
<b>Sales</b>	<b>6,3</b>	<b>3,5</b>	<b>Mio. €</b>	<b>+82%</b>
Vision Systems	3,8	1,8	Mio. €	+110%
Vision Components	2,5	1,6	Mio. €	+52%
<b>Order income</b>	<b>8,3</b>	<b>6,1</b>	<b>Mio. €</b>	<b>+36%</b>
<b>Result</b>				
Gross margin	58%	64%		-6%
Operating result	-0,8	-2,9	Mio. €	+72%
Net result	-0,9	-2,8	Mio. €	+69%
Net margin	-14%	-80%		+66%
Number of Shares	3,5	3,5	Mio.	0%
Result per share	-0,25	-0,80	€	+69%
EBITDA	-0,4	-3,2	Mio. €	+86%
EBIT	-0,7	-2,9	Mio. €	+71%
EBT	-0,9	-2,8	Mio. €	+66%
<b>Cash</b>	<b>1,2</b>	<b>2,0</b>	<b>Mio. €</b>	<b>-40%</b>
<b>Balance sheet</b>				
Capital employed	11,0	11,9	Mio. €	-8%
Shareholder's equity (economic)	8,8	9,3	Mio. €	-5%
Equity ratio	51%	56%		-5%
<b>Staff</b>				
Number of staff	265	251		+6%
Sales per number of staff	24	14	T€	+71%
Personnel expenses	58%	98%		-40%
<b>Share</b>				
Share price (XETRA) as of reporting date	2,34	2,82	€	-17%
Market capitalization	8,2	9,9	Mio. €	-17%
Share price-sales-ratio	0,8	1,2		-33%

Vision technology is the technology of artificial vision and is the foundation for computer-based vision systems capable of making decisions automatically based on image information. Primary applications are currently found in the field of industrial manufacturing, such as for quality control, where this technology helps optimize production effectiveness. The market for vision technology had a worldwide sales volume of approximately \$5.5 billion in 2001. And yet only 20-25% of all identified potential industrial uses have been developed. New applications – including those in consumer-related fields – will be added in the coming years, while existing markets continue getting bigger. Today Basler has two corporate divisions that address five target markets.

#### Vision Systems Division

Inspection systems for the

- Electronic/Display Industry (Display Inspection)
- Optical Media Industry (Optical Media Inspection)
- Rubber/Elastomere Industry (Sealing Inspection)
- Plastics Industry (Web Inspection)

#### Vision Components Division

Machine Vision Industry (camera components)

The company's strategy is to become a worldwide leading provider of vision technology.

### Dates

17. 06. 2003	General Meeting 2002, Ahrensburg
06. 08. 2003	Release of 2nd Quarter Results 2003
05. 11. 2003	Release of 3rd Quarter Results 2003

*Dear Ladies and Gentlemen,*

The new year started for Basler right according to plan. Sales and new orders increased over the same quarter last year 82% and 36% respectively, continuing the positive trend of the past three quarters. This sales performance had a similarly favorable effect on results as well. Losses were reduced by 69% compared to the prior-year quarter. This means that we are well within our plan of accomplishing the turnaround this year.

#### **Order Income**

New orders for the group as a whole reached € 8.3 million in the first quarter of 2003 for a plus of 36% compared to the year-earlier quarter (€ 6.1 million). This marks the fourth quarter in a row that incoming orders have exceeded those of prior-year periods.

#### **Sales Revenues**

Sales in the first quarter totaled € 6.3 million, which is an increase of 82% over the same quarter last year (€ 3.5 million). There are a number of different reasons for this level of performance. First of all, business segments profit from even a slight amount of growth in their target markets. Secondly, the Vision Components, Sealing and Display Inspection divisions in particular grew their market share thanks to new products and successful projects. Both of these trends – market growth and expanded market share – will continue in the course of this fiscal year.

#### **Result**

Losses were reduced significantly in light of increasing sales and the continued strict enforcement of cost management. The loss of € 863 thousand is a good 69% below the € 2.8 million loss of the same quarter a year ago. This corresponds to a loss per share of -25 euro cents (Q1/2002: -80 euro cents). This improvement in results is due in no small part to operating expenses continuing to decline, this time by 12% over the same period last year (Q1/2003: € -4.5 million, Q1/2002: € -5.1 million). The 36%

reduction in administrative expenses played a big part in providing this relief.

#### **Segment Information**

Both of Basler AG's business divisions contributed to increased sales and improved results during this first quarter.

The Vision Systems division posted sales of € 3.8 million in this first quarter, which is an extraordinary rise of +110% over the year-earlier quarter (€ 1.8 million). The net loss was € -0.9 million, which is a major reduction of 58% over the prior year's loss on the quarter (€ -2.2 million). New orders totaled a pleasing € 5.6 million or 25% more than the same quarter last year (Q1/2002: € 4.5 million). The Sealing Inspection element within Vision Systems performed impressively by increasing its sales more than 60% over the prior-year quarter. At this early date, Display Inspection has already acquired almost all the orders expected of it for the entire year.

The Vision Components division has developed very well. Sales surged 52% to € 2.5 million (Q1/2002: € 1.6 million), it posted net earnings for the first time and improved its results by 150% to € 216 thousand (Q1/2002: € -431 thousand). Its new orders are a promising sign of continued high sales revenues. Orders valued at a total of € 2.7 million were booked in this first quarter reflecting an increase of 66% over the year-earlier quarter (€ 1.6 million).

Vision Components' very satisfying performance is due in part to market successes garnered most notably by the A series high-performance area scan cameras. Likewise, the expert estimates turned out to be correct, which said that the machine vision market targeted by this division will achieve double-digit growth this year.

Here are the most important segment financial figures (in thousand euros):

	Vision Systems		Vision Components		Reconciliation		Group	
	Q1/2003	Q1/2002	Q1/2003	Q1/2002	Q1/2003	Q1/2002	Q1/2003	Q1/2002
Euro thousand								
<b>Sales revenues</b>	<b>3.845</b>	<b>1.831</b>	<b>2.472</b>	<b>1.624</b>		<b>17</b>	<b>6.317</b>	<b>3.472</b>
Germany	762	347	914	403		7	1.676	757
Foreign	3.083	1.484	1.558	1.221		10	4.641	2.715
External sales with a single client accounting for more than 10% of the segment's sales	1.586	843	290	0	0	0	1.876	843
Number of clients	2	2	1	0	0	0	3	2
<b>Segment results</b>								
(before interest, taxes and equity)	-932	-2.225	216	-431	16	21	-700	-2.635
of which is depreciation/amortisation	80	164	33	88	155	0	268	252
<b>Segment assets</b>								
Noncurrent assets	5	0	16	16	94	7	115	23
Fixed-assets investments	430	330	303	374	2.134	2.602	2.867	3.306
Inventories	3.286	4.161	1.879	2.026	1.799	1.369	6.964	7.556
Receivable	2.341	2.118	812	1.125	825	1.059	3.978	4.302
Total assets	6.057	6.609	2.994	3.525	4.758	5.030	13.809	15.164
of which outside Germany								3.617

### Research & Development

Expenditures for research and development in first quarter 2003 totaled € -1.4 million for a slight increase of 6% over the same quarter last year (€ 1.3 million).

### Staffing

The company had a total of 265 employees as of 31 March 2003 or 6% more than in the year-earlier quarter (Q1/2002: 251). The vast majority of the staff (234, Q1/2002: 225) work in Ahrensburg where the headquarters is located. Basler Inc. in the United States employed 16 persons as of 31 March 2003 (Q1/2002: 15). Basler Asia Pte. Ltd. in Singapore had a staff of 6 (Q1/2002: 6), while Basler Vision Technologies Inc. in Taiwan had a total of 9 people (Q1/2002: 5).

### Cash

The company's financial situation continues to be stable with cash and cash equivalents totaling € 1.2 million. The amount of cash dropped 40% compared to the same quarter last year (Q1/2002: € 2.0 million), whereas the company did achieve a positive cash flow of € 795 thousand (cash as of 31 December 2002: € 373 thousand) during the current Q1/2003 reporting period.

### Stock

Since 1 January 2003 Basler stock has been listed in that segment of the regulated market (Prime Standard) that is subject to additional post-admission compliance requirements. Basler satisfies the high demands for transparency set forth within this segment by the Deutsche Börse and signals to its

shareholders that they will continue to be kept thoroughly and promptly informed about current corporate developments.

The members of the Managing Board and Supervisory Board held the following shares and stock options as of 31 March 2003:

	Shares		Options	
	31.03. 2003	31.12. 2002	31.03. 2003	31.12. 2002
<b>Supervisory Board</b>				
Prof. W. Künrth (Chairman)	349	349	-	-
N. Basler (Dep. Chairman)	1,98 Mio.	1,98 Mio.	-	-
B. Priske	-	-	-	-
<b>Managing Board</b>				
Dr.-Ing. D. Ley (Chairman)	132.500	132.500	4.482	4.482
A. Dancker	3.000	3.000	-	-
P. Krumhöff	500	500	-	-

### Code of Corporate Governance

Basler AG commits itself to adhering to the German Code of Corporate Governance. This code sets forth significant legal regulations for the management and oversight of German publicly listed companies and contains both nationally and internationally recognized standards of good and responsible corporate management.

Through its commitment, Basler AG wants to publicly demonstrate how the Managing Board and Supervisory Board intend to exercise responsible corporate leadership and control that is geared toward increasing the value for its stakeholders. Doing so will encourage and enhance the trust and confidence of today's and tomorrow's shareholders, customers, employees and other interested parties from the general public.

Basler AG's executive management is in almost total compliance with the code, whose contents are set out within the annual management report, the standing rules of the Managing Board and Supervisory Board, as well as in the formal statement of commitment to the code.

There are two areas where Basler AG's corporate management deviates from the code as of 31 March 2003:

- Because of the size of the company, the Supervisory Board of Basler AG is comprised of only three individuals, which is a number that ensures efficient work. For this reason, committees will not be formed within the Supervisory Board. The same is true for boards of review.
- Compensation for members of the Supervisory Board is stipulated in the company bylaws. The amount of compensation takes into consideration the responsibilities inherent in the position of chairman and deputy chairman. In light of the current fixed remuneration levels, no variable compensation component is planned for members of the Supervisory Board.

The formal statement of commitment to the code and regular updates on related compliance issues are available in the Investor Relations section of the corporate website. The Basler AG Compliance Officer is available to assist you should you have any questions about this Code of Corporate Governance:

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### Outlook

The course of this first quarter confirms our plan to increase sales in 2003 to over € 30 million and once again turn a profit on the year as a whole.

The projected improvements in sales and earnings will initially result from the continued positive performance of Basler AG's two business divisions. This year Vision Systems will be offering many new products and solutions. The division's biggest business unit – Optical Media Inspection – is now introducing

new inspection products, such as the improved Basler S300 inline scanner. Display Inspection is successfully picking up market share through close partnering with leading flatscreen makers on the Asian market, while Sealing Inspection will profit from the new Basler AUTOGAUGE product. Building on the successful pilot projects it carried out in 2002, Web Inspection will increase its sales revenues through surface inspection systems for endless materials.

The strong growth of the Vision Components division will continue unabated. Just last year this division increased sales in its core high-performance camera business by some 30% making it one of the most rapidly growing suppliers of components for the machine vision industry. In view of an increasing volume of new orders over last year and the many new products to be launched on the market, it is highly probable that Vision Components will attain the levels of growth budgeted for in 2003.

The favorable growth of these corporate divisions is complemented by the persistent and ever more refined cost-management effort that has been firmly established within the organization. As a result of actions already undertaken to cut costs, we expect additional savings in expenditures on materials of about 20% for 2003. Personnel expenses will remain stable at about last year's level. Overall, the operating expenses in 2003 should again drop by approximately 10%, this following the 9% reduction in outlays that was achieved last year.

If the economic environment remains at this level and the currency correlation between the US-Dollar and Euro won't get worse, Basler AG can return to sustained profitability in the short and medium term from today's point of view and in doing so lay the foundation for assuming a leading position on the vision technology market over the long run.

*The Managing Board*



Dr. Dietmar Ley - Axel Dancker - Peter Krumhoff



**Consolidated Statement of Operations for the first quarter 2003  
in Euro thousand (according to US-GAAP)\***

	For the Quarter as of 31.03.2003	For the Quarter as of 31.03.2002
<b>Sales</b>	<b>6.317</b>	<b>3.472</b>
Cost of sales	-2.653	-1.264
<b>Gross profit</b>	<b>3.664</b>	<b>2.208</b>
<b>Operating expenses</b>		
Research and development expenses	-1.392	-1.316
Selling and marketing expenses	-1.614	-1.494
General and administrative expenses	-1.458	-2.272
<b>Total operating expenses</b>	<b>-4.464</b>	<b>-5.082</b>
<b>Operating loss</b>	<b>-800</b>	<b>-2.874</b>
Interest income	1	23
Interest expenses	-160	-156
Depreciation of investments	0	204
Income from affiliated companies	0	1
Other income	98	0
<b>Result before income taxes</b>	<b>-861</b>	<b>-2.802</b>
Income tax	-2	12
<b>Net result</b>	<b>-863</b>	<b>-2.784</b>
<b>Weighted average number of shares (basic)</b>	<b>3.500</b>	<b>3.500</b>
<b>Weighted average number of shares (diluted)</b>		
Authorized capital	1.750	1.750
Conditional capital	350	350
Net result per share (basic)	-0,25	-0,80

\* unaudited



## Consolidated Statement of Cash Flow as of March 31, 2003 in Euro thousand\*

	As of 31.03.2003	As of 31.03.2002
<b>Cash flow from operating activities</b>		
Net loss	-863	-2.784
Depreciation of fixed assets and intangible assets	276	284
Gains on disposal of equipment	0	0
changes in:		
Inventories	-902	12
Trade accounts receivable	236	674
Accrued Expenses	-725	-103
Other current assets and prepaid expenses	305	-362
Deferred tax asset	0	-12
Foreign currency translation adjustment	19	-4
Notes payable to shareholders	74	-38
Advanced payments received	357	709
Trade a accounts payable	897	-274
Other current liabilities	153	208
<b>Net cash used for operating activities</b>	<b>-173</b>	<b>-1.690</b>
<b>Cash flow from investing activities</b>		
Proceeds from sales of equipment	4	3
Purchase of equipment	-116	-23
<b>Net cash from investing activities</b>	<b>-112</b>	<b>-20</b>
<b>Cash flow from financing activities</b>		
Increase in cash received by bank loan	1.079	0
Decrease in cash/repayment of bank loan	0	-962
<b>Net cash provided by financing activities</b>	<b>1.079</b>	<b>-962</b>
<b>Net change in cash</b>	<b>795</b>	<b>-2.672</b>
<b>Cash, beginning of year</b>	<b>373</b>	<b>4.633</b>
<b>Cash, end of period</b>	<b>1.168</b>	<b>1.961</b>
<b>additional notes</b>		
payments for:		
interest	1	156
income tax	2	0

\* unaudited



## Consolidated Balance Sheet as of March 31, 2003 in Euro thousand (US-GAAP)\*

### Assets

	As of 31.03.2003	As of 31.12.2002
<b>Current Assets</b>		
Cash & Cash equivalents	1.168	373
Trade accounts receivable, net	4.355	4.591
<b>Inventories</b>		
Finished goods and commodities	1.283	733
Work in process	1.543	1.004
Raw materials and supplies	4.126	4.314
<b>Total inventories</b>	<b>6.952</b>	<b>6.051</b>
Other current assets and prepaid expenses	217	522
<b>Total current assets</b>	<b>12.692</b>	<b>11.537</b>
<b>Property and Equipment</b>		
Technical equipment and IT	2.995	2.912
Fixtures, fittings, tools and equipment	3.011	3.017
Accumulated depreciation	-3.443	-3.243
<b>Total property and equipment</b>	<b>2.563</b>	<b>2.686</b>
<b>Intangible Assets</b>		
Software and licences	1.123	1.106
Accumulated depreciation	-819	-761
<b>Total intangible assets</b>	<b>304</b>	<b>345</b>
<b>Investments (in Euro)</b>	<b>0</b>	<b>1</b>
<b>Deferred tax asset</b>	<b>1.525</b>	<b>1.525</b>
<b>Total Assets</b>	<b>17.084</b>	<b>16.093</b>

\* unaudited



**Consolidated Balance Sheet as of March 31, 2003  
in Euro thousand (US-GAAP)\***

**Liabilities and Shareholder's Equity**

	<b>As of 31.03.2003</b>	<b>As of 31.12.2002</b>
<b>Current Liabilities</b>		
Notes payable to shareholders	4.210	4.136
Short term liabilities to banks	2.529	1.450
Trade accounts payable	1.897	1.000
Advanced payments received	894	537
Accrued expenses	1.506	2.836
Other current liabilities	650	496
<b>Total current liabilities</b>	<b>11.686</b>	<b>10.455</b>
<b>Commitments and Contingencies</b>		
Long term accrued expenses	605	0
Other long term liabilities	511	511
Silent Partnership	1.023	1.023
<b>Total liabilities</b>	<b>13.825</b>	<b>11.989</b>
<b>Shareholder's Equity</b>		
Common stock	3.500	3.500
Additional paid-in capital	995	995
Accumulated deficit	-1.154	-291
Accumulated foreign currency translation adjustment	-82	-100
<b>Total shareholder's equity</b>	<b>3.259</b>	<b>4.104</b>
<b>Total Liabilities and Shareholder's Equity</b>	<b>17.084</b>	<b>16.093</b>

\* unaudited

**Consolidated Statement of Changes in Shareholder's Equity in Euro thousand  
(according to US-GAAP)\***

	Authorized capital	Conditional capital	Number of shares	Common stock	Additional paid-in capital	Accumulated deficit	Accumulated foreign currency translation adjustment	Consolidated shareholder's equity	Comprehensive Income
<b>Balance, January 1, 2001</b>	<b>1.750</b>	<b>350</b>	<b>3.500</b>	<b>3.500</b>	<b>25.711</b>	<b>558</b>	<b>-201</b>	<b>1.687</b>	
Net loss						-20.568		<b>514</b>	-20.568
Transfer from capital reserve					-3.412	3.412		<b>0</b>	
Foreign currency translation adjustment							52	<b>52</b>	52
<b>Comprehensive Income</b>								<b>0</b>	<b>-20.516</b>
<b>Balance, December 31, 2001</b>	<b>1.750</b>	<b>350</b>	<b>3.500</b>	<b>3.500</b>	<b>22.299</b>	<b>-16.598</b>	<b>-149</b>	<b>9.052</b>	
Net loss						-3.497		<b>-3.497</b>	-3.497
Restatement 2001						-1.500		<b>-1.500</b>	
Transfer from capital reserve					-21.304	21.304		<b>0</b>	
Foreign currency translation adjustment							49	<b>49</b>	49
<b>Comprehensive Income</b>								<b>0</b>	<b>-3.448</b>
<b>Balance, December 31, 2002</b>	<b>1.750</b>	<b>350</b>	<b>3.500</b>	<b>3.500</b>	<b>995</b>	<b>-291</b>	<b>-100</b>	<b>4.104</b>	
Net loss						-863		<b>-863</b>	-863
Transfer from capital reserve							18	<b>18</b>	18
<b>Comprehensive Income</b>									<b>-845</b>
<b>Balance, March 31, 2003</b>	<b>1.750</b>	<b>350</b>	<b>3.500</b>	<b>3.500</b>	<b>995</b>	<b>-1.154</b>	<b>-82</b>	<b>3.259</b>	

\* unaudited



**Notes**

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