



Quarterly Report
Q1 2004

Quarterly Report Q1/2004

- Turnover increased by 90% on year-earlier quarter to € 12 mill.
- Net income increased to € +1.2 mill., compared to € -0.9 mill. loss in Q1/2003.
- Forecast for 2004 adjusted upwards to € 45 mill. turnover and € +2.5 – 3 mill. earnings before tax.

Indicators	Q1 2004	Q1 2003		+/-
Sales	12.0	6.3	mill. €	+90%
Vision Systems	7.9	3.8	mill. €	+106%
Vision Components	4.1	2.5	mill. €	+65%
Incoming Orders	13.4	8.2	mill. €	+63%
Result				
Gross margin	55	58	%	-3%
Operative earnings	1.9	-0.8	mill. €	+338%
EBT	1.9	-0.9	mill. €	+320%
Net income	1.2	-0.9	mill. €	+235%
Net income margin	10	-14	%	+24%
Number of shares	3.5	3.5	mill.	
Earnings per share	0.33	-0.25	€	+235%
EBITDA	2.4	-0.4	mill. €	+654%
EBIT	2.2	-0.7	mill. €	+406%
Cash (on cut-off date)	1.7	1.2	mill. €	+48%
Balance Sheet (on cut-off date)				
Capital employed	14.5	11.0	mill. €	+32%
Equity	8.3	7.1	mill. €	+17%
Equity rate	31	30	%	+1%
Employees (on cut-off date)				
Number of staff	283	265	T€	+7%
Turnover per employee	42	24	T€	+78%
Personal expenditure rate	35	58	%	-23%
Share (on cut-off date)				
Share price (XETRA)	12.00	2.34	€	+413%
Market capitalisation	42	8.2	mill. €	+413%

Termine	
25.-27. May 2004	Media Tech Expo, Frankfurt, Germany
03. June 2004	Annual Shareholder Meeting for the year 2003, Ahrensburg, Germany
09.-12. June 2004	Display Taiwan Expo 2004, Taipeih, Taiwan
15.-18. June 2004	Automatica Expo, Munich, Germany
12. August 2004	Release of the Second Quarter Results 2004, Ahrensburg, Germany
20.-27. October 2004	Expo K 2004, Duesseldorf, Germany
21.-23. October 2004	Vision Expo, Stuttgart, Germany
November 2004	Replication Expo, Guangzhou, China
05. November 2004	Release of the Third Quarter Results 2004, Ahrensburg, Germany

Vision Technology

Vision technology is the technology of artificial vision. It is the foundation for computer-based vision systems which make automatic decisions on the basis of picture information. The main applications are currently in the industrial production sector in particular (e.g. in the area of quality control) and serve to optimise production effectivity. The market for vision technology generated sales at a volume of over 6 bill. US-Dollars worldwide in 2003. Only 20-25% of all known industrial use possibilities have been implemented. New fields of application – including in the consumer-related sector – will arise in the coming years, existing markets will continue to grow. Today, Basler addresses five target markets with its two business divisions Vision Systems and Vision Components.

Vision Systems Business Division

Inspection systems for the

- electronics/display industry (Display Inspection)
- optical media industry (Optical Media Inspection)
- rubber/elastomere industry (Sealing Inspection)
- plastics industry (Web Inspection)

Vision Components Business Division

Digital camera solutions for the machine vision industry

www.mediatech-expo.net
www.baslerweb.com
www.pida.org.tw/show
www.automatica-muenchen.de
www.baslerweb.com
www.k-online.de
www.vision-messe.de
www.replicationexpo.com.cn
www.baslerweb.com



Dear ladies & gentlemen

the financial year 2004 has started off successfully for us. With a turnover increase of 90% on the year-earlier quarter to € 12 mill. and earnings before income tax of € 1.9 mill. (after deferred taxes: € 1.2 mill.), we are well on the way to achieving profitable growth in double figures for the entire year of 2004.

Incoming Orders

Incoming orders once again significantly exceeded the previous year's quarter by 63% in the first quarter of 2004, amounting to € 13.4 mill. across the group (Q1/2003: € 8.2 mill.).

This growth was generated by both business divisions, whereby our business with digital cameras and inspection machines for flat panel displays grew over-proportionately (cf. Divisional Information).

Turnover

Turnover increased to € 12.0 mill. in the first quarter. This is equivalent to a 90% increase on the first quarter of the previous year (€ 6.3 mill.).

This particularly positive turnover development results from continuing increasing demand on our target markets, our high level of innovation activity and from gaining market shares. The turnover growth was generated equally by the two business divisions (cf. Divisional Information).

Earnings

With increasing turnover and only slightly increased operating expenditure, we have laid the foundation for the planned increase in our earning capacity in the first quarter.

Earnings before tax amounted to € 1.9 mill. in the first quarter. In the year-earlier quarter, a loss of € -0.9 mill. was registered. The earnings margin before tax was 15.8% (Q1 2003: 14.3%). Earnings after tax in Q1/2004 were € 1.2 mill. (Q1/2003: € -0.9 mill. €), equivalent to € 0.33 earnings per share (Q1/2003: € -0.25).

Divisional Information

The **Vision Systems Business Division** generated sales of € 7.9 mill. in the first quarter. The division thus more than doubled its turnover compared to the year-earlier quarter, with a +106% increase (Q1/2003: € 3.8 mill.).

Incoming orders also developed along equally positive lines in Vision Systems: at € 9.1 mill., incoming orders exceeded the figures for the year-earlier quarter by 62% (Q1/2003: € 5.6 mill.).

The divisional earnings before interest, tax and dividends were further significantly improved in view of the turnover growth, amounting to € 1.3 mill. (Q1/2003: € -0.9 mill.).

The turnover and earnings increases in the **Vision Systems business division** are mainly due to positive development in the activities with inspection systems for optical storage media. Turnover with these systems was almost doubled in the first quarter, as demand for production equipment for the manufacture of write-once DVDs is still very high, particularly in Taiwan and China. Demand for systems for inspecting flat displays is developing equally positively. In this area, turnover was increased almost by a factor of five, albeit at a lower level.

The turnover in the Vision Components business division increased by 65% in the first quarter of 2004, to € 4.1 mill. (Q1/2003: € 2.5 mill.). Incoming orders improved equally to € 4.3 mill., 65% above the first quarter of the previous year (Q1/2003: € 2.6 mill.).

The divisional earnings before interest, tax and dividends increased in the first quarter from € 0.2 mill. (Q1/2003) to € 0.8 mill. The earnings margin thus improved from 9% to 19%.

In the first quarter, the division profited particularly from newly developed cameras leading to further gains of market shares, and also coinciding with a improving economy in the USA. The new developments included the



new, competitively priced members of the line scan camera families L50 and L75, with high resolutions of 5000 and 7500 pixels.

Research & Development

Expenditure for Research & Development amounted to € 1.8 mill. in the first quarter of 2004.

This is equivalent to a 26% increase on the first quarter of the previous year (€ 1.4 mill.) and is accompanied by increased turnover. Continually high levels of investment in R&D form a central prerequisite for further growth.

Staff

The number of staff as of 31.03.2004 was 283, an increase of 7% on the year-earlier quarter (Q1/2003: 265). This recruitment took place due to the fact that the turnover growth of the past year was only possible through building up flexitime accounts and using outside labour. As our room for manoeuvre in these areas is now exhausted, and our growth is obviously consolidating in view of the continued high volume of incoming orders, we have raised our existing sales potential by recruiting new staff.

The majority of our staff is employed at the company's headquarters in Ahrensburg (257, Q1/2003: 234). Basler Inc. in the USA employed 15 staff as of 31.03.2004 (Q1/2003: 16). Basler Asia Pte. Ltd. in Singapore employed 5 staff (Q1/2003: 6) and Basler Vision Technologies Inc. in Taiwan and the representation in Shanghai employed a total of 14 (Q1/2003: 9).

Cash

Liquid funds were reduced during the first quarter 2004 from € 3.7 mill. as of 01.01.2004 to € 1.7 mill., as a considerably larger amount of liquid assets were pre-financed for the conversion of the high volume of incoming orders into sales. Net cash flow thus amounted to € -2.0 mill. in the first quarter of 2004 (Q1/2003: € +0.8 mill.).

Share

The Managing and Supervisory Boards were in possession of the following shares and share options as of 31.03.2004:

		Shares		Options	
		31.03. 2004	31.12. 2003	31.03. 2004	31.12. 2003
Supervisory Board					
Prof. W. Kunerth (Chairman)		349	349	-	-
N. Basler (Vice-chairman)		2.0 Mio.	2.0 Mio.	-	-
B. Priske		-	-	-	-
Managing Board					
Dr.-Ing. D. Ley (Chairman)		132,500	132,500	4,482	4,482
A. Dancker		3,000	3,000	-	-
P. Krumhoff		500	500	-	-

The following staff options were in circulation from the employee profit-sharing schemes of 1999 and 2000 as of 31.03.2004:

	1999	2000
Issued	78,000	82,000
In circulation as of 31.12.2003	32,415	44,393
Subscribed	0	0
Exercises	0	0
Invalid since 31.12.2003	929	996
In circulation as of 31.12.2003	31,486	43,397

Code of Corporate Governance

The Managing and Supervisory Boards declare that the recommendations of the Code Commission established by the German Federal Government in the version of May 2003 were complied with in the expired quarter Q1/2004, and that these will be complied with in future, with the exception of the following recommendations:

Sub-section 5.3.1.

Committees will not be formed within the Supervisory Board. The Supervisory Board of Basler AG is composed of three persons, due to the size of the company. The size of the board guarantees efficiency in itself, as the general minimum size of committees is also three persons.



Sub-section 5.4.5.

Compensation of Supervisory Board members is regulated in the articles of association. The chairmanship and vice-chairmanship of the Supervisory Board are taken into account in the level of fixed compensation. A variable component of the compensation is unnecessary in view of the absolute level of payments.

Sub-sections 4.2.4.

Compensation of members of the Managing Board consists of variable and fixed components. These are presented along with the overall level of compensation in the appendix to the Annual Report 2003, for the entire Managing Board. The compensation of the Managing Board is not presented on an individualised basis. The Managing and Supervisory Boards aim to maintain the greatest possible transparency towards capital market participants, simultaneously respecting the interests of the company and individuals. The company regards the publication of personal information on individuals in times of increasingly strict data protection laws as excessive, if this might possibly lead to disadvantages for those affected and/or their families.

The declaration of obligation to the Code and the corresponding compliance can be accessed in their latest form via the Investor Relations section of the company's website. Please contact Basler AG's compliance officer should you have any questions on the Code of Corporate Governance:

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Prospects

The year 2004 has begun very promisingly. Turnover has been almost doubled, increasing by 90% to € 12 mill., so that we achieved net

earnings of € 1.2 mill. Incoming orders were also significantly increased by 63%. The unchanged positive trend in incoming orders gives us confidence for the year as a whole.

The current and upcoming quarters will be characterised by product innovations. All business divisions will be bringing new products onto the market on the occasion of several international trade fairs. It is our objective to further increase the turnover share generated by products younger than two years old (previous year: 45%), considerably supporting our earnings growth.

Due to the high export rate of approx. 80%, risks continue to exist resulting from the development of the €/US\$ currency correlation, and must continue to be closely watched. We must also wait and see on what level the currently very high demand for investment goods in the optical media industry will continue. Depending on the price development, particularly for write-once media, there may be a reduction of demand under certain circumstances in the second half of the year.

In view of the promising start to the new year, and taking the existing risks into account, we are increasing our forecast for the entire year made so far (turnover: € 42 mill., earnings before tax: € 1.5-2 mill.). Under the current circumstances, we anticipate achieving turnover of € 45 mill. (+26% on the previous year) and earnings before tax of € +2.5 - 3 mill. (earnings before tax 2003: € +0.7 mill.).

The Managing Board


Dr. Dietmar Ley - Axel Dancker - Peter Krumhoff

Consolidated Balance Sheet as of March 31, 2004
in Euro thousand (US-GAAP)*

Assets	as of 31.03.2004	as of 31.03.2003
Current Assets		
Cash & Cash equivalents	1,733	3,741
Trade accounts receivable, net	6,901	4,741
Inventories		
Finished goods and commodities	2,102	682
Work in process	3,954	2,611
Raw materials and supplies	5,377	5,064
Total inventories	11,433	8,357
Other current assets and prepaid expenses	658	588
Total current assets	20,725	17,427
Property and Equipment		
Technical equipment and IT	3,392	3,357
Fixtures, fittings, tools and equipment	2,590	3,114
Accumulated depreciation	-3,844	-4,310
Total property and equipment	2,138	2,161
Intangible Assets		
Software and licences	1,477	1,316
Accumulated depreciation	-1,026	-974
Total intangible assets	451	342
Deferred tax assets	3,514	3,931
Total Assets	26,828	23,861

* unaudited

Consolidated Balance Sheet as of March 31, 2004
in Euro thousand (US-GAAP)*

Liabilities and Shareholder's Equity	as of 31.03.2004	as of 31.03.2003
Current Liabilities		
Notes payable to shareholders	5,128	4,960
Short term liabilities to banks	2,525	2,564
Trade accounts payable	2,427	1,556
Accrued expenses	1,683	1,623
Other current liabilities	902	735
Advanced payments received	3,716	3,334
Total current liabilities	16,381	14,772
Commitments and Contingencies		
Long term accrued expenses	395	413
Other long term liabilities	511	511
Silent Partnership	1,023	1,023
Total liabilities	18,310	16,719
Shareholder's Equity		
Common stock	3,500	3,500
Additional paid-in capital	995	995
Accumulated earnings	3,855	2,687
Accumulated foreign currency translation adjustment	-36	-47
Total shareholder's equity	8,314	7,135
Deferred tax liabilities	204	7
Total Liabilities and Shareholder's Equity	26,828	23,861

* unaudited

Consolidated Statement of Operations as of First Quarter 2004
in Euro thousand (US-GAAP)*

	01.01- 31.03.2004	01.01- 31.03.2003
Sales	11,991	6,317
Cost of sales	-5,421	-2,653
Gross profit	6,570	3,664
Operating expenses		
Research and development expenses	-1,750	-1,392
Selling and marketing expenses	-1,767	-1,614
General and administrative expenses	-1,148	-1,458
Total operating expenses	-4,665	-4,464
Operating result	1,905	-800
Interest income	1	1
Interest expenses	-259	-160
Other income	245	98
Result before income taxes	1,892	-861
Income tax	-724	-2
Net result	1,168	-863
Weighted average number of shares (basic)	3,500,000	3,500,000
Weighted average number of shares (diluted)		
Authorized capital	1,750	1,750
Conditional capital	350	350
Net result per share (basic)	0.33	-0.25

* unaudited



Consolidated Statement of Cash Flow as of March 31, 2004
in Euro thousand (US-GAAP)*

	01.01- 31.03.2004	01.01- 31.03.2003
Cash flow from operating activities		
Net loss	1,168	-862
Depreciation of fixed assets and intangible assets	211	276
Gains on disposal of equipment	0	0
Changes in:		
Inventories	-3,078	-902
Trade accounts receivable	-2,160	236
Accrued Expenses	42	-725
Other current assets and prepaid expenses	-70	305
Deferred tax assets	613	0
Foreign currency translation adjustment	12	19
Notes payable to shareholders	167	74
Advanced payments received	383	357
Trade a accounts payable	871	897
Other current liabilities	129	153
Net cash used for operating activities	-1,712	-172
Cash flow from investing activities		
Proceeds from sales of equipment	2	4
Purchase of equipment	-298	-116
Net cash from investing activities	-296	-112
Cash flow from financing activities		
Increase in cash received by bank loan	0	1,079
Decrease in cash/repayment of bank loan	0	0
Increase of cash received by shareholder's loans	0	0
Increase of cash received by silent partnerships	0	0
Net cash provided by financing activities	0	1,079
Net change in cash	-2,008	796
Cash, beginning of period	3,741	373
Cash, end of period	1,733	1,169
additional notes		
payments for:		
interest	94	1
income tax	0	2

* unaudited



Segment Informationen in Euro thousand (US-GAAP)*

			Vision Systems		Vision Components		Reconciliation		Group	
			Q1/2004	Q1/2003	Q1/2004	Q1/2003	Q1/2004	Q1/2003	Q1/2004	Q1/2003
Sales revenues			7,920	3,845	4,071	2,472	0	0	11,991	6,317
Germany			1,034	762	1,098	914	0	0	2,132	1,676
Foreign			6,886	3,083	2,973	1,558	0	0	9,859	4,641
External sales with a single client accounting for more than 10% of the segment's sales			935	1,586	501	290	0			
Number of those clients			1	2	1	1	0	0	0	0
Segment results										
before interest, taxes and equity			1,330	-932	783	216	37	16	2,150	-700
of which is depreciation/amortisation			27	80	9	33	175	155	211	268
Segment assets										
Noncurrent assets			13	5	53	16	232	7	298	28
Fixed-assets investments			125	430	248	303	2,216	2,602	2,589	3,335
Inventories			7,505	2,286	3,914	1,879	13	1,369	11,432	6,534
Receivables			4,932	2,341	1,928	812	41	1,059	6,901	4,212
Total assets			12,562	6,057	6,090	2,994	2,270	5,030	20,922	14,081

* unaudited

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

	Authorized capital	Conditional capital	Number of shares in thousand	Common stock in thousand	Additional paid-in capital	Accumulated result	Accumulated foreign currency translation adjustment	Consolidated shareholder's equity	Comprehensive Income
Balance. January 2003	1,750	350	3,500	3,500	995	-291	-100	4,104	
Net result						-863		-863	-863
Foreign currency translation adjustment							18	18	18
Comprehensive Income								0	-845
Balance March 2003	1,750	350	3,500	3,500	995	-1,154	-82	3,259	
Net result						3.841		3,841	3,841
Foreign currency translation adjustment							35	35	35
Comprehensive Income								0	3,876
Balance December 2003	1,750	350	3,500	3,500	995	2,687	-47	7,135	
Net result						1.168		1,168	1,168
Foreign currency translation adjustment							11	11	11
Comprehensive Income								0	1,179
Balance 31. March 2004	1,750	350	3,500	3,500	995	3,855	-36	8,314	

* unaudited



Notes:



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