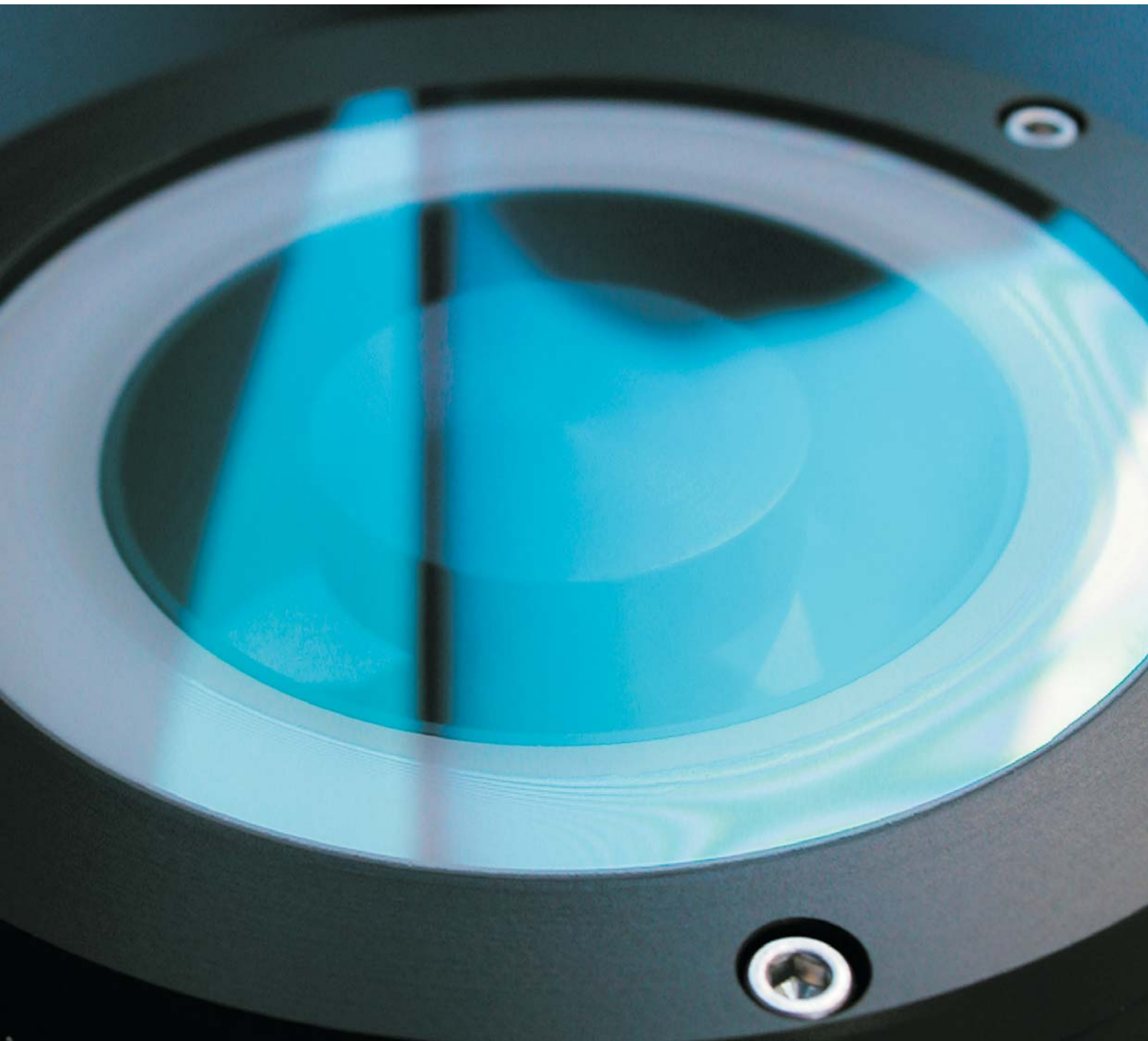


QUARTERLY REPORT Q1/2007



Key Data:

in € thousand	Q1/2007	Q1/2006		+/- in %
Turnover				
Group	11.5	10.1	Mill.€	+14
Vision Systems	5.2	4.7	Mill.€	+11
Vision Components	6.3	5.3	Mill.€	+19
Orders				
Incoming Orders	11.3	12.3	Mill.€	-8
Results				
Gross Margin	47	51	%	-4Pp*
EBITDA	1.5	2.1	Mill.€	-29
EBIT	0	0.9	Mill.€	-100
EBT	-0.2	0.8	Mill.€	-125
Net Results	-0.1	0.4	Mill.€	-125
Net Margin	-1	4	%	-5Pp*
Number of Shares	3.5	3.5	Mill.	-
Earning per Share	-0.04	0.11	€	
Cash				
Cash funds (as of cut-off date)	2.3	2.6	Mill.€	-12
Balance Sheet (as of cut-off date)				
Equity Capital	24.8	24.9	Mill.€	-
Equity Capital Ratio	55	54	Mill.€	-1Pp*
Staff (as of cut-off date)				
Number of Staff	313	296		+6
Shares (as of cut-off date)				
Share Price (XETRA)	13.34	13.60	€	-2
Market Cap	47.7	47.6	Mill.€	

* Pp = Procent point

Overview of the Quarter:

- Turnover during first quarter of 2007 14% higher than same quarter the year before
- Record high in orders received in the components business
- Systems business weak in terms of incoming orders
- Gross margin burdened by non-recurrent effects
- Sustained large investment in research, development, distribution and marketing
- Net result: € -0.1 mill.
- Forecast for the entire year slightly revised downward

Ladies and gentlemen,

Turnover continued to grow during the first quarter of 2007, i.e. by 14% on the first three months of the previous year. A decline in demand in the systems business led to an eight-per-cent drop in orders received compared to the year before.

The gross margin for the first quarter was 4 percentage points below the previous year's figure on account of special effects. At the same time, we made investments in further growth, i.e. the development of new products and the expansion of our distributive and marketing activities, which is why we failed to match the profitability level of last year's first quarter. The overall result was not fully balanced.

Incoming orders for the color filter product line have continued to remain below our expectations up until the first few weeks of the second quarter. This is due to the poor earning position of the flat screen producers and the resultant caution over new investments. On account of the substantial volume of the individual orders, we are, as a precaution, reducing the lower limit of our turnover forecast from € 54 mill. to € 51 mill. and the upper limit to € 57 mill. because the capacities may prove a constraint in the fourth quarter if orders should pick up later in the year.

For the rest of the year and especially for the second half we expect gross margins, turnover and the earning position to improve over the first six months.

Turnover and orders received

At € 11.5 mill. during the first quarter, our turnover was 14% higher than during the same quarter the year before (€ 10.1 mill.) This was mainly due to a substantial increase in turnover in the Vision Components segment (cf. segment-related information). Orders received fell - especially as a result of the described effects from the display inspection product line - on the same period the year before by 8% from € 12.3 mill. (first quarter 2006) to € 11.3 mill. (cf. segment-related information).

Result

The result before taxes was € -0.2 mill. (first quarter 2006: € +0.8 mill.). A major influence was the drop in the gross margin by 4 percentage points (first quarter 2007: 47%, first quarter 2006: 51%).

The lower gross margin was to a great extent due to a change to the product mix in the systems business, a non-recurrent increase in the cost of production caused by retooling the production equipment to lead-free production in the components business in compliance with a EU directive, and the breaking-in of new production facilities for the subassembly manufacture in our components segment. The latter also entailed a reduced capitalisation quota in research and development. Spending on distribution and marketing increased in efforts to spur growth in particular in the Vision Components segment.

The first quarter's net result was € -0.1 mill., which translates into a loss per share of € -0.04 (net result first quarter 2006: € 0.4 mill, profit per share: € 0.11).

Segment-related information

The **Vision Components** segment benefited during the first quarter from the sustained very brisk demand for digital high-performance cameras. Our two newly introduced product lines "scout" and "pioneer" meet with great interest on the market and have already accounted for a sizeable portion of the orders received. Turnover grew in the first quarter by 19% to € 6.3 mill. (first quarter 2006: € 5.3 mill.). Incoming orders even reached a new record high, gaining 32% on the same quarter last year to achieve € 7.5 mill. (first quarter 2006: € 5.7 mill.). Thus, the momentum initiated in 2006 in the components business continues unabated.

The Vision Components segment, in the first quarter of 2007, invested a substantial amount of capital and effort in research and development, the expansion of manufacturing capacities and the extension of distributive activities. Non-recurrent effects associated with the conversion have curtailed the first quarter's gross margin. The expansion of our distributive network at home and abroad, while triggering an increase in fixed costs on the first quarter of 2006, is bound to help spur growth in the quarters to come.

The result of the components segment before interest, taxes and direct investment income ran to € 0.8 mill. (first quarter 2006: € 1.5 mill.).

The **Vision Systems** segment (testing systems for industrial mass production), in the first quarter, achieved a turnover of € 5.2 mill., reflecting an 11% increase on the same quarter the year before (first quarter 2006: € 4.7 mill.).

The past quarter was marred in the systems business by declining investments in the flat screen industry, a trend primarily due to falling average revenues from flat screens and the resultant worsened earning position of our customers. As, however, consumer demand for LCD screens keeps growing unabated - on account of what are by now more reasonable prices - our customers plan to return to increasing investments in new manufacturing equipment during the rest of the year.

Demand for inspection systems for optical storage media has continued to be as weak as before even though we expect momentum later this year from the start of the mass production of the new storage medium Blu-ray Disk.

Inspection systems for the rubber and elastomere industry experienced a gratifying growth. In particular, demand for "vario2", the novel premium product introduced last year, picked up considerably.

What was received with great interest during the first quarter were our new inspection systems for the solar industry. At the leading producers we are meanwhile in the process of testing our automatic inspection systems for the production of wafers and thin-film solar arrays. Our systems provide valuable data about the quality of solar wafers, thus helping to minimise waste in the production process and enabling the efficient use of scarce silicon in the production of solar cells.

At a total amount of € 3.8 mill., orders received for Vision Systems in the first quarter of 2007 were at a low level. This reflects a decline by -42% on the same quarter last year (first quarter 2006: € 6.6 mill.), falling short of our expectations. The situation has failed to improve by the start of the second quarter.

Results before interest and taxes were - as in the same quarter last year - negative at € -0.7 mill. (first quarter 2006: € -0.5 mill.).

Research and development

Spending on research and development increased in the first quarter of 2007 to € 2.0 mill. (first quarter 2006: € 1.7 mill.). Capitalization for the development of new products accounted for a smaller share in overall expenditure than the year before. Write-offs have increased since the third quarter of 2006 on account of several launches of new products, so that the research and development balance was € 0.9 mill. higher than during the same period the year before.

Work force

At 313, the number of employees was slightly higher - i.e. by 6% - than during the same period the year before (first quarter 2006: 296). The regional distribution of the work force was as follows (last year's figure in brackets):

- Parent company at Ahrensburg: 267 (255).
- Subsidiary in the US (Exton, PA): 15 (15)
- Subsidiary in Taiwan: 16 (14)
- Subsidiary in Singapore: 9 (8)
- Representative offices in Shanghai, Korea and Japan: 6 (4)

Cash

At € 2.3 mill. the operative cash-flow was roughly equal to the previous year's level (€ 2.2 mill.). Liquid funds on hand decreased during the first quarter of 2007 from € 3.3 mill. to € 2.3 mill. due to a reduction in loans from credit institutions by € 1.0 mill.

Shares held

The board of directors and the supervisory board, as of 31 March 2007, held the following shares and warrant rights:

	Shares		Options	
	31.03. 2007	31.12. 2006	31.03. 2007	31.12. 2006
Supervisory Board				
N. Basler (Chairman)	1.8 Mio.	1.8 Mio.	106,907	106,907
K. Ellegast (Vice-Chairman)	3,000	3,000	-	-
E. Kottkamp	-	-	-	-
Vorstand				
D. Ley (Chairman)	135,282	135,282	23,800	23,800
J. P. Jennings	2,000	2,000	3,000	3,000
P. Krumhoff	500	500	4,557	4,557

Out of the convertible bond of 31 July 2004, the following employee warrant rights are in circulation as of 31 March 2007:

	31.03. 2007
Issued	159,036
In circulated as of 31.12.2006	159,036
Granted	-
Exercised	-
Lapsed since 31.12.2006	-
In circulated as of 31.03.2007	159,036

Corporate Governance - Declaration

The Management Board and the Supervisory Board hereby declare that the recommendations of the Government Commission of the Corporate Governance Codex in the version of 12 June 2006 have been complied with in 2006 and since the beginning of 2007 and shall be complied with in future.

Excepted from this are the following recommendations:

Sub-section 5.3.1. - Formation of Committees by the Supervisory Board

The Supervisory Board does not form any committees. Reflecting the size of the company, the Supervisory Board of Basler AG consists of three persons. This composition ensures that efficient work shall be done whilst also complying with the generally accepted minimum requirement for the formation of a board which is set at three persons.

Sub-section 5.4.7. - Remuneration of Members of the Supervisory Board

Remuneration of members of the Supervisory Board is set forth in the Articles of Incorporation. Therein special consideration is given to the chair and vice-chair of the Supervisory Board. In the light of the present level of fixed remuneration, the company does not intend to add a variable component

to the remuneration of members of the Supervisory Board.

The Declaration of Commitment to the Codex and the Declaration of Compliance is continually updated and may be accessed on the Investor Relations pages of the Basler AG web site at www.baslerweb.com/aktie. If you have any questions regarding the Corporate Governance Codex, please contact the Basler AG Compliance Officer who shall be pleased to assist you:
Peter Krumhoff, Tel. + 49 (0) 4102-463 100, ir@baslerweb.com

Outlook

On the whole, the course of the first six months will just about reflect our previous assessments and will roughly show a balanced result, with the Vision Components business developing better than forecast while Vision Systems will fall short of expectations.

As the year goes on, the components business will continue to benefit from the generally brisk demand for digital high-performance cameras and the growing specific demand for our products. As for the systems business, we expect the demand for flat screens to recover, which in tandem with initial major sales of our new inspection systems for the solar industry would trigger a return to accustomed turnover levels even though we are unable, at this stage, to make any exact prediction as to the start and scope of revival of the flat screen industry.

As production costs look set to fall, we expect the gross margin to improve later in the year. Vision Components, our growth segment last year, will experience a growth in turnover clearly within the double-digit percentage range also in the current business year, which would enable us to secure and possibly better our market position as the world's no 3 in the area of digital industrial cameras. Given our conservative assessment to the effect that the restraining effects in the systems business might outstrip the upward trend in the components segment, we are reducing, for 2007 as a whole, our forecast of March in that we now expect our turnover to range between € 51 and 57 mill. (2006: € 52.1 mill.), with earnings before taxes totalling between € 2.0 and 5.0 mill. (2006: € 4.9 mill.).

Board of Directors



Dr. Dietmar Ley - John P. Jennings - Peter Krumhoff

Consolidated Profit and Loss Statement

as of 31. 03. 2007 according to IFRS*

in € thousand, result per share in €	01.01.- 31.03.2007	01.01.- 31.03.2006
Sales	11,542	10,075
Cost of Sales	-6,139	-4,887
Gross profit	5,403	5,188
Sales and marketing expenses	-2,457	-2,037
General and administrative expenses	-1,906	-2,282
Research and development expenses		
Costs	-2,041	-1,711
Capitalization of intangible assets	1,766	1,996
Deduction for depreciation on capitalized intangible assets	-1,242	-935
Research and Development expenses balanced	-1,517	-650
Other income	437	699
Operating results	-40	918
Interest results	-126	-118
Result before income taxes	-166	800
Income taxes	37	-401
Group net result for period	-129	399
Number of shares	3,500,000	3,500,000
Result per share	-0.04	0.11
Number of shares (diluted)	3,714,285	3,714,285
Dilution effect out of corporate bond	19	19
Fully diluted result per share	-0.03	0.11

* unaudited

Consolidated Statement of Cash Flow

as of 31. 03. 2007 according to IFRS*

in € thousand	01.01.- 31.03.2007	01.01.- 31.03.2006
Group net profit	-129	398
Deprecation of fixed assets	1,578	1,195
Payments for interests	92	54
Increase/decrease in provisions	-391	-86
Changes in deferred taxes	-61	329
Invalid payment changes in shareholder's equity	18	-3
Result from disposal of equipment	2	1
Inventories	-1,167	-1,083
Trade accounts receivable	1,240	1,831
Other assets, which are not assigned to investing or financing activities	-501	-112
Advanced payments received	357	252
Accounts payable	1,151	-149
Notes payable to shareholders	0	0
Other liabilities, which are not assigned to investing or financing activities	104	-447
Cash Flow from operating activities	2,293	2,180
Revenue from disposal of equipment	-1	6
Purchase of equipment	-2,160	-2,300
Cash Flow from investing activities	-2,161	-2,294
Free Cash Flow	132	-114
Increase in cash received by bank loan	-1,000	-600
Payments of interests	-92	-54
Cash Flow from financing activities	-1,092	-654
Net change in cash	-960	-768
Cash at beginning of period	3,268	3,326
Cash at end of period	2,308	2,558
Changes in cash and cash equivalents at end of period		
Paid out for interests	2,308	2,558
Paid out for taxes	0	0

* unaudited

Consolidated Balance Sheet

as of 31. 03. 2007 according to IFRS*

Assets in € thousand	31.03.2007	31.03.2006
Long-term assets		
Fixed assets		
Tangible assets	2,556	2,585
Other intangible assets	1,404	1,318
Capitalization of development	13,008	12,487
Total fixed assets	16,968	16,390
Deferred tax assets	9,408	8,703
Total long-term assets	26,376	25,093
Current assets		
Cash and cash equivalents	2,308	3,268
Short-term accounts		
Trade accounts receivable	5,462	5,326
Percentage of Completion receivables	2,779	4,155
Total current receivables	8,241	9,481
Inventories		
Finished goods and commodities	1,506	1,364
Work in process and semi-finished goods	1,380	1,030
Raw materials and supplies	4,810	4,140
Merchandise	234	229
Total inventories	7,930	6,763
Other accounts and financial assets	1,333	830
Total current assets	19,812	20,342
Total assets	46,188	45,435

* unaudited

Consolidated Balance Sheet

as of 31. 03. 2007 according to IFRS*

Liabilities in € thousand	31.03.2007	31.03.2006
Shareholder's equity		
Subscribed capital	3,500	3,500
Capital reserve	1,268	1,268
Equation of currency exchange	129	114
Accumulated earnings	19,937	20,066
Total shareholder's equity	24,834	24,948
Liabilities		
Long-term liabilities		
Silent partnership	1,023	1,023
Long-term loans	515	511
Long-term liabilities to shareholders	8	0
Deferred tax liabilities	8,297	7,655
Total long-term liabilities	9,843	9,189
Short-term liabilities		
Convertible bond	2,727	2,727
Short-term liabilities to banks	3,000	4,000
Notes payable to shareholder's equity	178	170
Advanced payments received	493	135
Trade liabilities	2,909	1,758
Other liabilities	663	577
Tax provisions	152	151
Other provisions	1,389	1,780
Total short-term liabilities	11,511	11,298
Total	21,354	20,487
Total liabilities	46,188	45,435

* unaudited

Primary Group Segment Information according to IFRS*

First Quarter 2007

in € thousand	Vision Systems		Vision Components		Reconciliation		Group	
	Q1/ 2007	Q1/ 2006	Q1/ 2007	Q1/ 2006	Q1/ 2007	Q1/ 2006	Q1/ 2007	Q1/ 2006
Segment revenues	5,221	4,737	6,321	5,338	0	0	11,542	10,075
Segment results (EBIT)	-738	-457	800	1,466	-103	-92	-41	917
Segment assets	15,679	16,019	14,903	10,165	2,558	2,867	33,140	29,051
Segment liabilities	574	813	7	0	1,299	2,826	1,880	3,639
Segment investments	944	1,212	1,063	885	153	203	2,160	2,300
Segment depreciations	921	610	476	391	181	194	1,578	1,195

* unaudited

Secondary Group Segment Information according to IFRS*

First Quarter 2007

in € thousand	Europe		Reconciliation		Group	
	Q1/ 2007	Q1/ 2006	Q1/ 2007	Q1/ 2006	Q1/ 2007	Q1/ 2006
Segment revenues	11,542	10,075	0	0	11,542	10,075
Segment assets	30,582	26,184	2,558	2,867	33,140	29,051
Segment investments	2,007	2,097	153	203	2,160	2,300

* unaudited

Consolidated Changes in Statement of Shareholder's Equity as of 31.03.2007 according to IFRS*

in € thousand	Nominal capital	Capital reserve	Equation of currency exchange	Accumulated earnings	Total
Shareholder's equity as of 01.01.2006	3,500	1,268	97	17,106	21,971
Difference from currency conversion			-3		-3
Group net profit for year				398	398
Shareholder's equity as of 31.03.2006	3,500	1,268	94	17,504	22,366
Difference from currency conversion			20		20
Group net profit for year				2,562	2,562
Shareholder's equity as of 31.12.2006	3,500	1,268	114	20,066	24,948
Difference from currency conversion			15		15
Group net profit for year				-129	-129
Shareholder's equity as of 31.03.2007	3,500	1,268	129	19,937	24,834

* unaudited

Corporate Profile

Vision Technology Drives Profitable Growth for High-Tech-Company

Headquartered in Ahrensburg, Basler AG is one of the leading companies in Vision Technology, the technology on which artificial vision systems are based. The field of Vision Technology embraces both computer-enabled Vision Systems which use optical information to make automatic decisions, and cameras (Vision Components) which are built into Vision Systems.

The company, which was founded by Norbert Basler in 1988, currently employs more than 300 staff and has a total of 7 sites in the USA, Europe and Asia, making it an international enterprise. The stock corporation has two divisions reflecting the current structure of our product's applications. The Vision Systems division develops and sells turn-key quality control solutions in four sectors: flat panel industry, optical media industry, rubber- and elastomer-industry as well as photovoltaics industry. The second division is Vision Components. This division develops and sells standard components that can be used in numerous industrial sectors largely independently of concrete applications. The core component of the division's portfolio is digital cameras used in industrial applications.

On the back of a combined system and component business at Basler, we intend to grow into one of the biggest vision technology companies worldwide. To achieve this aim, we plan to increase sales by an average 20% per year on a profitable basis involving a two-digit pre-tax margin. The two main factors leading to success on this growth path are our multi-sector strategy and sustainable investment in research and technology. Our multi-sector strategy makes us less sensitive to fluctuations in individual markets and puts us in a better position to offset demand cycles. Due to our consistently high investment in research & development, we are meanwhile generating more than half of our sales with products that are less than two years old. This high level of investment gives us advantages over our competitors and guarantees profitability.

Schedule of events for 2007

Financial dates	
21 May 2007	Shareholders' meeting in Hamburg
08 Aug. 2007	Publication of the results for the second quarter of 2007
12 to 14 Nov. 2007	Publication of the results for the third quarter of 2007 Presentation at the equity forum in Frankfurt
Tradeshows and Conferences	
Vision Systems	
15 to 17 May 2007	MEDIA-TECH Expo - Long Beach, USA
03 to 07 Sept. 2007	EU PVSEC - Milan, Italy
16 to 18 Oct. 2007	Rubber Expo 2007 - Cleveland, USA
Vision Components	
11 to 13 June 2007	Vision Show China - Beijing, China
12 to 14 June 2007	Robotics & Vision Show - Chicago, USA
17 to 20 June 2007	Semicon West - San Francisco, USA
25 to 27 Sept. 2007	Vision Show France - Paris, France
06 to 08 Nov. 2007	Vision Show - Stuttgart, Germany
05 to 07 Dec. 2007	ITE - Yokohama, Japan

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