



# 2013

ANNUAL REPORT

**BASLER** 

WHAT VISION DO WE HAVE FOR THE FUTURE?

ADVANCES IN TECHNOLOGY WILL IMPROVE  
THE QUALITY OF OUR LIVES.

WHAT MISSION DRIVES US?

WE GIVE TECHNOLOGY THE POWER OF SIGHT.





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**BASLER**

**Norbert Basler**

Founder &  
Chairman of the Supervisory Board

**Dr. Dietmar Ley**

CEO

*Dear Ladies and Gentlemen,*

2013 was an anniversary year for Basler AG and, at the same time, the most successful fiscal year in the company's 25-year history on which we look back with pride and joy. Economic success is prerequisite for setting higher goals in the future and also for achieving them. It is the basis for all that happens in our company. It is therefore all the more important to know the recipe for our success and to do everything possible to continue it. Basler's key success factors include the ability to understand and capitalize on market and technology trends, the power of our brand, superior market access, lean products and processes, as well as a consistent and positive customer experience when dealing with our company. If and to what extent we can use these factors for the benefit of Basler, depends, above all, on the passion for our work.

Without the motivation, the openness for changes, without the ideas and the experience of our team we would not be where we are today. We only can achieve our ambitious strategic goals if we retain today's employees on a long-term basis and, at the same time, attract highly-qualified additions. This requires a continuous development of the people working for Basler today in combination with an active promotion to young people in close cooperation with schools and universities. By creating a working environment showing an interest in the individual needs of our employees and reconciling them with operational requirements as far as possible, we enhance our attractiveness as an employer. Therefore,

- we offer flexible working time models ensuring a reconciliation of work and private life,
- we also started a special employee development program promoting talents independently of their job description and their regional origin,

- we implemented a company health management program last year focusing even stronger on the physical and psychological well-being of our employees,
- we established a foundation in 2012 for the supply of services for reconciling work and family life in order to support our employees in the areas of child care and the care for seniors.

However, all this does not fully explain the high level of loyalty and commitment of our employees. We are convinced that both are above all results of our corporate culture that has been developing in the past 25 years of our existence. The Basler culture is based on values like respectful and appreciative interaction, openness, integrity and trust, and includes the demand for ambition, passion, and joint responsibility for the company's success. We appreciate and make use of the diversity within our team and, for many years, practice an efficiency and advancement culture which is the basis for continuous improvement. It is important to us to balance the different interests inside and outside the company fairly and to define responsibility clearly; to assume and respect it. In this respect, the way we interact with each other at Basler is possibly the most important success factor. Because it is only together as a passionate team that we are able to continue our success and, thus, create the basis for a successful and exciting future.

Norbert Basler and Dietmar Ley

*N. Basler Dietmar Ley*

## Key Figures

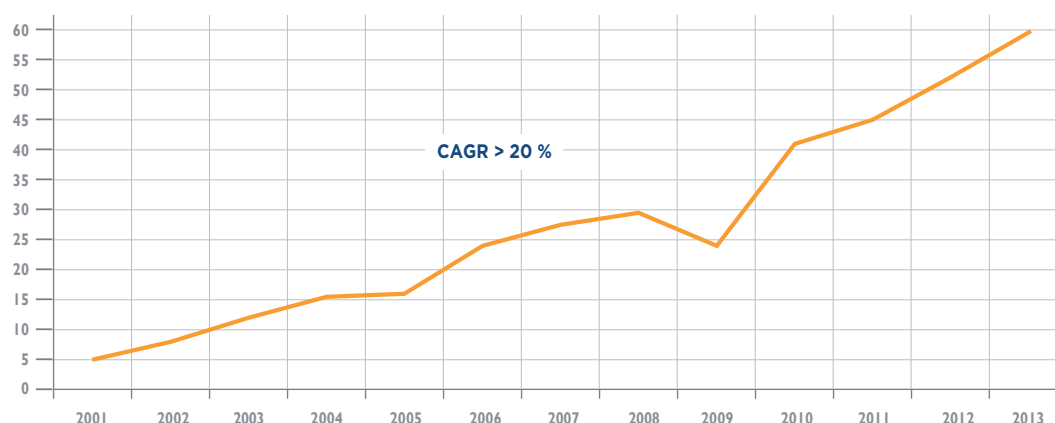
in € m*	2011	2012	2013	Changes to previous year
Sales revenues	55.1	55.9	65.1	16 %
Incoming orders	53.1	60.6	68.6	13 %
Gross results	24.4	26.9	32.5	21 %
Gross profit margin	44.3 %	48.1 %	49.9 %	2 Pp.
Full costs for research and development	7.1	8.3	9.1	10 %
Research and development ratio	12.9 %	14.8 %	14.0 %	-1 Pp.
EBITDA	13.0	13.4	14.0	4 %
EBIT	6.8	8.3	8.5	2 %
EBT	5.6	5.6	7.8	39 %
Annual surplus	4.2	4.1	5.6	37 %
Weighted average number of shares	3,493,162	3,372,588	3,281,312	-3 %
Result per share (€)	1.21	1.21	1.70	40 %
Cash flow from operational activity	13.7	12.6	12.1	-4 %
Cash flow from investing activity	-6.8	-6.3	-6.5	3 %
Free cash flow	6.9	6.3	5.6	-11 %

in € m*	12/31/2011	12/31/2012	12/31/2013	Changes to previous year
Total assets	55.9	58.5	63.3	8 %
Long-term assets	34.2	34.5	35.6	3 %
Equity	27.0	29.6	32.5	10 %
Borrowed capital	28.9	28.9	30.8	7 %
Equity ratio	48.3 %	50.6 %	51.3 %	1 Pp.
Net operating cash	-2.4	-3.5	-3.7	6 %
Working Capital	12.1	12.0	13.7	14 %
Number of employees for the fiscal year (equivalents of full-time employment)	267	290	325	12 %
Share price (XETRA) in €	13.48	13.79	29.00	110 %
Number of shares in circulation	3,445,313	3,325,664	3,238,184	-3 %
Market capitalization	46.4	45.9	93.9	105 %

\*unless otherwise stated

## Our Sales Development in the Camera Business





## We Give Machines the Power of Sight

Basler AG is one of the largest global manufacturers of digital industrial cameras. We are the only manufacturer to offer line scan cameras and area scan cameras, as well as network cameras. Our product portfolio of over 300 camera models covers all important interfaces. We profit from our long-standing experience to achieve an ease of use and an optimal price/performance ratio for our cameras.

The best example for this is the ace camera line. It is the only industrial area scan camera series in the market offering all popular mainstream interfaces. With our pylon Camera Software Suite, our customers can easily put into operation and control all models — regardless of the interface. Since its market launch four years ago, we have integrated a variety of new sensors into the

ace series. Thus, the ace stands out with the greatest possible selection of resolution, speed, and interfaces united in the same design. When switching to another model, our customers can select from a large portfolio and do not need to make any adjustments regarding mechanics or software interface.

With great commitment and enthusiasm, we are on the way to becoming the number one in the market for industrial cameras. We therefore strongly invest in research, development, and the expansion of our production. We manufacture our cameras at our Ahrensburg, Germany, location and work every day on the optimization of their performance.



### SUCCESS through a strong brand

“Developing and maintaining the corporate brand are key roles; and not just in the communications department. For us brand means far more than just advertisements, logo, and design: The Basler brand is the sum of all our actions. In order to mirror it positively in the perception and experiences of our customers, we internally live our brand image. Each employee works on living the brand, on making our services reliable every day, and thus anchoring the positive characteristics of our brand into the minds of our customers. Our customers have great confidence in our brand and Basler enjoys a good reputation in the market. This is mainly due to our positioning: We deliver high performance at fair prices, our products and deliveries are reliable, we make dependable statements, and we treat our customers with respect. The market also appreciates our experience, our competence, and our strength of innovation.

The brand plays a decisive role as an economic factor and secures our long-term profitability. A consistent brand management will be vital for our sustainable success in the market. To be good occasionally is not enough; we want to be good all the time. Our customers' positive experiences with our brand should constantly be reaffirmed. Thus, we will continue to make Basler recognizable, to differentiate, and to beat our competitors again and again.”

Anke Wübbelmann  
Head of Communications



### SUCCESS through innovative product development

“The identification of market and technology trends as well as the ability to successfully capitalize on them are important success factors for our strategy. Technology scouting, the organizational autonomy of our pre-development department, and an appropriate budget for pre-development are only some examples for how we ensure innovative product development at Basler. By doing so, we focus on our goals of innovative and preferably lean products as one of our corporate targets, because they play a central role in securing our long-term corporate success.”

Marko Voitel  
Head of R&D Technology



## Our Cameras Serve a Variety of Markets

Today, Basler cameras are used in a diverse range of industries. They are used in industrial production applications like electronics and semiconductor inspection, in robotics, food control, postal sorting and in print image control. In the medical sector they perform many different tasks, such as microscopy, ophthalmology, and blood or specimen analysis. They also fit optimally for the traffic and transportation sector, as well as for the surveillance sector, since

they provide high quality images even under the most difficult conditions. Furthermore, we continuously work on the development of new markets offering more fields of application for our cameras.

The application examples on the following pages will show you the advantages which the use of cameras might bring in practice.





### SUCCESS through a superior market access

“A decisive factor for the success of Basler AG is our excellent and direct market access to a variety of vertical markets and regions, which we additionally access through a network of distributors and resellers to whom we maintain strong and trustful relationships. This enables us to respond much faster than our competitors to our clients’ needs. At the same time we are — thanks to our qualified sales team — able to offer excellent consulting services to our customers. In the future, we will further expand both, the market access as well as the quality of our consultancy, and thus contribute considerably to the growth of our company.”

Alexander Temme  
Director of Sales

### SUCCESS through best-in-class customer satisfaction

“In respect of customer service there are two aspects of central importance for our company: Openness to the demands and challenges of our customers is the first one. Each customer is different and it is necessary for our customer service to deal intensively with this variety and to create individual solutions again and again.

The second key element is the regional proximity to our customers. By now, we have own service centers in many countries, including USA, China, Korea, Japan, and Singapore. However, not only quick reaction time is decisive but also the cultural understanding of the needs of our customers. Regional differentiation becomes more and more a critical success factor for companies operating internationally — not only for very large groups but also for small and medium-sized companies like Basler AG.”

Ulrich Kyas  
Director Operations



# Where Can Our Products Be Found?

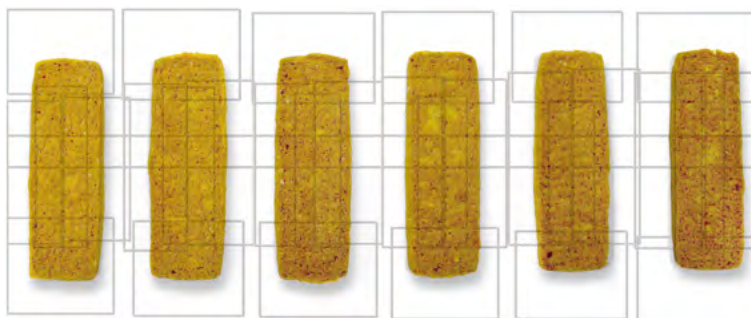
## Basler Cameras Optimize Biscuit Production



In biscuit production a consistently high quality and a uniform size in all packets play an important role.

Our cameras inspect the length and width of biscuits. All these data are incorporated into the process control: Both the weight of the ingredients and the amount of filling can be optimized and kept on a constant level so that manufacturers can operate as efficiently as possible with resources and packaging.

If the biscuits vary in weight or dimensions, cameras and software must recognize the differences as quickly as possible and compare them against the stored process data so that the causes for the deviations can be eliminated quickly.



## Basler Cameras Identify Blood Fractions



For efficient processing of blood donations, human blood must be separated into its components. This process is called blood fractionation. Blood samples vary significantly in volume, viscosity and turbidity. This natural variability makes automation of the fractionation process extremely difficult.

After a first centrifugation, Basler cameras measure the volumes of each component. Based on the measurement results, a liquid handling system accurately aspires off each fraction, before dispensing it into test tubes for storage or further processing.

With modern means of blood fractionation, individual blood components can be processed in such a way that several patients can benefit from one single blood donation.





## Basler Cameras for More Traffic Safety

Around the world, road and railway traffic is continuously increasing. Keeping up with this development is not only a mammoth task for traffic planners, but also for the technical infrastructure in traffic management.

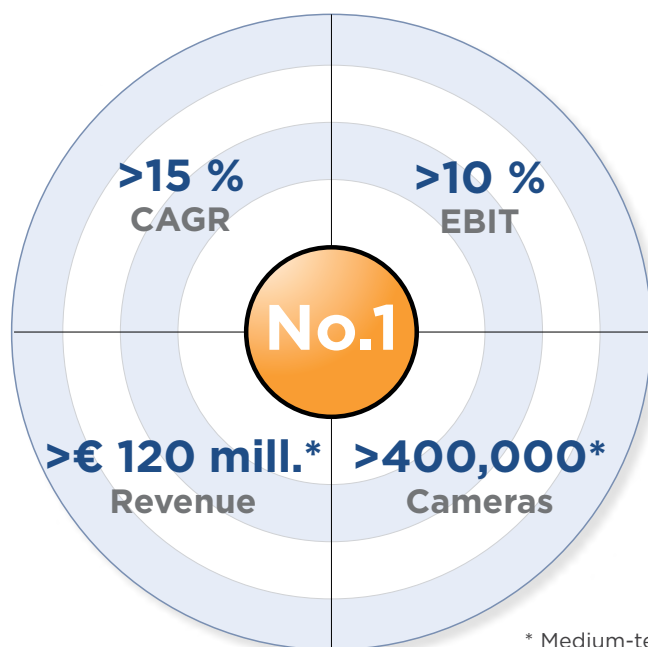
Basler cameras perform a wide range of tasks with their unique combination of images and video recordings. They contribute to traffic safety by identifying red-light violations and by providing forensic evidence in cases of prohibited lane changes or excessive speed. As an integral component of automatic tolling systems, they reliably detect tolling violations. Traffic flow management applications perform a variety of analytical tasks whereas safety-related applications mainly concentrate on detecting damaged road or railway infrastructure.

All camera-based traffic applications pursue one common goal: to increase road and railway traffic safety. Basler is proud to contribute to that with its broad camera portfolio.





## We want to become Number One!



\* Medium-term targets 2018



### SUCCESS through the right balance between profitability and growth

“With passion, vision, and ambition we strive for the market leadership in unit volume and revenue in the field of industrial cameras. Our business model for achieving market leadership is based on the right balance between profitability and growth. Profitability creates stability and trust. It is thus the basis for a long-term cooperation with customers, employees, investors, and business partners. Growth offers opportunities for change, creativity, and development to our employees, as well as attractive prospects for investors and business partners. Therefore, our target EBIT margin has top priority.

We invest any additional profitability of the company in opportunities for growth in the continuously expanding “universe” of digital cameras. Fascinated and motivated by new technological opportunities we implement innovations consistently. We enjoy giving technology the power of sight whilst achieving economical and technical top performance.”

Hardy Mehl  
Chief Financial Officer -  
Chief Operations Officer -  
Board of Directors



### SUCCESS through cooperation of development, sales, and marketing

“With each new camera we want to help our customers to develop even better, more efficient, and more competitive products and to market them successfully. Thereby, we focus on a close connection between development, sales, and marketing. This enables us to connect technological opportunities and trends — which can be seen in development well before the actual product — with specific challenges and problems of our customers, and based on this, to develop future product ideas and finally also new products. In doing so, we see standardization as a key success factor so that new technologies become as easy to use as possible and become available for as many customers as possible. We always see ourselves as the driving force so that our efforts contribute to a rapid spread of, for example, new interface technologies. Thus, the integration of our cameras is easier and safer and becomes interesting for more and more customers in new markets.”

Henning Tiarks  
Head of Product Management

### SUCCESS through an efficient production

“The most important principle of production at Basler is the focusing of all processes on customer needs, quality, and efficiency. In practice, this requires a continuous adjustment of the production processes to new products and requirements of our customers. We perfectly managed the change from a low volume production to a series production in the past years. However, we are still far from what we want to achieve. Every day, we work on the further development and optimization of our processes in order to ensure the planned growth of tomorrow.

Our ambitious team delivers very important impulses for this. Every employee develops ideas for improving our processes or for optimizing our opportunities, together we work out new concepts and take new paths. Thus, we are best prepared for the future. The open and trustful interaction is one of the main characteristics of our production. This makes it unique — and successful.”

Carsten Ohrt  
Head of Manufacturing



## As a Team We Strive for Top Performance

Approximately 350 employees work at our headquarters in Ahrensburg, Germany, as well as in our subsidiaries in Singapore, Taiwan, and the USA. People of all nationalities develop, manufacture, and distribute our cameras. Every day, we benefit from this cultural diversity, because there are essential linking elements, enabling a successful cooperation at Basler. This includes the pleasure of introducing high quality products into the market together with other motivated colleagues. This also includes celebrating corporate

successes, instead of aiming at one's own individual success. It is ingrained in our culture to consider the concerns of others, to work together and not to work against each other. This is the only way in which we develop further and create an honest and open working atmosphere offering ideal conditions for individual development. We know the strengths of our employees and give them room to make use of them. Thus, we become better day by day.



### SUCCESS through a proper cooperation with the works council

“The works council and the management of Basler AG know that entrepreneurial success and safeguarding the employees’ interests do not exclude but depend on each other. Both parties consider upcoming issues from different point of views but by exchanging experiences the image becomes more colorful and more complete. We talk and listen to each other.

This includes the willingness of both sides to look for an open dialog, to remain curious, to possibly discover a mutual interest behind the exchanged arguments. This requires courage, the opportunity for communication, time, openness, and trust. For us as a works council it is important that this kind of cooperation develops further within the company in order to experience Basler as a company where it is a pleasure to work and where everybody is treated respectfully.

The way how the works council and the management here at Basler cooperate is something special: If we argue, we do it in order to find the “better” solution. If we follow this effort further, in the future we will be able to rely on each other also in difficult times. This makes us well prepared for the future.”

Dorothea Brandes  
Head of Works Council





### SUCCESS through strong junior staff

“In order to find young qualified staff we work closely together with regional schools. In the frame of internships and events, we offer an early opportunity to children and adolescents to get to know our company up close. In particular, we focus on raising enthusiasm for science and technology. This already starts in elementary schools and continues all the way to the upper grades offering subjects and projects for all ages.

We train our junior staff ourselves and received the IHK Ausbildungs-Award (Training Award from the Chamber of Industry and Commerce) in 2013 for outstanding performance of our in-house training. We currently train 28 young people in four different apprenticeships as well as in five different dual study programs to which we will add computer engineering and business administration this summer and thus will increase the number of dual study programs to seven. In our company, students can gain practical experiences, either in an internship, as a working student, or by receiving support with their final thesis. In doing so, we try to attract students to our company at an early stage and to offer them later, as graduates with initial professional experiences, a smooth start in the company.

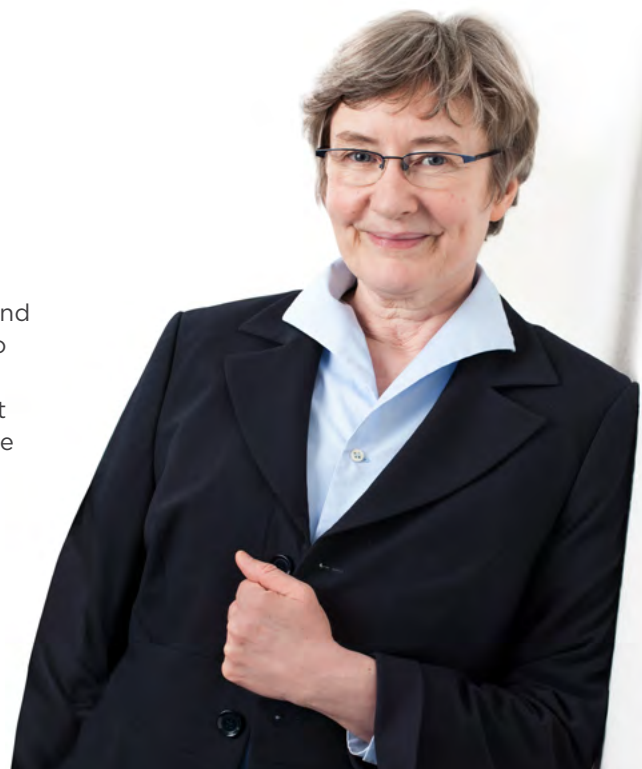
Above all, it is important to us that potential job applicants are curious and enjoy facing changing requirements. They should like working in a team and show initiative and commitment. Another important success factor is the willingness to continuously develop further — personally and professionally — and to become actively involved in our company.”

Anja Sievers-Sack  
Head of Vocational Education & HR Marketing

### SUCCESS through active staff retention

“For us, the motivation, creativity and — above all — the knowledge and the experience of our employees are an invaluable asset that needs to be protected, preserved and strengthened. We, therefore, see it as an important investment into our future to create a working environment taking into consideration the needs of our employees and, at the same time, offering incentives to engage themselves for the further long-term development of the company. Flexible working time models, reconciliation of work and family life, as well as a corporate health management that was implemented in 2013, take this into account, but also individual development agreements, an employee development program promoting talents, or various participation opportunities within the company.”

Sabine Knüppel  
Director Human Resources and Organization



# Corporate Culture — a Differentiating Feature and Success Factor?

In the future, a constructive interaction with other people will influence the economic success of a company, says futurologist Erik Händeler. The economic journalist is intensively studying the question how the global economic and social future will develop.

**Basler:** *Mr. Händeler, your opinion is that we are currently in the transition from an industrial to a knowledge society. What is meant by this?*

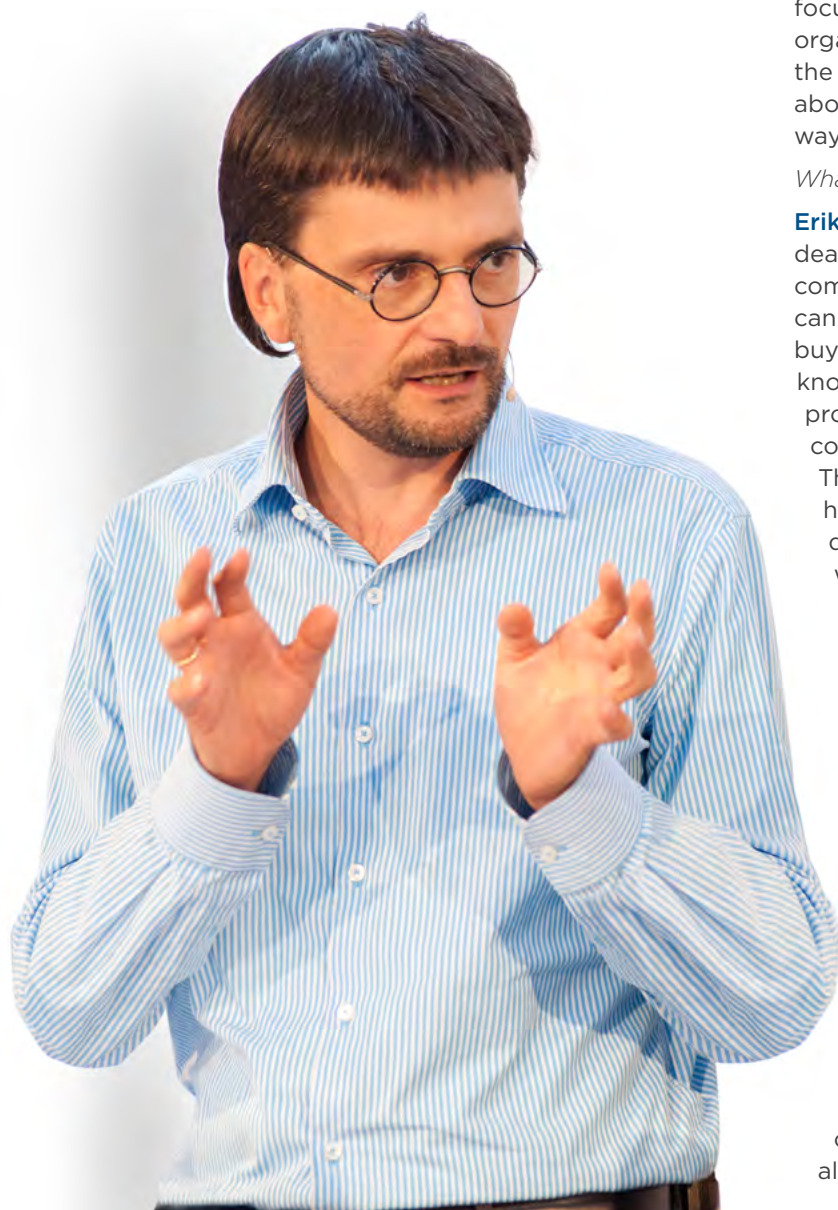
**Erik Händeler:** My opinion is that our prosperity will no longer depend so much on working with our hands — on screwing, milling, assembling. Machines have already taken over most of this kind of physical work. Nowadays, focus is on immaterial value creation: planning, organizing, advising, solving problems; understanding the customer's mind, thinking through and deciding about circumstances, preparing it in a comprehensive way for others; referring to the knowledge of others.

*What does this mean for a company like Basler AG?*

**Erik Händeler:** Like any other company, Basler must deal with the question: What distinguishes us from our competitors in the United States or in Japan? Anybody can borrow capital in another country; anybody can buy any machine all over the world, download the knowledge of mankind from the internet, market products worldwide. The only difference between companies will be the ability to handle knowledge. This may sound simple, however, it isn't. Because handling knowledge always means at the same time dealing with many different people — some of them we like more, some of them we like less — with which we sometimes have different, justified conflicts of interests.

*If the knowledge of each individual will be crucial for the success of a company, how can a company motivate its employees to keep on learning and to share their knowledge with others?*

**Erik Händeler:** Usually it is about reward and punishment. However, this is only applicable for personal benefit. Success and prosperity in the knowledge society is more than an individualistic subject. Is it about one's own cost center or does somebody have the benefit beyond in view? Does he only feel responsible for his own career or does he have real interest in the equal well-being of the others, of the colleagues, partners, and customers? As a company you can propagate or demonstrate this, but actually this attitude must already exist in the surrounding society.



*Basler is a globally acting company with employees all over the world. How can knowledge successfully be exchanged across the different cultures?*

**Erik Händeler:** So far, it worked in this way: One looks at other people's culture and tries to prepare for it. But it is not productive to pretend competency just for fear of loss of face instead of admitting to have no idea or solution. It is more efficient to ask critical questions — and it is not productive if somebody then draws a dagger because his honor is offended. That is why all cultures currently come under pressure to change their behavior because these date from earlier group habits and ethics and are not fit for today's global cooperation. Admittedly, this will be very demanding. Finally, at Basler you will have to try to create a corporate culture across all cultures of the world so that rules become clear about how to criticize, how to deal with criticism, and how to contradict. Someday, there will be a global culture growing out of the economic pressure resulting from the requirements of the knowledge society.

*Which attitudes and values of employees support the knowledge management and, thus, also the sustainability of a company?*

**Erik Händeler:** Transparency instead of manipulation in the service of own interests; openness for a constructive dispute about the better solution. Due to economic reasons, we will not be able to afford not to speak to each other when we have fallen out. Because if two department managers cease to speak to each other, the information we would have needed to get the large order will be missing.

*What benefit does a company like Basler AG have from working on its corporate culture?*

**Erik Händeler:** It ensures its survival, because everything else is exchangeable and because the prosperity in the knowledge society depends on how efficiently knowledge is used. Economic success now is a systemic performance. The failure or the positive acting of an individual decides on whether the performance of others will be fully effective or will be falling flat. Corporate culture determines the information flow and results in economic success.

*If this is transferred into abstractly formulated principles of conduct which are to be applied in a company, how can it be ensured that they are put into practice by all participants?*

**Erik Händeler:**

Everyday life will decide if the principles of conduct are just invented for PR purposes or if they are taken seriously. They create awareness. If things go wrong in the daily working routine and there are enough people in your organization with moral courage, these employees can point out the principles of conduct to other colleagues or superiors and cause an attitude change or initiate a process of change. The question is also if the management board penalizes people who do not behave according to these principles, but instead foster intrigue and act in a selfish way. Sometimes, the rules exist unspoken in the minds so that they are lived even by those who join the team later and intuitively feel which standards are valid.

*You got to know Basler AG on the occasion of an event last year. Do you think that Basler is well prepared for the future?*

**Erik Händeler:** I attend about 100 events per year and I have been travelling with lectures and seminars for 15 years. But it was the first time that I got to know a company taking a whole day time to discuss about rules of conduct — I have never experienced that before. You are far ahead of most of the companies. Shark pool companies will not survive in the market. However, my impression is that I am invited by companies that do everything right anyway.







## PREFACE BY THE MANAGEMENT BOARD

Hardy Mehl  
CFO/COO

Arndt Bake  
CMO

Dr. Dietmar Ley  
CEO

John P. Jennings  
CCO

*Dear shareholders, employees, customers,  
and business partners,*

2013 was both an anniversary and a record year for Basler AG: Our company turned 25 years old and had by far its most successful financial year to date.

Compared to the previous year, we increased our sales by more than 16 % and thus grew three times faster than the German image processing market. Since the foundation of the company, group sales reached a new record level of € 65 million. Also the pre-tax result reached an all-time high of € 7.8 million.

The excellent results of the financial year 2013 are the result of our differentiated volume strategy executed by our passionate team. In this year's annual report we would like to focus on the people and the company culture at Basler which are of central importance for the success of our growth strategy. The management board would like to thank all employees and partners for the achievements made in 2013.

We also would like to thank our shareholders for the trustful and excellent cooperation in the course of the reporting period. The positive results of the fiscal year 2013 enable us to let you participate for the fourth time in a row in the success of the company. We will therefore forward a proposal to the shareholders' meeting 2014 suggesting to pay a dividend for the financial year 2013 in the amount of 47 Cents per share, consisting of a basic dividend of 20 Cents per share and an additional dividend of 27 Cents per share.

Should that proposal be adopted, the planned dividend payment of a total of approximately € 1.5 million would correspond to about 27 % of the net result.

For 2014, economic research institutes and banks assume that compared to 2013 the global economy will slightly improve and grow by almost 3 %. These forecasts are based on the assumption that the euro zone will continue to recover in 2014, that in the light of decreasing bond purchases of the US Federal Reserve the US economy will increase by more than 2.5 %, and that the growth rate of the Chinese economy will develop similar to 2013. In view of these estimations the German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau, VDMA) expects production in the global engineering industry to grow by approximately 5 % in 2014. The VDMA also forecasts a sales growth of about 5 % for the German image processing industry for 2014.

After discussions with our customers and distribution partners in the past months, we agree with these estimations. For our camera business we expect growth in sales to continue in 2014 keeping the momentum of the previous year. The main driver of our growth will be increasing revenues in vertical markets outside of industrial mass production, gains in market shares in important regional markets, and sales volume with new products.

We expect sales revenues for the Basler group to be in a corridor between € 70 and 74 million and a pre-tax return between 8 and 10 %. We anticipate sales and pre-tax results in the second and third quarter to be

slightly above those of the first and fourth quarter. In the second half year, cash flow will be above the results of the first half year.

Basler AG is well prepared for the new fiscal year: Our camera business has sustainable growth potential in its traditional markets as well as in new adjacent markets. The risk profile of our business model is rather defensive due to the large number of customers and target markets. Our strong brand, our modern and broad product portfolio, and our established market access will enable us to grow faster than the image processing market in 2014. Therefore, we are confident to make further progress on our chosen strategic path in the future and to be able to reach the sales threshold of € 100 million in a few years.

We look forward to the work in 2014 and to the exchange with you in the course of the fiscal year!

Ahrensburg, March 2014

The Management Board



Dr. Dietmar Ley

(CEO)



John P. Jennings

(CCO)



Arndt Bake

(CMO)



Hardy Mehl

(CFO/COO)



## REPORT OF THE SUPERVISORY BOARD

- **Prof. Dr. Eckart Kottkamp**  
Vice Chairman of the Supervisory Board
- **Norbert Basler**  
Founder &  
Chairman of the Supervisory Board
- **Konrad Ellegast**  
Supervisory Board

*Dear Ladies and Gentlemen,*

In the elapsed fiscal year 2013, the supervisory board has fulfilled its incumbent obligations according to the law, the German Corporate Governance Code, the articles of incorporation and the rules of procedure of the supervisory board and has continuously monitored and advised the management board in its management activities. The management board has provided the supervisory board with written and oral reports on the economic position of Basler AG, its foreign subsidiaries, and its divisions on a monthly basis and has discussed the business and economic situation in detail with the chairman of the supervisory board.

In fiscal year 2013, four regularly occurring supervisory board meetings took place, which all members of the supervisory board attended. The meetings were held on March 19, May 22, September 24, and December 17. Furthermore, in a conference call on August 29, the resolution on the expansion of the management board by Mr. Hardy Mehl was taken. Moreover, one additional meeting in which the management board presented the strategy and the corresponding planning for the next years to the supervisory board was held on November 13. Committees as set forth in § 171, Section 2, Clause 2 of the Stock Corporation Act (AktG) were not formed, due to the small size of the supervisory board (three persons).

The management board and the supervisory board cooperate closely for the benefit of the company. The basis for this cooperation is frank and trusting discussion. The management board has coordinated the company's strategic orientation with the supervisory board and has reported in regular intervals to the supervisory board about the state of implementation. The supervisory board was involved in all major decisions of fundamental importance to the company.

The management board has informed the supervisory board at regular intervals about all relevant issues concerning the company's business development and risk situation. The chairman of the supervisory board is in regular contact with the CEO, and was informed by him about current developments and unusual occurrences and passed them on accordingly to the other members of the supervisory board. The supervisory board consented to those business dealings which, according to the law and the company's articles of incorporation, required its consent. This applies to decisions and measures of fundamental importance to the company's situation with regard to assets, finances, and revenue. Significant issues in the elapsed fiscal year were inter alia:

- Consultation on and conclusion of the annual balance sheet for 2012 and the proposals for the shareholders' meeting
- Dividends for fiscal year 2012 including the proposal for the shareholders' meeting
- Economic and market-specific developments
- Situation of the relevant markets and Basler AG's position in these markets
- Advancement of the corporate strategy
- Situation of the subsidiaries
- Investments
- Corporate financing and banking relationships
- Currency hedges



- Liquidity and working capital
- Investor relations
- Extension of the share buyback program
- Corporate planning and budget for the group for fiscal year 2014
- 4-year-planning
- Correctness and effectiveness of the internal control system (IKS)
- Correctness and effectiveness of the risk management system (RMS)
- Commitment to and amendments of the Corporate Governance Code
- IT security
- Management board and allocation of responsibilities
- Remuneration of the management board
- Update of the company regulations
- Production concept

The BDO AG Wirtschaftsprüfungsgesellschaft which was selected as annual auditor by the shareholders' meeting on May 22, 2013, was commissioned by the chairman of the supervisory board to perform the audit by a letter of October 8, 2013. The annual auditor participated in the supervisory board meeting on March 18, 2014, in which the presented annual balance sheet and the reported essential results were discussed.

The accounting, the annual balance sheet as of December 31, 2013, and the situation report for Basler AG, along with the group's annual balance sheet as of December 31, 2013, and the group's situation report have been audited by the annual auditor, the BDO AG Wirtschaftsprüfungsgesellschaft, they have been found to be compliant with the applicable laws and the company's articles of incorporation, and they have each been furnished with an unconditional audit certificate. The supervisory board took consenting note of the audit result.

The supervisory board, on its part, examined the company's and the group's annual balance sheets and the company's and the group's situation reports in the context of the applicable legal regulations. No objections were raised. The supervisory board approved of and therewith established the annual balance sheet for Basler AG as prepared by the management board.

In accord with the Corporate Governance Code, the supervisory board regularly reviewed the efficiency

of its work and enhanced it in connection with useful modifications related to the preparation and the document composition for its meetings. Furthermore, the supervisory board perceived on its own authority education and training measures required to perform its duties.

The supervisory board members do not act as consultants to nor hold officer positions in executive bodies of clients, suppliers, creditors, or other business partners. Consequently, conflicts of interest did not arise with their mandates during the past fiscal year.

The report compiled by the management board according to § 312 of the Stock Corporation Act (AktG) on relations with affiliate companies was audited by the annual auditor and furnished with the following audit certificate:

"Following our due audit and evaluation we herewith confirm that

- the actual information given in the report is correct and
- the company's performance was not inappropriately high for the legal transactions specified for the reporting year."

The supervisory board took consenting note also of this audit report of the annual auditor. The supervisory board states after the concluding result of its own audit, that no objections are to be raised regarding the management board's statements on relations with affiliate companies.

### **Operative Excellence and Record Investments in the Development of the Company**

In its anniversary year, Basler AG once again exceeded its operative targets. At the same time, strong investments were made in the future of the business, in order to further expand the foundations of the future success.

After completion of the strategically planned reduction of the solutions business that has now largely been completed and after many years of resulting diminishing effects on the constantly increasing sales in the camera business, for the first time, in the financial year 2013, the total operating performance strongly increased along the sales in the camera business. Also compared to the budget, sales increased and were above our medium-term planning. Thus, the gain in market shares was higher than previously expected. Also the achieved margins led to new absolute and relative records.

The supervisory board is particularly pleased that these results based on the efforts made in the past years could be brought in line with extraordinarily strong investments in the company's future. Only in this way it will be possible to double sales revenues within the next years with consistently high profitability.

In the elapsed fiscal year, investments were made in all relevant areas: in the capacity of development, sales, production, in internationalization, in the personnel and organizational development, in training and further education, in the reconciliation of working life and family, as well as in a modern health management. All structures and processes have been prepared for the expected growth. We also resolved on the expansion of the management board including changes in board responsibilities, as well as on a broad reorganization and an increase in capacity on all levels. Worth a special mention are the outstanding efforts made in the area of training: with a considerable expansion of our training capacities in the areas of vocational training and dual course of studies, Basler AG not only secures its future needs for correspondingly qualified personnel but also assumes disproportionate social responsibility. Thus, the company is following its conviction that a long-term corporate success only can flourish on the basis of a modern corporate culture and sustainable values.

Thus, the 25th year of the company history was a big success and a powerful atmosphere of departure at

the same time. The supervisory board expressly thanks all employees, executives, and the members of the management board of Basler AG for the excellent and successful work they have accomplished in the elapsed fiscal year.

Ahrensburg, March 2014

For the Supervisory Board



Norbert Basler  
Chairman of the  
Supervisory Board



Prof. Dr. Eckart Kottkamp  
Vice Chairman of the  
Supervisory Board



Konrad Ellegast  
Supervisory Board

## THE BASLER SHARE

In 2013, many important stock markets developed positively with increasing corporate profits and the lack of attractive investment alternatives and reached annual highs or even all-time highs at the end of the year. However, globally the performance in 2013 developed unevenly. Whereas the DAX, EuroStoxx 50, as well as S&P 500 reported strong gains, the emerging markets were disappointing.

Due to the excellent business development of the company, the Basler share strongly increased in value in this mainly positive capital market environment. Starting out with € 13.79 at the beginning of fiscal year 2013, it closed out the year at € 29.00, which corresponded to a price increase of 110 % and represented a 13-year high.

Already in the course of the first quarter, the Basler share price increased to almost € 15.00 and climbed up to a temporary 12-year high of approximately € 22.00 at the beginning of June. Parallel to the correction of the share level in the international markets until the middle of the year, the share settled at a level of € 18.98 at the end of the second quarter. In the third quarter, the upward trend continued: after publication of the preliminary business figures for the second quarter, the share price increased to € 24.65 in the month of August and consolidated until the third quarter at a share price level of € 23.00. In mid-October, the interest in the share increased significantly after our profit forecast was raised for the second time as part of the publication of preliminary business figures for the third quarter. After strong trading in November and December and a temporary year's high of € 32.20, on the reporting date the closing price was € 29.00.

The significant upward movement of our share price due to the positive sales and profit development in the elapsed fiscal year confirm our decision made in autumn 2011 to start buying own shares in view of the favorable company valuation at that time.

### Shareholders' Meeting

The shareholders' meeting took place in the Hamburg Chamber of Commerce on May 22, 2013.

The investors present were given an extensive company presentation by the management board informing them about the strategic alignment of the company and the course of business in 2012. After a general debate all items were approved by more than 99 % of the voters present.

Please find detailed information about the shareholders' meeting 2013 here:

[www.baslerweb.com/Investoren](http://www.baslerweb.com/Investoren)

### Share Buyback Program

The shareholders' meeting of May 18, 2010, authorized the company to buy back 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 through May 18, 2015. The shares can be used for all purposes provided for in the authorization of the shareholders' meeting of May 18, 2010.

Convinced that sales and results will continuously improve over forthcoming reporting periods, in September 2011, the management board decided first to buy back shares with an equivalent of € 1 million. Further share buyback programs with an equivalent of € 1 million each were resolved on in spring 2012, in spring 2013, as well as in September 2013. At the reporting date, Basler AG held 261,816 pieces of own shares that were purchased at an average share price level of € 14.44. The share buyback program started in September 2013 has not fully been used up as of the reporting date on December 31, 2013.

### Dividend and Appropriation of Earnings

Due to the positive business development in the fiscal year 2013, the management board of Basler AG has decided to propose to this year's shareholders' meeting to pay a dividend.

Our dividend strategy provides for a combination of a reliable base dividend, to be paid independently of the company's result and an additional dividend depending on the company's success.

On this base, the proposal will be made in the shareholders' meeting of 2014 to pay a dividend for the fiscal year 2013 of 47 Cents per share consisting of a base dividend of 20 Cents per share and an additional dividend amounting to 27 Cents per share.

### Capital Market Communication

Continuous and open communication with all capital market participants is very important to Basler AG. Therefore, we value the direct contact to analysts, investors, and private shareholders. We communicate with institutional investors in the frame of conference calls, individual conversations, and roadshows or at capital market conferences. It is during the shareholders' meeting, at smaller conferences, as well as in personal discussions where we inform private investors about the development of the company.

In the elapsed fiscal year, Basler AG participated in four roadshows and two capital market conferences. Due to the increased share price level, many investors sought direct contact with the company. We addressed this interest via conference calls and videoconferences or in the form of company tours.



As a listed family company, in 2013 we concentrated our investor relations work mainly on investors pursuing a long-term strategy focusing on listed family companies like Basler AG which are comfortable with correspondingly limited trade volumes. Due to this clear orientation, the quality of our investors' meetings considerably improved and, along the improving figures, enabled us to gain more new investors for Basler AG in 2013 than in the previous years. After these positive experiences made in the elapsed fiscal year, we will continue this strategy in 2014.

In the previous year, the analysts of Warburg Research and Close Brothers Seydler Research AG regularly prepared studies about Basler AG (previous year: 2). You can find the current recommendations via [www.baslerweb.com/share](http://www.baslerweb.com/share) in the Share >> Analyst recommendations section.

In addition to this, we offer comprehensive information in the internet via [www.baslerweb.com/Investors](http://www.baslerweb.com/Investors), where you can find our quarterly reports, half year reports, and annual financial reports, along with analyst presentations and press releases, as well as the financial calendar for the current year showing all important publication dates and the date of the shareholders' meeting (please see also financial calendar on page 70).

## Contact

For questions about our company or the Basler share, please contact our investor relations department:

Tel. +49 4102 463 0  
 Fax +49 4102 463 108  
[ir@baslerweb.com](mailto:ir@baslerweb.com)  
[www.baslerweb.com/Investors](http://www.baslerweb.com/Investors)

## Regular Information

If you wish to receive information about our company regularly, please contact our investor relations department via [www.baslerweb.com/Investors](http://www.baslerweb.com/Investors).

## Share-related Information

ISIN: DE0005102008

Symbol: BSL

Prime Standard branch: Industrial

Industry group: Advanced Industrial Equipment

Admission segment: Prime Standard / Regulated Market

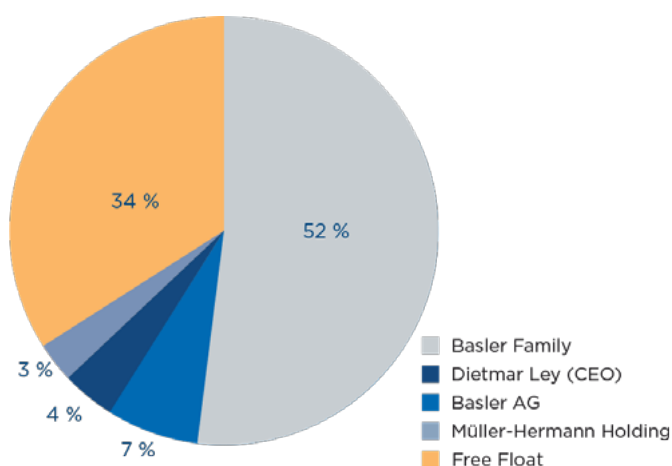
Designated sponsor: Close Brothers Seydler AG

Number of shares: 3,500,000

Member of the following indices: CDax, Prime All Share, Technology All Share, GEX\*

As regards trade, our share is supported on the capital market by Close Brothers Seydler AG (so-called designated sponsoring). Close Brothers Seydler is a leading provider of this service in Germany and regularly earns top rankings by Deutsche Börse.

## Shareholder Structure

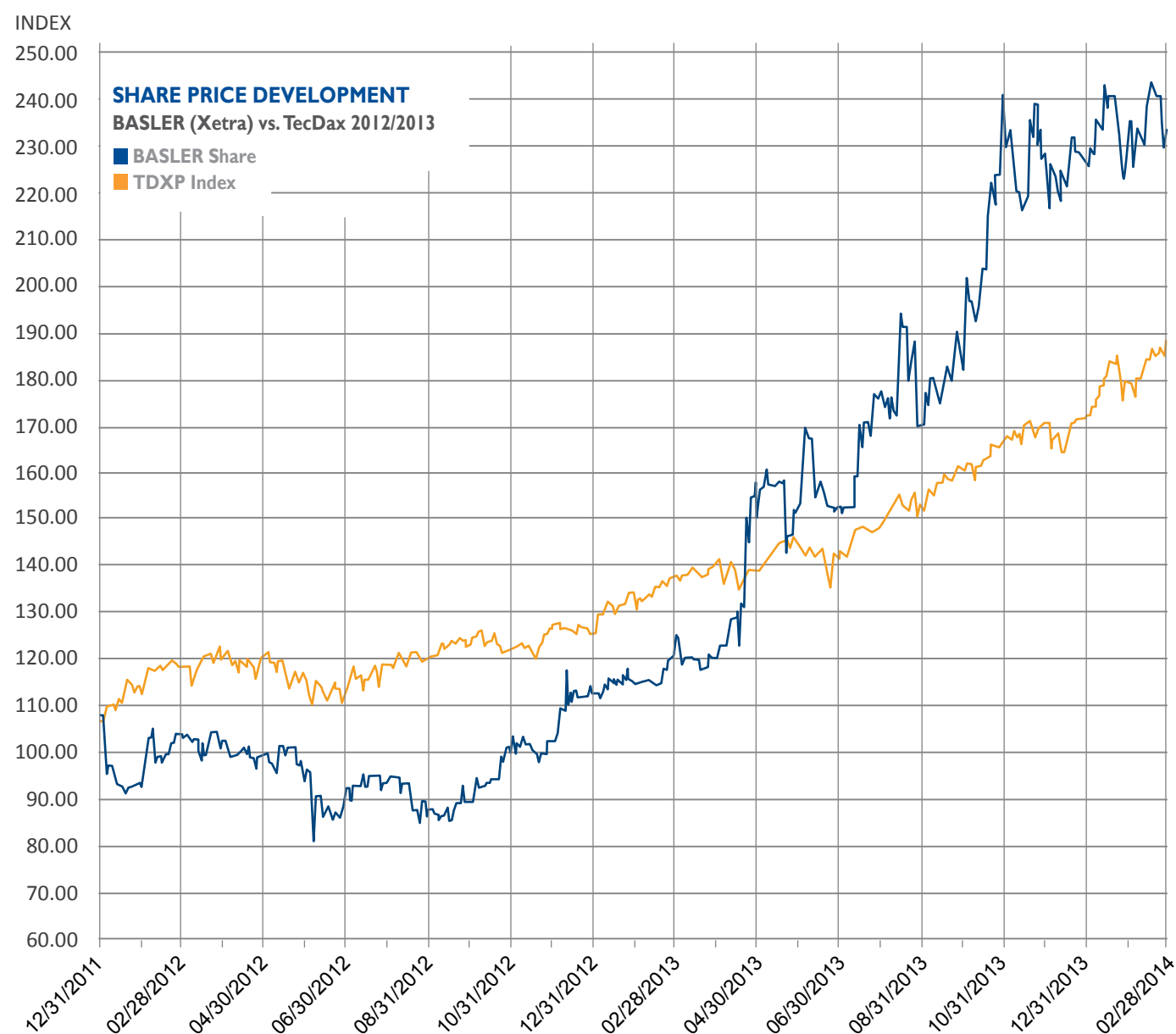


\* GEX is the index for the performance of medium-sized companies on the stock market

## Share Price Key Figures

	2013	2012	2011	2010
Market capitalization in € million (as of 12/31),	93.9	45.9	46.4	40.5
Annual closing price in € (as of 12/31)	29.00	13.79	13.48	11.58
Year high in €	31.05	14.40	14.73	12.15
Year low in €	13.47	9.40	10.00	5.41
Annual development	+110 %	+2 %	+16 %	+78 %

## Share Price Development



# DECLARATION OF CONFORMITY 2013 WITH THE CORPORATE GOVERNANCE CODE PURSUANT TO § 161 OF THE GERMAN STOCK CORPORATION ACT (AKTIENGESETZ - 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, Paragraph 3 – D&O Insurance Deductible for the Supervisory Board

Clause 3.8, paragraph 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 shareholders' 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	-

Ahrensburg, March 18, 2014



Dr. Dietmar Ley  
CEO



Norbert Basler  
Chairman of the Supervisory Board



John P. Jennings  
CCO



Prof. Dr. Eckart Kottkamp  
Vice Chairman of the Supervisory Board



Arndt Bake  
CMO



Konrad Ellegast  
Supervisory Board



Hardy Mehl  
CFO/COO



# CONSOLIDATED FINANCIAL STATEMENT

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# MANAGEMENT REPORT

## 1 Basic Company Information

### 1.1 Business Model

Basler AG is based in Ahrensburg near Hamburg (Germany) and develops and manufactures high-quality digital cameras for professional users that are mainly used in industrial mass production, medical technology, traffic control, as well as in video surveillance. Basler cameras are recognized on the market for innovation, excellent quality, simple integration, compact housings, and an outstanding price performance ratio. These factors made Basler one of the world's two largest providers of industrial cameras today.

In addition to research and development and the production of cameras which is exclusively carried out in Germany, Basler has a globally operating sales organization. Target customers are national and international manufacturers of industrial goods (OEM customers), integrating Basler cameras in their own products. The OEM customers are supported by an own direct sales organization or by regional sales partners (distributors).

Basler AG has 100 % owned subsidiaries in the USA, Singapore, and Taiwan. The subsidiaries are fully consolidated in the consolidated financial statements. Further branches are located in Japan, South Korea, China and Finland. The foreign subsidiaries and branches provide sales and service activities.

External factors influencing the business model are the general macroeconomic situation and the demand situation in the central regional markets in Asia, Europe, and North America. Due to Basler's alignment towards industrial goods manufacturers, the economic situation of the machinery and plant construction industry is of particular importance for the business development of the group.

### 1.2 Control System

An annually conducted strategy process defining the alignment of the company regarding product portfolio, target markets, sales strategy, technologies, and financial key figures is the basis of the group management. The strategy process concludes with a four-year planning as well as with a budget for the upcoming fiscal year. Financial and non-financial performance indicators that are essential for the group management are derived from both planning perspectives and summarized in a balanced score card system (BSC). Besides sales, revenue, and profitability figures, parameters like employees satisfaction, and the degree of Basler brand awareness belong to the main BSC figures. Further key figures of the corporate

management are mentioned in the economic report. The BSC figures are updated once a month and discussed within the management team. This enables an early recognition of potential deviations from the targets and the initiation of appropriate countermeasures.

In order to ensure high quality of the manufactured products and the implementation of corporate processes, Basler has implemented a quality management system (QM system). In the course of the financial year, internal audits are conducted to find out whether the processes within the operational practice are compatible with the process descriptions of the QM system. Once a year, an external audit is conducted in order to verify whether the QM system is applied according to the provisions of the DIN ISO 9000/2008 and DIN ISO 9000/2000.

### 1.3 Research and Development

As a technology company, Basler relies on an early recognition of technological trends and their fast integration in new products. Since camera technology develops fast, Basler's average annual investment in research and development (R&D) is between 13 and 15 % of sales. R&D activities are structured as follows:

- Development of new platform architectures for future product lines
- Development of new products on existing product platforms
- Maintenance of existing products
- Pre-development

As in 2012, in the reporting period, the platform related work focused on the development of the USB 3.0 interface technology, which we will offer for a large portion of our product portfolio in the future. In the course of the year, we also considerably extended the range of features of our pylon driver platform and increased its ease of operation. Finally, we developed various new production tools that are necessary for manufacturing new products or which facilitate the manufacturing of existing products.

In the frame of the product development, in 2013 the development of the new racer line scan camera family was completed. Furthermore, we equipped our currently most successful ace product family with new image sensors so that it can be used for many additional applications.

The life cycle of a Basler camera covers a period of three to ten years. During this life cycle, product maintenance measures are continuously taken in order

to ensure production over a longer period of time, to reduce manufacturing costs, or to eliminate errors in the operation.

In pre-development, we work on the examination of technologies that are worth considering for the use in future products. The aim of predevelopment is to master new technologies in the run-up to platform or product developments and to analyze them for possible risks. In this way, product developments that are based on these technologies can be conducted closely to the planning.

Based on total sales, the expenses for research and development amounted to 14 % (previous year: 14.8 %). Compared to the previous year, overall, the costs (R&D, personnel expenses, depreciations, other operating expenses, as well as directly attributable overheads) increased from € 8.3 million to € 9.1 million in 2013. The expenses include third-party services in the amount of € 613 thousand (previous year: € 339 thousand). In 2013, the capitalized investments in own developments amounted to € 4.3 million (previous year: € 4.5 million) which corresponds to a decrease of 4 % compared to 2012. The amount of depreciations for own developments amounted to € 3.4 million (previous year: € 3 million). As of December 31, 2013, the number of full-time equivalent employees in research and development was 84 (previous year: 81).

At the end of fiscal year 2013, Basler AG was the owner of 27 (previous year: 30) patents and patent applications. 17 patents are granted (previous year: 17), those remaining are in the process of application. Furthermore, Basler is the owner of one utility model, 27 trade names, and three registered designs. One further trade name is in the process of application.

## 2 Economic Report

### 2.1 Basic Conditions

In 2013, the economic conditions were average. The global economic growth of 3.5 % that was expected at the beginning of the year was not achieved and ended up with an estimated true value of 2.9 % (Source: VDMA Economy Report Dec. 2013). Particularly in the first half year, the buoyant forces were weaker than expected. The drifting apart of fast-growing emerging economies and slower growing traditional industrial countries that was observable in the previous years, temporarily reversed due to uncertainties in the emerging countries and the relatively better development in the major industrial countries. Around the middle of the year 2013, the global economy stabilized in order to gain momentum later.

The main factors for the observed recovery were

- the improvement of important economic early indicators in the countries affected by the euro crisis
- the stabilization of the economy in China
- the adoption of the government budget in the USA and
- the controlled reaction of the capital markets to the forthcoming decline of the bond purchases by the US Federal Reserve

Consequently, in the second half year, the leading industrial countries recorded an increase in production. However, the development was not uniform. Whereas the German gross domestic product increased by 0.6 % and the economic performance in Europe climbed up by 0.5 %, the economic performance in the euro zone decreased by 0.4 %. In 2013, the economic growth in the USA was 1.8 %. Further drivers of the global growth of 2.3 % included China with a growth of 7.7 % and Japan with a growth of 2.0 %. The economic recovery that was noticeable everywhere in the second half year, led to positive expectations of the export industry for 2014 (Source: Berenberg, Global Outlook).

In 2013, the segment of the machinery and plant construction industry that is important for Basler mainly tended sideways. Only in the USA, China, Denmark, and the UK, revenues from the machinery and plant construction industry increased. Compared to the previous year, the growth in China decelerated. Due to the slow incoming orders in the first half year, the German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau, VDMA) decreased its forecasted sales increase for the global machinery and plant construction industry from 2 to 1 % (Source: VDMA Economic Report Dec. 2013). In 2013, the German image processing industry could detach from the general sideways trend in the machinery and plant construction industry and, according to forecasts by VDMA, grew by 6 % compared to the previous year. In comparison, with an increase in sales of 17 % Basler grew much faster.

## 2.2 Business Development

In its 25th year of existence, Basler AG made good progress on its strategic path. The concentration on the digital camera business led to an increase in sales by 16 % from € 55.9 million in 2012 to the new record value of € 65.1 million in 2013 and was reflected in a record result before taxes of € 7.8 million.

In the camera business, we achieved the same growth momentum as in the previous year. In fiscal year 2013, the camera production increased disproportionately to sales by approximately 30 % to about 130,000 units,

due to the strategic focus on large volume segments in the industrial camera market (mainstream and entry level).

As in the previous year, the main driver of growth was our ace compact camera family that showed an increase in sales by more than 50 %. As expected, the models with USB 3.0 interface that were launched onto the market in the course of 2013 did not play a significant role, since the new technology is currently establishing in the market. The strongest growth momentum was again related to ace models equipped with Gigabit Ethernet interface. Sales generated with the high speed ace models equipped with Camera Link interfaces and positioned at a higher price level also increased disproportionately. The ace product family that included more than 50 different models at the end of 2013, with its results achieved in the reporting period, impressively confirmed its position as the most successful Basler camera product and as a de facto standard in the Gigabit Ethernet camera market.

Also for our new racer line scan camera family we can draw up a positive interim balance: In the first year of its life cycle the racer showed the steepest starting curve of all Basler line scan cameras ever. The high number of current customer projects indicates a continuation of this upward development in the coming year and that, consequently, we will be able to increase our market share in the line scan camera market.

Regionally, in the past year, the largest progress we made was in the Asian markets. The sales revenues in Asia increased to 40.8 % of the total sales and amounted to € 26.6 million. One reason for this was the intact demand coming from the high-tech industries located in Asia (semiconductor, electronics, LCD) in the first half year. However, from a long-term perspective, the progress that we made regarding market penetration due to our investments in the Asian sales organization in the previous years is more important. The decisive factors for this were the personnel expansion in our subsidiaries, the strengthening of our existing network of distributors, and the adding of additional sales partners. Compared to the previous year, in Europe we increased our revenues by € 3.2 million and in the USA by € 0.6 million. We attribute this positive development also to our improved market access.

In line with the growth in sales, the operating expenses also increased from € 50.1 million in 2012 to € 58.2 million in 2013. A significant proportion of the cost component was due to the preparation of the group for the sales goal of € 100 million planned for the medium term. In the course of the reporting period, all functional areas dealt with the question of how to achieve the planned growth, what competencies have to be newly built up and what requirements need to be



fulfilled by the organizational structures and workflow. Against this background, various organizational projects were carried out. The expenses for these projects were incurred in the fiscal year 2013, and the effects of these projects will only take effect in the upcoming reporting periods.

Compared to the previous year, the annual surplus increased by € 1.5 million and amounted to € 5.6 million. The pre-tax margin was 12 % (previous year: 10 %). The reason for the better result in the elapsed fiscal year were sales revenues above plan and a slower than planned increase of the operational costs. In comparison to the previous years, in 2013, the remaining business with surface inspection solutions had no more dilutive effects on the result.

Compared to the previous year, the return on equity improved by 3.4 percentage points and is 18.6 % at the end of the fiscal year.

## 2.3 Profit Situation

in € million	2013	2012	Change	in %
Sales revenues	65.1	55.9	9.2	16 %
Cost of service performed	-32.6	-29.0	-3.6	12 %
<b>Gross Results</b>	<b>32.5</b>	<b>26.9</b>	<b>5.6</b>	<b>21 %</b>
Other internal income	1.7	2.5	-0.8	-32 %
Expenses	-25.7	-21.1	-4.6	22 %
<b>Operative profit</b>	<b>8.5</b>	<b>8.3</b>	<b>0.2</b>	<b>2 %</b>
Financial result	-0.7	-2.7	2.0	-74 %
<b>Earnings before profit tax</b>	<b>7.8</b>	<b>5.6</b>	<b>2.2</b>	<b>39 %</b>
Taxes	-2.2	-1.5	-0.7	47 %
<b>Group's annual surplus</b>	<b>5.6</b>	<b>4.1</b>	<b>1.5</b>	<b>37 %</b>

Compared to the previous year, the sales increased by € 9.2 million and amounted to € 65.1 million at the end of the fiscal year.

Along with the sales growth of 16 %, the costs of sales increased. Their increase of 12 %, however, was under-proportionate. The other operational costs climbed by 22 % to € 25.7 million. The main drivers for this were higher personnel costs due to an increased number of employees from 310 in the previous year to 352 in 2013, as well as due to annual increases, performance related variable remunerations, and recruiting costs.

In comparison to the previous year, the financial result improved by € 2 million. Slightly increased interest payments due to additional loan capital were over-compensated by the market valuation of an interest rate swap of € 0.5 million and the decrease of the interest expenditure from capital leases.

Due to existing loss carried forwards at Basler AG, the actual tax burden for the financial year was € 1 million, corresponding to a tax ratio of approximately 13 %. The deferred tax expenses amounted to € 1.2 million.

Compared to the previous year, the annual surplus increased by 37 % and amounted to € 5.6 million (previous year: € 4.1 million).

## 2.4 Financial Situation

The liquidity management of the group is aimed at meeting the demand for capital such that an appropriate balance is achieved between maturity risk, rating of the creditors, and the cost of equity and the cost of debt. 91 % of the long-term assets are covered by equity.

In the financial year, a positive cash flow of € 12.1 million (previous year: € 12.6 million) was generated from current business activity. In 2013, the cash flow from investing activities amounted to € -6.5 million (previous year: € -6.3 million). The free cash flow calculated as the sum of cash flows from operational activity and investment reached a value of € 5.6 million (previous year: € 6.3 million).

On the financing side, liabilities to banks in an amount of € 1.9 million were paid off and/or completely paid back. At the balance sheet date, unused credit lines with banks amounted to € 3.6 million.

The medium-term financing of research and development activities of the Basler group is ensured by loans from the ERP Innovation Programme of the Kreditanstalt für Wiederaufbau (KfW) with maturities until 2016. The long-term financing for the research and development area is partially ensured by further loans from the ERP Innovation Programme of the KfW with maturities until 2022.

Out of these credit approvals, in 2013 calls in an amount of € 2.7 million were effected. Furthermore, the call deadline agreed upon in the loan contracts was extended for a further year and the first repayment was postponed accordingly by one year from 2014 to 2015.

Taking into consideration dividend payments and the buy-back of own shares, a cash flow from financing activities amounted to € -4.2 million (previous year: € -5.5 million).

As of the end of the financial year, liquid assets amount to € 9.7 million. This means an increase of freely available liquidity by € 1.5 million, compared to the previous year.

## 2.5 Asset Situation

in € million	2013	2012	Change	in %
Intangible assets	14.5	13.7	0.8	6 %
Tangible assets	4.3	3.3	1.0	30 %
Buildings and land in finance lease	16.7	17.4	-0.7	-4 %
Deferred tax claims	0.1	0.1	0.0	0 %
<b>Long-term assets</b>	<b>35.6</b>	<b>34.5</b>	<b>1.1</b>	<b>3 %</b>
Inventories	9.6	7.6	2.0	26 %
Receivables from deliveries and services	6.9	6.3	0.6	10 %
Other short-term assets	1.5	1.9	-0.4	-21 %
Cash in bank and cash in hand	9.7	8.2	1.5	18 %
<b>Short-term assets</b>	<b>27.7</b>	<b>24.0</b>	<b>3.7</b>	<b>15 %</b>
<b>Total assets</b>	<b>63.3</b>	<b>58.5</b>	<b>4.8</b>	<b>8 %</b>
<b>Equity</b>	<b>32.5</b>	<b>29.6</b>	<b>2.9</b>	<b>10 %</b>
Long-term interest bearing bank liabilities	5.6	3.3	2.3	70 %
Liabilities from finance lease	12.9	14.1	-1.2	-9 %
Other long-term liabilities	1.7	0.5	1.2	340 %
<b>Long-term liabilities</b>	<b>20.2</b>	<b>17.9</b>	<b>2.3</b>	<b>13 %</b>
Current financial debt	1.5	3.2	-1.7	-53 %
Short-term provisions	3.2	2.2	1.0	45 %
Liabilities from finance lease	2.1	2.1	0.0	0 %
Current other financial debt	3.8	3.5	0.3	9 %
<b>Current financial debt</b>	<b>10.6</b>	<b>11.0</b>	<b>-0.4</b>	<b>-4 %</b>
<b>Total liabilities</b>	<b>63.3</b>	<b>58.5</b>	<b>4.8</b>	<b>8 %</b>

In the financial year, investments in an amount of € 4.7 million (previous year: € 5.0 million) were made in intangible assets. These mainly included own developments and services purchased for research and development. Investments in tangible assets amounted to € 1.8 million (previous year: € 1.3 million), much of which was attributable to manufacturing tools. In comparison to the previous year, long-term assets increased by 3 %. Inventories increased by € 2.0 million to € 9.6 million, compared to the previous year. The reason for the increase was in particular a “last-time-buy” of image sensors. Due to the stockpiling, a modification of several camera products in the second half of their life cycle can be avoided.

Cash in bank and cash in hand showed a balance that was € 1.5 million higher than in the previous year. Compared to 2012, current assets increased by 15 %.

Compared to the previous year's figure, the total assets increased by 8 % to € 63.3 million.

In comparison to the previous year, equity increased by € 2.9 million to € 32.5 million. The increase due to the annual surplus of € 5.6 million is settled against the purchase of own shares with an equivalent value of € 1.8 million and the distribution of a dividend of € 1.0 million.

The subscribed capital – consisting of 3.5 million non-par bearer shares – amounts unchanged to € 3.5 million. As a deduction of this, the par value of own shares in an amount of € 0.3 million (previous year: € 0.2 million) is shown. In comparison to the previous year, the retained earnings including the consolidated result increased by € 2.9 million to € 29.4 million. Off-balance-sheet obligations basically exist in the form of lease contracts. As of the balance sheet date, cash values of the lease liabilities amount to € 15 million (previous year: € 16.3 million). € 12.9 million of this (previous year: € 14.1 million) are long-term liabilities. As per the relevant date, the order commitments amount to € 5.7 million (previous year: € 4.8 million). There have been no premature payment obligations in the elapsed fiscal year.

## 2.6 Financial and Non-Financial Performance Indicators

In addition to the mentioned figures, further performance indicators are measured and are used for managing the company.

Inter alia, we measure profitability on the basis of the profitability per employee (calculated on the earnings after tax result). In the fiscal year 2013, it was increased by 23 % to € 15.9 thousand, compared to the previous year. The gross profit margin increased from 48.1 % in the previous year to 49.9 %.

The working capital (with liquid assets) amounted to € 13.7 million (previous year: € 12.0 million), at the end of the fiscal year. The increase results from the inventory increase of raw materials, supplies, and operating materials. Inventories increased due to the production increase and the above mentioned “last-time-buy” of image sensors.

The satisfaction of our employees is essential for the success of our company. Therefore, we provide a flexible and family friendly working environment reconciling the demands of work and family life. In addition to various part-time models and flexible working time, we offer our employees child care services for emergencies, during special working hours, and during school holidays. In 2013, we set up a separate room in Ahrensburg for child care services. In 2011, Basler AG was audited by

the Hertie Foundation within the “Work and Family” initiative and certified as “family-friendly company”. We are pleased that the high level of the employees’ satisfaction again increased slightly in 2013, due to our various activities. Also the employee fluctuation rate is again very low at 1.5 % (previous year: 1 %).

In 2013, the average number of employees of the group was 352 (previous year: 310). Converted to the number of equivalents of full-time employment the average number of employees was 325 (previous year: 290). Please find any further details concerning the employee structure in the notes. We give special attention to our own in-house training of young people, in order to find suitable junior staff, but also in order to confirm our regional social commitment. In this context, the training ratio in the elapsed fiscal year increased to 7.6 % (previous year: 6.3 %).

Another key aspect of our personnel policy is the continuous development of our employees through internal and external seminars, courses, on-the-job trainings, or self-study. Once a year, development reviews with the employees are conducted in which employee and manager agree upon development objectives. The progress is measured once a year and the implementation level of the agreed measures is part of the balanced score card. In parallel to the increase of the number of employees, the costs for basic and further training increased from € 292 thousand in 2012 to € 342 thousand in 2013.

Again in 2013, a customer satisfaction survey was conducted. For many years, measuring criterion for the customer satisfaction has been the willingness to recommend Basler. More than 130 customers and sales partners participated in this survey. The positive result of the last survey generated in 2011 improved again by 20 %.

## 2.7 Overall Statement

Overall, we are satisfied with the course of business in the reporting period and look back on a successful fiscal year 2013, in which we partially exceeded our planning considerably: Sales revenues were by approximately € 4 million above our planned corridor. The pre-tax margin of 12 % was also above the previous year’s figure. We are particularly pleased with the sales growth above market level, which we attribute to our focusing on the high volume mainstream and entry level segments in the industrial camera market. With a broader product portfolio for these two market segments, today, we reach more customers and applications than just a few years ago. Added to this are positive effects of our sales organization which we continuously expanded in the past years and which provides a better market access

than in the past to regional target markets. Insofar, the results of the elapsed fiscal year confirm our strategic alignment and allow us to look to the future with confidence.

It is our goal to let the shareholders of Basler AG participate in the success. Thus, in 2011, we adopted a dividend policy providing for a distribution of 30 % of the net results in form of a reliable base dividend in combination with an optional additional dividend depending on the company’s performance. For fiscal years 2010, 2011, and 2012 we paid respectively a dividend of 30 Cents per share, corresponding to a distribution ratio of approximately 24 %. In view of the fiscal year 2013 results that are better than those of the previous years, we will propose to this year’s shareholders’ meeting in June 2014 to pay a dividend in the amount of 47 Cents per share (corresponds to € 1.5 million). Should the shareholders’ meeting vote for the proposal, for the first time 27 % of the annual surplus would be distributed to the shareholders.

## 3 Supplementary Report

There are no relevant events impacting the annual financial statement to report after the reporting date.

## 4 Forecast Report

The German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau, VDMA) expects the global engineering industry to grow by approximately 5 % (source: VDMA, Economic Report December 2013) in 2014. For the German engineering industry, growth of about 3 % is forecast. After a decrease in investments in 2013 of about 13 %, the Association of Manufacturers of Machinery and Equipment for the Semiconductor Industry (SEMI) assumes considerable growth of over 20 % (source: Market Study SEMI) in 2014.

In view of stable macroeconomic conditions, our broadened product portfolio, and our enlarged sales organization, for 2014 we expect the continuation of our double-digit percentage sales growth in the camera business and plan for Basler sales revenues within a corridor of approximately € 70 to 74 million. Further increasing revenues with Gigabit Ethernet cameras are the basis of this growth. In addition to this, for the coming year, we expect for the first time significant sales contributions coming from our business with USB 3.0 cameras. We also assume increasing revenues from our racer line scan camera family that was launched on to the market in 2013.

In pursuit of our mid-term goal to exceed the sales threshold of € 100 million in 2017, for the time being, we give priority to profitable sales growth versus an



increase of the pre-tax return. In order to determinedly implement investments that are required for the mid-term growth – on a priority basis for additional personnel in the functional areas of sales, marketing, and research and development – analogous to the previous years, we plan with a pre-tax return within a corridor of 8 to 10 %.

## 5 Opportunities and Risks Report

Basler pursues a growth strategy aiming at market leadership for industrial cameras in the coming years and to have the group's sales increased to above € 100 million. In order to achieve this goal, opportunities in the market must be seized and, at the same time, measures have to be taken to appropriately flank potential risks.

The opportunity and risk management system at Basler includes:

- to generate transparency within the executive team about opportunities and risks of our business and
- to agree within the executive team how the company can use its opportunities and how the probability of occurrence of relevant risks can be limited

Essential parts of the opportunities and risks management system are the risk strategy, the risk atlas, the risk matrix, and risk coping. In the elapsed fiscal year, a risk strategy was adopted and software for a standardized collection and measurement of risks was implemented. At the beginning of 2014, a structured risk inventory will be conducted for the first time. These measures will be flanked by the internal control system (IKS), the internal quality management system, and finally by the annual external audit in the frame of the DIN ISO 9000/2000 and DIN ISO 9000 / 2008.

### 5.1 Business Environment and Sector Related Risks

As in the previous years, Basler's risks arising from its environment consist of the development of its target markets, its competition and the capital market.

An enduring weakening of growth of the camera market is not foreseeable today. Forecasts issued by federations and market research institutes assume persistent growth in the single-digit percentage range for classical applications in industrial mass production and growth in the double-digit percentage range for newer sales markets like e.g. video surveillance, traffic technology, and medical technology. There are, however, periodic fluctuations in demand in individual target markets. In particular, this includes sectors close to the consumer, like the semiconductor, electronic, and LCD industries. Global economic upswings affect the camera

market in so far as they are accompanied by decreasing investments in equipment. For 2014, we expect environment risks to remain unchanged or slightly decreasing compared to 2013. Of particular importance are risks related to a possible flaring up of the euro crisis, a potential crisis in the emerging markets, or strong turbulences in the exchange markets.

The camera business which grew in 2012 and 2013 reduces with its wide mix of sectors and customers the dependence from the development of demand of individual sectors. Due to our focusing on the high-volume mainstream and entry level segments, the share of sales with customers outside the industrial mass production continuously increases, thus improving the sales risk structure, and increasing the stability of our business model. Although broadly diversified activities also experience declines in sales in times of economic crisis, in general, they are less strongly affected than businesses depending on cyclic, less diversified industries.

The intensity of competition in the industrial camera market continued to be high in the year just ended. Consequently, the consolidation of the sector that is characterized by small and medium-sized companies has continued. For fiscal year 2014, it can be expected that this process will continue. With its volume strategy, Basler's target is to gain market shares in existing target markets and to develop new applications with considerable volumes faster than the competition. In order to achieve this goal, expenses for sales, research and development, and production are continuously increased. If this strategy can successfully be implemented, Basler will strengthen its market position relative to the competition.

Given the current shareholder structure, a hostile takeover of Basler AG can almost be excluded. The shareholder structure is nonetheless constantly checked for changes.

### 5.2 Credit Risk

The credit default risk is countered by a credit management system and a professional receivables management, in which larger customers are continually subject to credit checks and their credit limits are stored in the system according to their rating. In case of an exceeding of a credit limit, this is checked and, if necessary, the delivery of goods will be stopped. Outstanding debts are subject to a three-stage default action. If the customer fails settling an outstanding invoice that has reached dunning level two, in general no further deliveries will be made. Default risks are countered through individual and general valuation allowances. In total, the average default ratio of 0.09 %

in the past two years is low in terms of the receivables volume. In the fiscal year 2013, individual value adjustments and write-offs on accounts receivables were posted in the amount of € 18 thousand (previous year: € 4 thousand).

### 5.3 Price Risk

We counter the risk of market price and margin erosion by trying to be the fast mover in the market with innovative products and, at the same time, by permanently optimizing manufacturing costs. Thus, a lean product design and the use of platform architectures are critical success factors in the product development. On the supplier side, we reduce the risk by establishing long-term business relationships, by permanently observing the procurement markets, and through a selective diversification. Furthermore, we implemented processes in order to ensure the short-term availability and the adherence to delivery dates of components.

We take interest and foreign currency risks within a very limited scope only. Open positions are secured by futures and options.

### 5.4 Liquidity Risk

Liquidity is controlled by accounting. Based on the four-year planning and the budget of the current fiscal year, a liquidity planning is made which is updated regularly and part of the monthly reporting. On that basis, the liquidity requirements can be identified in time and be prematurely financed with banks.

The company has a positive cash flow from operating activities, from which the majority of investments can be financed in addition to financial liabilities. The need for additional investments can be covered by freely available lines with credit institutions.

Due to the positive profit situation and the company's strong equity, we currently do not see a liquidity risk.

### 5.5 Operating Risks

As a technology company, Basler is heavily depending on the knowledge of its employees. Thus, we attach special importance to a high satisfaction and motivation of our employees.

Another essential success factor is an on time and high quality product development. The implemented processes and planning instruments are continuously reviewed and adjusted to the requirements so that development processes can be concluded on schedule and according to budget.

The quality of our products is monitored in the framework of an integrated quality management system. This system includes the certification according

to DIN ISO 9000/2000 and DIN ISO 9000/2008 and the annual supervision by external auditors. This is supplemented by internal audits.

The development and maintenance of the Basler brand is an integral part of the product policy. Name and logo of Basler are registered and protected brands.

### 5.6 Overall Statement

As a manufacturer of industrial cameras we assess the corporate strategy risk of Basler to be low. This assessment is based on the fact that superseding technologies for cameras are not in sight. Furthermore, the trade associations for the global camera market expect continuous growth in the coming years. Due to the focusing on the camera business, we have the opportunity to participate in this growth. Finally, in the medium term, banks and economic research institutes mainly assume the global economic development to be stable to slightly positive.

Due to the fact that Basler continuously broadens its activities regarding new products and the development of new markets and application fields and thus its sales opportunities, we consider the risk of a below average development of the company in comparison to the camera market to be manageable. In parallel to the expansion of our activities regarding applications outside the industrial mass production, the already low dependencies on individual vertical markets or customers decrease step by step.

We annually review our business model and our multi-year planning. The achievement of quantitative and qualitative goals for the respective fiscal year is monitored on a monthly basis in a balanced score card system and discussed by the management team.

Insofar, in the absence of macroeconomic crises, we assume that we will be able to achieve the sales threshold of € 100 million in the medium term.

There were no significant events outside of ordinary business operations that are not described in the management report.

## 6 Internal Control System and Risk Management System Related to the Accounting Process

The management board of Basler AG is responsible for the preparation and accuracy of the consolidated financial statements as well as for the consolidated management report. This is guaranteed by including the accounting processes of Basler AG in the quality management system which is valid for the entire group and, if necessary, by clarifying guidelines. As such, they are regularly audited internally and externally as described above. The processes are on principle

designed in accord with the “four-eyes” principle and a strict separation of functions. They are supported by the group-wide SAP system that includes a firm authorization concept where all individual financial statements of the Basler group are prepared in accordance with group-wide standards. If included companies prepare individual financial statements according to other accounting standards, the group-wide standards for commercial financial statements apply, which are processed centrally in group accounting.

The accounting principles as well as controls to monitor process and data quality for an automated preparation of financial statements are stored in this system.

The closing processes are completely automated wherever possible and are governed by appropriate computer based workflows. The completeness and correctness of accounting data are regularly reviewed by sampling inspections, and plausibility checks, by manual control supported by the software used.

Within its activity, the supervisory board of Basler AG regularly addresses key aspects of accounting, risk management, as well as audit assignments and key audit areas.

## 7 Risk Reporting Related to the Use of Financial Instruments

Due to Basler's high export rate, the majority of the payments are made in foreign currencies. In doing so, particularly payment surpluses in USD occur. Foreign currency balances are always exchanged into Euro and accounts receivables are hedged using forward exchange contracts the maturity of which does in general not exceed three months. Thus, currency risks from fluctuations of the exchange rate shall be minimized.

In order to hedge long-term sales revenues against exchange rate fluctuations, occasionally currency option transactions are concluded. Spot exchange transactions, forward currency transactions, and currency option transactions are not used for speculative purposes, but are used to minimize risks for balance sheet items in foreign currency. As of the balance sheet date, there were no open hedges.

In 2011, Basler AG concluded a payer swap that should serve as hedge for a planned company acquisition. Since the transaction did not take place, the evaluation unit was dissolved in fiscal year 2012 and since then the swap has been balanced at its market value. In fiscal year 2013, an income in the amount of € 0.5 million could be realized due to the market valuation.

Basler exclusively concludes derivative transactions with its principal banks. We consider the risk of a default of the counterparty to be very low.

## 8 Information Concerning Takeovers (§ 289 and 314 of the German Commercial Code, HGB)

From January 1, 2011 until December 31, 2013, the management board of Basler AG consisted of three members. During this period, the chairman of the board, Dr. Dietmar Ley, was responsible for the product creation, finance, controlling, and human resources divisions. John P. Jennings was responsible for the sales and marketing division and for the company's subsidiaries. Arndt Bake was responsible for the supply chain management and production divisions.

The Articles of Incorporation of Basler AG include the following provisions regarding appointment and dismissal of members of the management board:

“The appointment of the members of the management board, the revocation of their appointment, and the conclusion, modification, and termination of employment contracts with the members of the management board is effected by the supervisory board. The same applies for the appointment of a member of the management board as chairman and for other members of the management board as deputy chairmen.”

The Articles of Incorporation of Basler AG can only be changed by the shareholders' meeting and only by three quarters of the share capital represented at the time of passing of the resolution.

The share capital of Basler AG amounting to € 3.5 million is divided into 3.5 million of no-par-value bearer shares.

Mr. Norbert Basler, Großhansdorf, has informed the management board of Basler AG that he owns 1,816,891 shares and therewith commands 51.9 % of the voting rights.

The authorization of the management board as regards the issue or buyback of own shares is regulated in the Articles of Incorporation as follows:

“The management board is authorized to increase the company's capital stock once or several times up to a total of € 1,750,000 by May 30, 2017 with the supervisory board's approval by the issuing of up to 1,750,000 new bearer stock certificates against cash contributions and/or contributions in kind. In doing so, shareholders are entitled to subscription rights. However, the management board is authorized, subject to approval by the supervisory board, to exclude subscription rights of the shareholders for fractional amounts. Furthermore, with the supervisory board's approval, the management board may exclude the shareholders' subscription rights in order to be able to offer the new shares of the company to third parties

against subscription in kind for the purpose of acquiring companies or participating in companies or claims against the company or affiliated companies. The exclusion of the subscription right by the management board is permissible with the supervisory board's approval, even if the increase in capital against cash subscription does not exceed 10 per cent of the capital stock of the amount of Euro 3,500,000.00 and the issue amount does not fall considerably short of the officially reported price of the already quoted stock of similar funding at the time of ultimately determining the issue price (§ 203 Sec. 1 sentence 1 in connection with § 186 Sec. 3 sentence 4 German Stock Corporation Act (AktG)). The market price is the arithmetic average of the closing prices of the company stock in electronic trading at the Frankfurt Stock Exchange (XETRA trade) or a successor system during the last ten trading days prior to exercising the authorization.

With the supervisory board's approval, the management board is authorized to determine the details of the increase in capital stock and the conditions of issuing shares, in particular in determining the issue price."

The management board is in addition authorized to buy own shares not exceeding 10 % of the current share capital until May 18, 2015. The authorization can be exercised partially or fully, once or several times, for one or several purposes. It may, however, also be exercised by companies that are dependent or majority owned by the corporation or on their behalf by third parties. According to the corporation's choice, the acquisition may be effected (i) via the stock market or (ii) via a public purchase bid directed to all shareholders of the company or a public invitation directed to all shareholders of the company to make sales offers, or (iii) via a public offer directed to all shareholders to exchange shares for shares of a company listed within the meaning of § 3 Sec. 2 German Stock Corporation Act (AktG) or by a public invitation to tender such an offer.

With the supervisory board's approval, the management board is authorized to use the shares thus obtained and previously obtained shares for all legally permissible purposes.

With the supervisory board's approval, the management board is in addition authorized to use the shares obtained according to this authorization and the previously obtained own shares to grant shares to other employees of the corporation, to members of the executive board, and to employees of companies that are affiliated with the corporation within the meaning of §§ 15 ff. German Stock Corporation Act (AktG) as far as these persons are entitled to their purchase based on employee share ownership plans.

With the supervisory board's approval, the management board is in addition authorized to use the shares obtained according to this authorization and the previously obtained own shares to fulfill conversion rights, options, and conversion obligations, respectively, due to convertible bonds, partial debentures, and bonds with warrants implying conversion rights, options, and conversion obligations, respectively, issued by the company or by companies that are dependent or majority owned by the corporation.

With the supervisory board's approval, the management board is in addition authorized to withdraw own shares without further decision by the shareholders' meeting.

The shareholders' subscription rights for own shares are excluded as far as these shares are used in accord with the above authorizations.

The management board will inform the shareholders' meeting about each acquisition of own shares and their use. Further issues according to § 289 Sec. 4 German Code of Commercial Law do not exist.

## 9 Declaration Regarding Corporate Governance (§ 289a German Commercial Code, HGB)

You can find on our website the declaration of compliance with the Corporate Governance Code, explanations regarding our practices of corporate governance, and a description of the working practices of the management board and the supervisory board ([www.baslerweb.com](http://www.baslerweb.com)). Click Investors → Corporate Governance.

## 10 Principles of the Remuneration System

The following statements regarding the remuneration of the bodies of Basler AG are statements for the notes as stipulated by the German Commercial Code and statements due to provisions by the Corporate Governance Code.

### 10.1 Remuneration of the Management Board

The remuneration of the members of the management board consists of diverse components. Based on their employment contracts, the members of the management board are entitled to a fixed and an annually variable remuneration as well as to fringe benefits. The structure of the remuneration system for the management board and the adequacy of remuneration are regularly checked and defined by the supervisory board.

According to market standards, the company grants all members of the management board additional



benefits provided by their executive contracts. They are partly considered as non-cash benefits and are taxed accordingly. This includes mainly the car allowance and the granting of accident insurance coverage. All secondary employment is always subject to approval.

The contract periods for the members of the management board are linked to the terms of appointment as member of the management board. The contracts for the members of the management board provide for a post-contractual non-competition clause. The members of the management board are contractually prohibited from supplying services to or for a competitor within the period of one and a half years after their resignation.

### 10.1.1 Own Requirements on the Remuneration System

The remuneration system for the management board is intended to address the following aspects:

- Long-term perspective
- Profitability
- Growth
- Equity strength
- Performance orientation
- Efficiency of implementation
- Transparency for all parties concerned

This results in the following requirements on the remuneration system:

- Individual and adequate remuneration
- Focus on sustainable corporate development
- Breakdown into fixed and variable components
- Multi-year assessment basis
- Consideration of positive and negative developments
- Avoidance of disincentives with regard to unreasonable risks
- Relevant and ambitious targets and key figures
- Exclusion of subsequent changes of performance targets
- Limitation of variable remuneration
- Supervisory board shall be enabled to react to extraordinary developments

### 10.1.2 Structure of the Remuneration System (Only Monetary Salary Components)

An individual target salary is agreed upon with each member of the management board at the time of

conclusion and/or amendment of a contract. The amount of the target salary depends inter alia on the following:

- Duties and responsibilities
- Performance
- Market conditions
- Economic situation of the company
- Success and outlook of the company
- External peer groups
- Internal remuneration structure

For all members of the management board, the same percentage of the salary target is defined representing the basis for calculating the variable remuneration. The amount of the variable component considers the previous and other regulations of the company, customary market conditions and the recommendations of the Corporate Governance Code.

The variable component for members of the management board at Basler AG is set at 25 % of the target salary.

### 10.1.3 Performance Indicators

The strategic goal of a highly profitable high-growth company and our fundamental decision in favor of high-equity corporate financing lead to measuring the corporate success in terms of profitability and growth.

Earnings before taxes (EBT) in relation to sales are considered as a suitable indicator for profitability.

$$\text{Profitability} = \frac{\text{EBT}}{\text{Sales}}$$

The percentage increase of the sales revenues compared to the previous year is considered as a suitable indicator for growth.

$$\text{Growth in sales} = \frac{\text{Current sales}}{\text{Previous year's sales}} - 1$$

### 10.1.4 Targets

At the beginning of each fiscal year expected values are agreed upon as targets for both indicators. The profitability target is based on the long-term profit expectation and is supposed to show high continuity over the years. The sales expectations also take into account medium and shorter-term influences and will thus fluctuate more strongly from year to year.

At the beginning of each fiscal year tolerance ranges for both indicators are agreed upon describing the scope of normal business activity. The lower benchmark figure of the tolerance shall mark the transition from a basically satisfactory result to an unsatisfactory result. Vice versa, the upper benchmark figure marks the dividing line between good and very good performance.

The level of target achievement is determined by linear functions concerning profitability and growth. These functions will each show 100 % target achievement if the values for profitability and growth specified after conclusion of the annual financial statements exactly correspond to the expected values. The functions will show 0 % target achievement if the actual values fall below the expected values by an amount equaling the width of the tolerance. The functions will become negative if the downward deviations are even more pronounced.

Profitability and growth are equally important targets. However, in case of doubt the demand for profitability is more imperative than the demand for continuous growth. Thus, lacking profitability shall not be compensated by unrestrained growth. Accordingly, the degree of achievement is limited to 400 % for growth. Furthermore, the degrees of achievement are balanced at a ratio of 60 % to 40 % in favor of profitability. Adding up both weighted degrees of achievement for profitability and growth it results in the level of the total target achievement for the fiscal year.

The required limitation for the components of variable remuneration is set between -100 % to +400 %.

### 10.1.5 Bonus

The total target achievement (-100 % to 400 %) is multiplied by the variable component of the target salary as defined above and results in the amount in euros for the bonus entitlement of the respective member of the management board for the elapsed fiscal year. Accordingly, the bonus entitlement can amount between -25 % (malus) to 75 % of the target salary.

The bonus entitlement calculated in that way is not paid immediately. In order to do justice to the required sustainability and the multi-year assessment basis the bonus amounts are paid delayed by a bonus bank and are subject to the intermediate risk of substantial decrease due to subsequent worsening of the situation. A separate account is kept for the bonus claims of each member of the management board.

The bonus or malus calculated for the elapsed fiscal year is booked to the individual account. Allowing for an old balance this results in a current account balance. If this account balance is positive, one third will be paid out. Two thirds will be forwarded to new account and

be considered in the next year. Negative balances must be compensated by positive balances or bonus deposits before payouts can be made by the bonus bank.

### 10.1.6 Total Remuneration

The total remuneration consists of the fixed salary (75 % of the target salary) and the payment made by the bonus bank.

If the targets agreed upon concerning profitability and growth are achieved on average over several years, the actual total remuneration will be in the amount of the target salary. If the targets are clearly missed for a long time, only the fixed salary will be paid out (75 % of the target salary) in the long term.

In case of significant overachievement of the profitability and the growth target over several years a gradually increasing total remuneration of a maximum of 175 % of the target salary will be paid out.

### 10.1.7 Limits of the Model and Intervention of the Supervisory Board

No remuneration model will ever be able to consider all eventualities of real influences. It shall be as simple as possible and must consequently fail in the case of extraordinary and unpredictable boundary conditions.

In the event of serious crises (for example the global economic crisis 2008/2009) or success of the management board that cannot be represented in the profit and loss statement (for example strategic successes or the averting of threatening situations) such a remuneration model does not provide satisfactory results.

In order to reduce such system related disadvantages of a required remuneration system the supervisory board of Basler AG reserves two possibilities to intervene in the system:

- Delayed payout by the bonus bank
- Special allocations to the bonus bank

In the case of extraordinary difficult circumstances, the supervisory board may resolve on suspending or delaying impending payouts by the bonus bank, especially if bonus payments seem to be inappropriate with regard to stress on the staff or partners. The management board members' basic claim for payout remains intact.

In the case of extremely good results that are significantly above all expectations, the supervisory board may resolve on making special allocations to the bonus bank, especially if these results are not necessarily represented in the profit and loss statement.

As the normal bonus, these special allocations also risk to decrease before being paid out over the years. The special allocations for each member of the management board can be resolved individually.

If the bonus bank shows a negative balance at the time of termination of office as member of the management board, it will be cleared by the company. In return, in the case of a positive balance the employment contracts provide that this balance remains in the bonus bank and thus is subject to the risk of decrease in the following years, analogous to the entitlement calculations of the remaining members of the management board in that year. However, after resigning from the management board no new positive claims will be transferred to the bonus bank. Payouts by the bonus bank to the remaining members of the management board are made at the scheduled regular dates. Thereby, one third each is paid out of the balance existing at the two scheduled regular dates subsequent to the resigning of the member of the management board and the remaining balance is paid out at the third regular date.

Independently of the remuneration model, in the case of premature termination of office as member of the management board without good cause, it is agreed upon a limitation of payments to the value of two annual remunerations which are not allowed to exceed the total of claims resulting from the remaining term of the employment contract.

Thus, the remuneration model for the management board agreed upon by the shareholders' meeting 2011 meets the requirements of the Corporate Governance Code related to:

- Individual and adequate remuneration
- Focus on sustainable corporate development
- Breakdown into fixed and variable components
- Multi-year assessment basis
- Consideration of positive and negative developments
- Avoidance of disincentives with regard to unreasonable risks
- Relevant and ambitious targets and key figures
- Exclusion of subsequent changes of performance targets
- Limitation of variable remuneration
- Supervisory board's power to intervene in the case of extraordinary developments

## 10.2 Remuneration of the Supervisory Board

Remuneration of the members of the supervisory board is set forth in the Articles of Incorporation. Chairmanship and vice chairmanship of the supervisory board are given consideration by extra pays of 100 % and/or 50 %. Given the current level of fixed remuneration, the addition of a performance related component to remuneration is not considered.

Ahrensburg, March 3, 2014

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, 2013 to December 31, 2013

in € k	Notes	01/01/ - 12/31/2013	01/01/ - 12/31/2012
<b>Sales revenues</b>	4	<b>65,110</b>	<b>55,857</b>
Cost of sales		-32,564	-28,953
- of which depreciations on capitalized developments	10	-2,743	-2,994
<b>Gross profit on sales</b>		<b>32,546</b>	<b>26,904</b>
Other internal income	5	1,690	2,532
Sales and marketing costs		-11,538	-9,390
General administration costs		-7,726	-6,800
Research and development	6	-4,975	-3,897
Other expenses	6	-1,461	-1,049
<b>Operating result</b>		<b>8,536</b>	<b>8,300</b>
Financial income	7	615	29
Financial expenses	7	-1,374	-2,742
<b>Financial result</b>		<b>-759</b>	<b>-2,713</b>
<b>Earnings before tax</b>		<b>7,777</b>	<b>5,587</b>
Income tax	8	-2,215	-1,501
<b>Group's year surplus</b>		<b>5,562</b>	<b>4,086</b>
Average number of shares	9.5	3,281,312	3,372,588
Earnings per share diluted / undiluted (€)		1.70	1.21

## Consolidated Statement of Comprehensive Income

Group's annual balance sheet according to IFRS for the fiscal year from January 1, 2013 to December 31, 2013

in € k	Notes	01/01/ - 12/31/2013	01/01/ - 12/31/2012
Group's year surplus		5,562	4,086
Result from differences due to currency conversion, directly recorded in equity	18.3	-83	-34
Surplus / Net loss from cash flow hedges	18.3	168	925
<b>Total result, through profit or loss</b>		<b>85</b>	<b>891</b>
<b>Total result</b>		<b>5,647</b>	<b>4,977</b>
of which are allocated to			
shareholders of the parent company		5,647	4,977
non-controlling shareholders		0	0



## Consolidated Cash Flow Statement

Group's annual balance sheet according to IFRS for the fiscal year from January 1, 2013 to December 31, 2013

in € k	Notes	01/01/ - 12/31/2013	01/01/ - 12/31/2012
<b>Operational activity</b>			
Group's year surplus		5,562	4,086
Increase (+) / decrease (-) in deferred taxes		1,224	827
Interest outpayment / interest inpayment		1,437	1,623
Depreciations on fixed assets objects		5,424	5,032
Change in the capital resources without affecting payment		85	890
Increase (+) / decrease (-) in the accruals		367	353
Profit (-) / loss (+) from the outflow of fixed asset objects		-3	-12
Increase (-) / decrease (+) in the reserves		-1,959	301
Increase (+) / decrease (-) in the down payments received		1,557	-13
Increase (-) / decrease (+) in the receivables from deliveries and services		-555	-775
Increase (-) / decrease (+) in other assets		247	-946
Increase (+) / decrease (-) in the payables from deliveries and services		-714	326
Increase (+) / decrease (-) in other liabilities		-528	882
<b>Cash inflow from business activity</b>		<b>12,144</b>	<b>12,574</b>
<b>Investment activity</b>			
Outpayment for investments in fixed assets		-6,537	-6,321
Inpayment from outflow of fixed asset objects		27	36
<b>Cash outflow from investment activity</b>		<b>-6,510</b>	<b>-6,285</b>
<b>Financing activity</b>			
Outpayment from repayment of bank loans		-1,925	-3,224
Outpayment for the clearing of financing liabilities		-1,242	-1,162
Inpayment from the taking out of bank loans		3,210	2,889
Interest outpayment		-1,437	-1,623
Outpayment for own shares		-1,790	-1,396
Outpayment for dividends		-982	-1,014
<b>Cash outflow from financing activity</b>		<b>-4,166</b>	<b>-5,530</b>
<b>Changes in the funds that affect the payment in the fiscal year</b>		<b>1,468</b>	<b>759</b>
Funds at the beginning of the fiscal year		8,197	7,438
<b>Funds at the end of the fiscal year</b>		<b>9,665</b>	<b>8,197</b>
<b>Composition of the funds at the end of the fiscal year</b>			
Cash in bank and cash in hand	16	9,665	8,197
Outpayment for taxes		1,624	893

## Group Balance Sheet

Group's annual balance sheet according to IFRS for the fiscal year from January 1, 2013 to December 31, 2013

in € k	Notes	12/31/2013	12/31/2012
<b>Assets</b>			
<b>A. Long-term assets</b>			
I. Intangible assets	10	14,516	13,642
II. Fixed assets	10	4,295	3,388
III. Buildings and land in finance lease	17	16,700	17,392
IV. Other financial assets		5	5
V. Deferred tax assets	11	44	94
		<b>35,560</b>	<b>34,521</b>
<b>B. Short-term assets</b>			
I. Inventories	12	9,595	7,636
II. Receivables from deliveries and services and from production orders	13	6,878	6,323
III. Other short-term financial assets	14	217	137
IV. Other short-term assets	14	944	937
V. Claim for tax refunds	15	392	726
VI. Cash in bank and cash in hand	16	9,665	8,197
		<b>27,691</b>	<b>23,956</b>
		<b>63,251</b>	<b>58,477</b>

in € k	Notes	12/31/2013	12/31/2012
<b>Liabilities</b>			
<b>A. Equity</b>	18		
I. Subscribed capital		3,238	3,326
II. Capital reserves		0	0
III. Retained earnings including group's earnings		29,376	26,498
IV. Other components of equity		-154	-239
		<b>32,460</b>	<b>29,585</b>
<b>B. Long-term debt</b>			
I. Long-term liabilities			
1. Long-term liabilities to banks	19	5,599	3,289
2. Other financial liabilities		8	19
3. Liabilities from finance lease		12,859	14,103
II. Non-current provisions	20	515	489
III. Deferred tax liabilities	11	1,193	19
		<b>20,174</b>	<b>17,919</b>
<b>C. Short-term debt</b>			
I. Other financial liabilities	19	1,540	3,222
II. Short-term provisions	20	3,201	2,212
III. Other short-term liabilities			
1. Liabilities from deliveries and services		1,132	1,846
2. Other short-term financial liabilities		2,355	658
3. Liabilities from finance lease	17	2,151	2,149
IV. Short-term tax liabilities		238	886
		<b>10,617</b>	<b>10,973</b>
		<b>63,251</b>	<b>58,477</b>

## \*Development of Fixed Assets for Fiscal Year 2013

Consolidated financial statement according to IFRS for the fiscal year from January 1, 2013 to December 31, 2013

in k €	Acquisition and production costs					As at 12/31/2013
	As at 01/01/2013	Additions	Transfers	Disposals	Foreign exchange differentials	
<b>Intangible assets</b>						
Software, trademark rights, patents, and licenses	4,844	422	123	-546	-1	4,842
Finished own developments	19,885	245	1,007	-4,327	0	16,810
Own developments in process	3,593	4,017	-1,007	0	0	6,603
Payments for third-party developments	123	60	-123	0	0	60
<b>Total intangible assets</b>	<b>28,445</b>	<b>4,744</b>	<b>0</b>	<b>-4,873</b>	<b>-1</b>	<b>28,315</b>
<b>Tangible Assets</b>						
Land and buildings on third-party land	1,167	339	66	-41	-5	1,526
Technical equipment and machinery	5,281	556	52	-439	-4	5,446
Other furniture, fixtures, and equipment	3,072	304	113	-317	-4	3,168
Assets under construction	99	594	-231	0	0	462
<b>Total tangible assets</b>	<b>9,619</b>	<b>1,793</b>	<b>0</b>	<b>-797</b>	<b>-13</b>	<b>10,602</b>
<b>Buildings and land under finance leases</b>						
Land of finance lease	1,817	0	0	0	0	1,817
Buildings of finance lease	24,391	0	0	0	0	24,391
<b>Total buildings and land under finance leases</b>	<b>26,208</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26,208</b>
Other financial assets	5	0	0	0	0	5
<b>Total other financial assets</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>
<b>Total assets</b>	<b>64,277</b>	<b>6,537</b>	<b>0</b>	<b>-5,670</b>	<b>-14</b>	<b>65,130</b>

\* Appendix to the notes



Depreciations						Net book value	
As at 01/01/2013	Additions	Unscheduled depreciations	Disposals	Foreign exchange differentials	As at 12/31/2013	As at 12/31/2013	Previous year
3,792	508	11	-546	0	3,765	1,077	1,052
11,011	2,743	608	-4,328	0	10,034	6,776	8,874
0	0	0	0	0	0	6,603	3,593
0	0	0	0	0	0	60	123
<b>14,803</b>	<b>3,251</b>	<b>619</b>	<b>-4,874</b>	<b>0</b>	<b>13,799</b>	<b>14,516</b>	<b>13,642</b>
549	87	0	-33	-5	598	928	618
3,517	548	0	-435	-3	3,627	1,819	1,764
2,165	227	0	-306	-4	2,082	1,086	907
0	0	0	0	0	0	462	99
<b>6,231</b>	<b>862</b>	<b>0</b>	<b>-774</b>	<b>-12</b>	<b>6,307</b>	<b>4,295</b>	<b>3,388</b>
0	0	0	0	0	0	1,817	1,817
8,816	692	0	0	0	9,508	14,883	15,575
<b>8,816</b>	<b>692</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,508</b>	<b>16,700</b>	<b>17,392</b>
0	0	0	0	0	0	5	5
0	0	0	0	0	0	5	5
<b>29,850</b>	<b>4,805</b>	<b>619</b>	<b>-5,648</b>	<b>-12</b>	<b>29,614</b>	<b>35,516</b>	<b>34,427</b>

## \*Development of Fixed Assets for Fiscal Year 2012

Consolidated financial statement according to IFRS for the fiscal year from January 1, 2012 to December 31, 2012

in k €	Acquisition and production costs					As at 12/31/2012
	As at 01/01/2012	Additions	Transfers	Disposals	Foreign exchange differentials	
<b>Intangible assets</b>						
Software, trademark rights, patents, and licenses	4,672	363	70	-261	0	4,844
Finished own developments	11,958	721	7,205	0	0	19,885
Own developments in process	6,970	3,827	-7,205	0	0	3,593
Payments for third-party developments	106	88	-70	0	0	123
<b>Total intangible assets</b>	<b>23,707</b>	<b>4,999</b>	<b>0</b>	<b>-261</b>	<b>0</b>	<b>28,445</b>
<b>Tangible Assets</b>						
Land and buildings on third-party land	907	248	10	0	2	1,167
Technical equipment and machinery	4,566	727	77	-89	0	5,281
Other furniture, fixtures, and equipment	2,901	174	57	-59	-1	3,072
Assets under construction	75	168	-144	0	0	99
<b>Total tangible assets</b>	<b>8,449</b>	<b>1,317</b>	<b>0</b>	<b>-148</b>	<b>1</b>	<b>9,619</b>
<b>Buildings and land under finance leases</b>						
Land of finance lease	1,817	0	0	0	0	1,817
Buildings of finance lease	24,391	0	0	0	0	24,391
<b>Total buildings and land under finance leases</b>	<b>26,208</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26,208</b>
Other financial assets	0	5	0	0	0	5
<b>Total other financial assets</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>
<b>Total assets</b>	<b>58,364</b>	<b>6,321</b>	<b>0</b>	<b>-409</b>	<b>1</b>	<b>64,277</b>

\* Appendix to the notes

Depreciations						Net book value	
As at 01/01/2012	Additions	Unscheduled depreciations	Disposals	Foreign exchange differentials	As at 12/31/2012	As at 12/31/2012	Previous year
3,504	544	0	-257	0	3,792	1,052	1,168
7,970	2,994	47	0	0	11,011	8,874	3,988
0	0	0	0	0	0	3,593	6,970
0	0	0	0	0	0	123	106
<b>11,474</b>	<b>3,538</b>	<b>47</b>	<b>-257</b>	<b>0</b>	<b>14,803</b>	<b>13,642</b>	<b>12,232</b>
477	70	0	0	2	549	618	430
3,127	477	0	-87	0	3,517	1,764	1,439
1,999	207	0	-41	-1	2,165	907	902
0	0	0	0	0	0	99	75
<b>5,603</b>	<b>754</b>	<b>0</b>	<b>-128</b>	<b>1</b>	<b>6,231</b>	<b>3,388</b>	<b>2,846</b>
0	0	0	0	0	0	1,817	1,817
8,124	692	0	0	0	8,816	15,575	16,267
<b>8,124</b>	<b>692</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,816</b>	<b>17,392</b>	<b>18,084</b>
0	0	0	0	0	0	5	0
0	0	0	0	0	0	5	0
<b>25,201</b>	<b>4,984</b>	<b>47</b>	<b>-385</b>	<b>1</b>	<b>29,850</b>	<b>34,427</b>	<b>33,162</b>

## Consolidated Statement of Changes in Equity

Group's annual balance sheet according to IFRS for the fiscal year from January 1, 2013 to December 31, 2013

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	
Notes	18.1			18.3	18.3		
<b>Shareholders' equity as of 01/01/2012</b>	<b>3,445</b>	<b>446</b>	<b>24,256</b>	<b>-37</b>	<b>-1,093</b>	<b>-1,130</b>	<b>27,017</b>
Total result			4,086	-34	925	891	4,977
Share buyback	-119	-446	-831			0	-1,396
Dividend outpayment*			-1,013			0	-1,013
<b>Shareholders' equity as of 12/31/2012</b>	<b>3,326</b>	<b>0</b>	<b>26,498</b>	<b>-71</b>	<b>-168</b>	<b>-239</b>	<b>29,585</b>
Total result			5,562	-83	168	85	5,647
Share buyback	-88	0	-1,702			0	-1,790
Dividend outpayment*			-982			0	-982
<b>Shareholders' equity as of 12/31/2013</b>	<b>3,238</b>	<b>0</b>	<b>29,376</b>	<b>-154</b>	<b>0</b>	<b>-154</b>	<b>32,460</b>

\* € 0.30 per share



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## I. General Information

### 1. The Company

The Basler group develops, manufactures, and sells on a world wide scale industrial goods in the area of Vision Technology – the technology of machine vision. The Basler corporation has its headquarters in 22926 Ahrensburg (Germany), An der Strusbek 60-62, and maintains subsidiaries in Singapore, Taiwan, and the USA as well as sales and service offices in Japan, South Korea, China and Finland. Development and manufacturing are carried out in the German headquarters.

The shares of Basler AG have been listed at the Frankfurt Stock Exchange since March 23, 1999. Basler AG has subjected itself to the Prime Standard regulations.

### 2. Basics of Accounting

#### 2.1 Compliance with IFRS

The consolidated financial statements of Basler AG were prepared according to the International Financial Reporting Standards (IFRS) as applicable within the European Union (EU) and in addition, according to the regulations of commercial law, as stipulated by § 315a Sec. 1 German Code of Commercial Law, Handelsgesetzbuch - HGB. The European Commission has adopted for use in the EU all IFRS that were issued by the International Accounting Standards Board (IASB) and that were in force at the time of preparation of the present consolidated financial statements. These IFRS were also adopted by Basler AG. Therefore, the term "IFRS" will be used below throughout.

#### 2.2 Standards with no Effect on the Consolidated Financial Statements

Since in the Basler group only contribution-based plans are recorded, the initial application of the modified IAS 19 (employee benefits) standard only applied to the notes.

#### 2.3 Approved but not yet Adopted Standards

The following IFRS incorporated into EU law were issued as of the reporting date. Their application is, however, only mandatory in future reporting periods. The Basler group has decided not to exercise a possible option of

an early application in the case of standards and interpretations with mandatory application only in future reporting periods.

Amendment / standard	Publication date	Date of incorporation into EU law	Date of application (EU)
IFRS 10 Consolidated Financial Statements	May 12, 2011	December 11, 2012	January 1, 2014
IFRS 11 Joint Arrangements	May 12, 2011	December 11, 2012	January 1, 2014
IFRS 12 Disclosures of Interests in Other Entities	May 12, 2011	December 11, 2012	January 1, 2014
IAS 27 Separate Financial Statements	May 12, 2011	December 11, 2012	January 1, 2014
IAS 28 Investments in Associates and Joint Ventures	May 12, 2011	December 11, 2012	January 1, 2014
Information on the Recoverable Amount Regarding Non-Financial Assets (Amendments to IAS 36)	May 29, 2013	December 20, 2013	January 1, 2014
Novation of Derivatives and Continuation of the Accounting of Hedges (Amendments to IAS 39)	June 27, 2013	December 20, 2013	January 1, 2014
Transitory Guidelines (Amendments to IFRS 10, IFRS 11, and IFRS 12)	June 28, 2012	April 4, 2013	January 1, 2014
Investment Companies (Amendments to IFRS 10, IFRS 12, and IAS 27)	October 31, 2012	November 20, 2013	January 1, 2014
Balancing of Financial Assets and Debts (Amendments to IAS 32)	December 16, 2011	December 13, 2012	January 1, 2014

The individual effects of the amendments are investigated by the group. The estimated effects of the initial application of IFRS 10 were reviewed. However, due to the simple and clear participation structure within the Basler group no effects are expected.

All amounts are stated in thousand euros (k €) unless stated otherwise.

The fiscal year corresponds to the calendar year. Comparative figures of the previous year are indicated in the group's comprehensive financial statement, in the cash flow statement, and in the statement of the registered earnings and expenditures.

The group's annual balance sheet is prepared under the going concern premise.

## 2.4 Use of Estimates

The preparation of the consolidated financial statement in accord with IFRS requires the management to make estimates and assumptions regarding the recognition and amounts of assets and liabilities, the disclosure of contingent assets, and liabilities as of the reporting date, and regarding the amount of turnover and expenses reported during the period under review. The actual results can deviate from these assessed values. Critical accounting estimates arise as to the valuation of tangible assets concerning the useful life as well as to the valuation of internally generated intangible assets concerning the useful life and to expected sales. A review of the underlying useful lives did not reveal any clues for a necessary adjustment. The management board is of the opinion that the book value of the internally generated intangible assets will be entirely realized despite possible lower sales.

## 3. Accounting and Valuation Methods

### 3.1 Foundations for Consolidation

All major subsidiaries that are directly or indirectly controlled by Basler AG as provided by IAS 27 are included in the group's annual balance sheet.

For a list of subsidiaries and investments, see note III, 29.

#### Harmonization

The financial statements to be consolidated of Basler AG as parent company and of the subsidiaries included in the consolidation were prepared using uniform accounting and valuation methods. All intra-group business transactions, balances, and profit and loss are completely eliminated in the context of consolidation.

#### Currency conversion

The functional currency of the subsidiaries is the currency of the respective country, except for Basler Asia Pte. Ltd. which prepares the balance in euros. Consequently, on the balance sheet date, assets and liabilities are converted into euros using the applicable exchange rate on the reporting date. Sales and expenses are converted using the average exchange rate of the period under review. Accumulated exchange rate gains and losses are reported as a separate component of the equity capital. In the financial year, equity capital was decreased by € 83 thousand (previous year: decreased by € 34 thousand).

Business transactions made in foreign currencies in the individual financial statements of the consolidated companies were converted at the exchange rates applicable on the reporting dates of the transactions. In fiscal year 2013, profits amounting to € 361 thousand

(previous year: € 421 thousand) and expenses amounting to € 658 thousand (previous year: € 737 thousand) accrued, respectively. The income is reported under other operating income and the expenses under general administrative expenses in the respective annual financial statements.

Transactions within the European Union are recorded using the applicable fixed euro exchange rates. Further relevant exchange rates are listed below:

Applicable exchange rates as of		
	12/31/2013	12/31/2012
1 Euro	US dollar 1.3791	US dollar 1.3194
1 Euro	New Taiwan dollar 41.3155	New Taiwan dollar 38.4908
Average exchange rates		
	2013	2012
1 Euro	US dollar 1.3281	US dollar 1.2848
1 Euro	New Taiwan dollar 39.5175	New Taiwan dollar 38.1415

Sources: Exchange rates of the European Central Bank with the exception of the New Taiwan dollar which is based on the Interbank spot rate.

#### Capital consolidation principles

Capital consolidation is performed according to the purchase method where at the time of acquisition the acquisition costs for the holding are charged against the proportionate equity capital. Assets and debts of the subsidiaries are valued at their fair values if the fair values to be applied deviate from their book values.

All intra-group balances, earnings, and expenses as well as unrealized profits and losses from intra-group transactions are eliminated to their full amounts. Deferred taxes are delimited according to IAS 12 from consolidation procedures impacting on revenue results.

### 3.2 Earnings Realization

Earnings are recorded when it is probable that the economic benefits will accrue for the group and when the amounts of the earnings can reliably be estimated. Earnings are assessed according to the applicable time values of the considerations received or to be received. Discounts, rebates, and value-added tax or other dues are not considered. Moreover, the realization of earnings presupposes the following criteria for assessment to be satisfied.

### *Sale of goods and products*

Earnings for goods and products are recorded after the relevant opportunities and risks related to the ownership of the goods and products sold were transferred to the buyer. Generally, this applies at the time of shipment of the goods and products. Earnings from customer-specific manufacturing across periods are recorded as earnings according to the degree of completion (percentage-of-completion method). The degree of completion is determined according to the costs accrued on the balance sheet date. The degree of completion is expressed as percentage of the estimated total costs of the related project. Earnings are recorded only to the amount of the accrued reimbursable expenses if the result of an order cannot reliably be estimated.

### *Rental income*

Earnings from subleasing the office building in Ahrensburg are recorded in the period in which they arise and in accord with the regulations of the contract concerned.

### *Interest income*

Interest income is recorded when the interest has accrued (using the effective interest method). Interest income is reported in the statement of comprehensive income as part of the financial income.

## **3.3 Taxation**

### *Actual income taxes*

The actual tax refund claims and the tax liabilities for current and previous periods are assessed as the amounts that are expected as refunds by and payments to the tax authority, respectively. The amounts are calculated based on the taxes and tax laws applicable at the balance sheet date.

Actual taxes referring to items directly recorded with the equity capital are not recorded in the income statement but with the equity capital.

### *Deferred taxes*

Deferred taxes are accounted for under the asset and liability method. There, temporary differences at the balance sheet date are considered between the valuation of an asset or a debt in the balance sheet and the valuation for taxation.

Deferred tax liabilities are recorded for all taxable temporary differences with these exceptions:

- Deferred tax liabilities due to a first-time valuation of goodwill or an asset or debts resulting from a business transaction other than a business combination that has – at the time of the business

transaction – neither bearing on the profit for the period under German commercial law nor on the taxable result.

- Deferred tax liabilities due to taxable temporary differences related to investments in subsidiaries, associates and stakes in joint ventures if the temporal course of the reversal of temporary differences can be controlled and if it is probable that the temporary differences will not reverse in the foreseeable period.

With the exceptions listed below, deferred tax assets are recorded for all deductible temporary differences, not yet used tax loss carry forwards, and unused tax credits to the likely extent that the taxable profit will be available, against which the deductible temporary differences, the not yet used tax loss carry forwards, and tax credits can be applied:

- Deferred tax assets due to deductible temporary differences related to a first-time valuation of an asset or debts resulting from a business transaction other than a business combination that has – at the time of the business transaction – neither bearing on the profit for the period under German commercial law nor on the taxable result.
- Deferred tax assets due to deductible temporary differences related to investments in subsidiaries, associates and stakes in joint ventures if it is probable that the temporary differences will not reverse in the foreseeable period or no sufficient taxable result will be available against which the temporary differences can be applied.

The book values of the deferred income tax assets are checked on every balance sheet date and are reduced by an amount so as to make it improbable that a sufficient taxable result will be available against which the latent tax asset can at least partly be applied. Deferred tax assets that have not undergone valuation are checked on every balance sheet date and are valued at an amount so as to make it probable that a future taxable result will permit realizing the deferred tax asset.

Deferred tax assets and tax liabilities are assessed using those tax rates that will presumably be valid in the period when an asset will be realized or when a debt will be cleared. The assessments are based on the tax rates (and tax laws) valid on the balance sheet date. Future changes of tax rates are taken into account if material prerequisites for being effective are given in the context of the legislative process on the balance sheet date.

Deferred taxes related to items directly recorded with the equity capital are not recorded in the income statement but with the equity capital. Deferred tax assets and tax liabilities are offset against each other if the group has an enforceable claim to the offset of the actual tax refund claims against the actual tax liabilities

and if they relate to the income taxes of the same taxable entities, where the taxes are levied by the same tax authority.

### 3.4 Government Grants

Government grants for development expenses are recorded if it is reasonably assured that the grants will be granted and that the company will meet the related conditions. Expense-related grants are regularly recorded as income for the period that is necessary for offsetting the grants against the corresponding expenses. Grants for an asset directly decrease the book value of the asset and they are recorded as income due to decreased depreciation. In the income statement it is reported as gross statement shown under other operating income.

In the case of non-monetary grants to the group, the assets and the grants are recorded at their nominal values and, if possible, are reversed and recognized in income in equal annual rates over the estimated useful lives of the assets concerned.

### 3.5 Equity Instruments

Treasury shares acquired by the group are recorded at acquisition cost and are directly deducted from equity capital. The acquisition, sale, issue or withdrawal of treasury shares is not recognized in income. Possible differences between book values and considerations are recorded in the other capital reserve or in the capital reserve.

### 3.6 Financial Assets and Liabilities

Receivables and other financial assets are capitalized at acquisition costs on the settlement date. If a receivable is in danger of not being recoverable due to a customer's illiquidity, specific allowance is used to the full amount of the receivable.

When the fair values of financial assets or liabilities are assessed or stated, they are on principle based on the market values or stock exchange values. In the absence of an active market the fair values are assessed based on accepted methods of financial mathematics.

### 3.7 Derivative Financial Instruments

The corporate group enters into a variety of derivative financial instruments in order to manage its exposure to interest and foreign exchange rate risks. These include forward exchange contracts, interest swaps, and foreign currency options. Derivatives are initially recognized at the time of the transaction at fair

value and subsequently valued at fair value at each reporting date. The resulting valuation gain or loss is immediately recognized in the income statement unless the derivative is designated and effective as a hedging instrument for hedge accounting purposes. The timing of recognizing the valuation results in the income statement depends on the type of hedging relationship. The effective portion of change in the fair value of derivatives that are suitable and designated as cash flow hedges is recognized in total comprehensive income under the item of cash flow hedges reserve. If necessary, the gains or losses as a result of the ineffective portion is immediately recognized in the income statement under the item Other income/other expenses.

### 3.8 Inventories

Raw materials, supplies, operating materials, merchandise as well as unfinished and finished products are stated as inventories, unless they can be attributed to a customer order. Inventories are valued at the acquisition costs or the production costs and net selling price, whichever is less.

Costs that have accrued for taking inventories to their present location and for bringing them into their current states are balanced in the following way:

- Raw materials, supplies and operating materials, and merchandise: moving averages
- Finished and unfinished products: material costs and production costs that can be directly allocated as well as appropriate portions of production overhead based on the normal capacities of the production facilities without considering borrowing costs

The net selling price is the estimated sales revenue that can be realized in the normal course of business minus the estimated costs accrued until completion and estimated distribution costs.

### 3.9 Tangible Assets and Buildings and Land in Finance Lease

Tangible assets are valued on principle at acquisition costs or production costs minus accumulated scheduled depreciation and accumulated impairment losses. The useful lives applied for this purpose correspond to the expected periods of use of the assets within the company. Residual values were neglected in the calculation of depreciations due to insignificance. Revaluations of the tangible fixed assets are not performed.

The scheduled linear depreciations of property, plant, and equipment are largely based on the following useful lives:



Asset	Useful life in years
Technical equipment and machinery	3 to 8, 10 to 11, 13 to 14
Other equipment, operational and office equipment	3 to 11, 13 to 14
Parking garages	20
Commercial and office buildings	38 to 40

The book values of the tangible assets are reviewed as of every reporting date to identify any evidence of impairment.

### 3.10 Intangible Assets

Intangible assets acquired against payment, mainly software, are capitalized at purchase costs and amortized over their scheduled useful lives.

Research costs are recorded as expense for the period of their accrual. Development costs for an individual project are only capitalized as intangible assets if the following conditions can be proven to apply:

- the technical feasibility of completing the intangible asset, enabling internal use or sale of the asset
- the intent of completing the intangible asset for its use or sale
- the intangible asset is likely to realize a future economic benefit
- the availability of resources for completing the asset
- the possibility of reliably determining related expenses during the development of the intangible asset

The development costs are balanced according to their initial valuation applying the cost model, i.e., using acquisition costs minus accumulated amortizations and accumulated impairment losses. Amortization starts from the termination of the development phase and from the time when the asset can be used. Amortization is carried out on a straight-line basis over the period for which future benefit can be expected. The following useful lives are assumed:

Asset	Useful life in years
Capitalized development costs	3 to 10
Software, product development received against payment	3 to 7

The amortization cost is included in the group's profit and loss statement, in the cost for service performed, in the sales and marketing expenses, and in the general administrative expenses.

At least once a year and at particular instigation an impairment test is carried out during the development phase. In order to determine the use value the estimated cash flows are discounted with a risk-adjusted discount rate of 8 %. The calculations are based on forecasts resulting from financial plans for three years approved by the management and which are also used for internal purposes. The planning period reflects the assumptions for short- to mid-term market developments. The company assumes a sales growth in the lower double-digit percentage range for 2014 and the following years. The gross profit margin is expected to decline slightly.

### 3.11 Liquid Assets and Cash Equivalents

The item includes cash on hand as well as short-term deposits with maturities of less than three months.

### 3.12 Leases

A lease is classified as "operating lease" if essentially all risks and opportunities associated with economic ownership therein remain with the lessor.

Liabilities from financing lease agreements are stated at the net present value of the lease payments at the time of conclusion of the contract while other liabilities are stated at the repayment values and/or amortized costs.

### 3.13 Borrowing Costs

Borrowing costs are capitalized on qualifying assets according to IAS 23. They are added to the production costs of the assets until the date when the assets are essentially ready for their intended use or for sale. Achieved earnings from temporary investment of specially raised borrowed capital until its disbursement for qualifying assets are deducted from the borrowing costs that can be capitalized.

All other borrowing costs are recognized as income in the period where they accrue.

### 3.14 Financial Debt

Financial debt is stated at its amortized cost. This includes bank debt, liabilities from finance leases, and other financial liabilities.

### 3.15 Provisions

Provisions are recognized when Basler has a present (legal or constructive) obligation due to a past event,

when settlement of the obligation is expected to result in an outflow of resources of economic benefit, and when the amount of the obligation can reliably be estimated. If the group expects to receive a reimbursement of at least part of a provision from an identifiable third party (e.g., in the case of an insurance policy) the reimbursement is recognized as a separate asset provided the influx of the reimbursement is virtually certain. The expense from recognizing the provision is recorded in the income statement minus reimbursement. If the effect of the time value of money resulting from discounting is material, provisions are discounted at a pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

### 3.16 Applicable Fair Value

The fair value to be applied is the price at which an asset would be sold or at which a debt would be transferred at the valuation date in an orderly business transaction between market participants. This applies regardless of whether the price is directly observable or was estimated using a valuation method.

The fair value is not always available as market price. In many cases it must be determined on the basis of different valuation parameters. Depending on the availability of observable parameters and the significance of these parameters for the determination of the fair value in the whole, the fair value is assigned to the levels 1, 2, or 3. The classification is made according to the following:

- Input parameters of level 1 are quoted prices (unadjusted) on active markets for identical assets or debts, which the company can refer to at the balance sheet date.
- Input parameters of level 2 are different to the input parameters and quoted prices of level 1, which are – for the asset or the debt – either directly observable or can be indirectly derived from other prices.
- Input parameters of level 3 are for non-observable parameters for the asset or the debt.

## II. Items of the Annual Financial Statements

### Notes to the profit and loss statement

#### 4. Sales Revenues

The sales revenues from the sale of goods amounting to € 65,110 thousand (previous year: € 55,857 thousand) include sales from customized business amounting to € 2,466 thousand (previous year: € 1,802 thousand).

#### 5. Other Operational Profit

The other operational profit includes the following:

	2013	2012
Currency exchange gains	361	421
Rental income	837	891
Subsidies for research and development	44	454
Insurance recoveries	0	3
Income from the release of provisions	73	370
Other	375	393
	<b>1,690</b>	<b>2,532</b>

#### 6. Research and Development and Other Expenses

The other expenses include the following:

	2013	2012
Full costs for research and development	9,109	8,270
Capitalization of own development costs	-4,134	-4,373
Unscheduled depreciations on capitalized developments	608	47
Premises costs	740	971
Further other expense	113	31
	<b>6,436</b>	<b>4,946</b>

#### 7. Financial Result

	2013	2012
Interest income from cash in bank	1	7
Interest income from derivative financial instruments	21	22
Interest expense on bank loans	-174	-205
Interest expense from derivative financial instruments	-360	-181
Interest income from discounting	81	0
Capitalization of interest pursuant to IAS 23	128	228
Mark-to-market valuation of derivative financial instruments	512	-1,539
Interest expense for finance lease	-968	-1,045
	<b>-759</b>	<b>-2,713</b>

The interest income and interest expense relate exclusively to financial assets (including cash) valued at amortized cost and to financial liabilities.

The capitalization rate considered in accordance with IAS 23 was 3.43 % in fiscal year 2013.

## 8. Income Taxes

Taxes paid or owed on income/revenues and deferred taxes are both stated as income taxes.

Any income obtained is stated as a negative amount.

	2013	2012
Current taxes from consolidated companies (on earnings)	1,052	1,000
Deferred taxes from consolidated companies (on earnings)	1,155	477
Other taxes	8	24
<b>Tax expense / income</b>	<b>2,215</b>	<b>1,501</b>

	2013	2012
Deferred tax expenses or income from losses carried forward (on earnings)	702	289
Adjustment of loss carry forwards	0	1
Deferred tax expenses or income from temporary differences	453	187
<b>Deferred tax expense / income</b>	<b>1,155</b>	<b>477</b>

The following is a breakdown of the effective tax burden which includes the German corporate income tax rate of 15.83 % (previous year: 15.83 %) including solidarity surcharge, and the applicable trade income tax rate of 12.25 % (previous year: 12.25 %), amounting to a combined statutory tax rate of 28.08 % (previous year: 28.08 %):

<b>Tax reconciliation</b>	2013	2012
Net profit / loss for the year before income taxes	7,777	5,587
Applicable tax rate	28.08 %	28.08 %
Expected tax expense / income	2,184	1,569
<b>Reconciliation</b>		
Effects from deviating tax rates	-33	-6
Tax effect from non-deductible expenses and tax-free earnings	-92	105
Other	156	-167
Actual tax expense / income	2,215	1,501
Group tax rate	28.5 %	26.9 %

Income taxes directly recognized in equity amount to € 65 thousand (previous year: € 361 thousand) in the reporting year.

As per December 31, the following tax loss carry forwards existed (in k €):

	2013	2012
Germany, corporate income tax	10,393	12,812
Germany, trade income tax	8,673	11,279
USA, federal level	-36	233

The tax loss carry forwards in Germany apply for an indeterminate period. Due to the statutory situation, out of the total loss carry forward, a maximum of € 1,000 thousand plus 40 % of the excess tax profit can be utilized per year.

The tax loss carry forwards in the USA can be utilized until 2028.

As at the reporting date Basler capitalized deferred tax assets on corporate income tax and trade income tax loss carry forwards amounting to € 2,708 thousand (previous year: € 3,410 thousand), since due to the tax four-year planning sufficiently taxable income is expected in the future. In this planning, we assume low double-digit sales growth rates as well as stable result margins. Of these, corporate income tax and trade income tax loss carry forwards extant in Germany, amounting to € 10.4 million and € 8.7 million can be utilized without limit; the remaining loss carry forwards in the USA expire after a maximum of fifteen years.

No active deferred taxes were recognized for loss carry forwards in the USA amounting to € 36 thousand.

## 9. Additional Information

### 9.1 Production Orders

The accumulated costs of production orders in progress on the reporting date amount to € 128 thousand (previous year: € 384 thousand), the accumulated profits reported amount to € 260 thousand (previous year: € 619 thousand).

In the year 2013, costs for guarantees amounted to € 246 thousand (previous year: € 346 thousand).

### 9.2 Scheduled and Unscheduled Depreciations

In fiscal year 2013, unscheduled value adjustments were made on capitalized product developments to the amount of € 608 thousand (previous year: € 47 thousand).

which are discontinued products or for which no sufficient economic benefit is expected. The unscheduled depreciations on the capitalized developments were recorded in the reporting year with the other expense. The depreciations and unscheduled depreciations are included in the following areas:

	2013	2012
Cost of service performed	3,271	3,454
Sales and marketing costs	144	129
General administration costs	995	995
Other expense	1,014	454
	<b>5,424</b>	<b>5,032</b>

### 9.3 Personnel Expenditures

	2013	2012
Wages and salaries	22,371	18,725
Social security contributions	3,760	3,180
	<b>26,131</b>	<b>21,905</b>

The expenses for the contribution-based old-age pension schemes amounted to € 1,718 thousand (previous year: € 1,484 thousand). The group's employees are for the most part insured under the mandatory statutory pension insurance scheme and are thus subject to a government contribution-based plan.

### 9.4 Material Expenditures

	2013	2012
Expenses for raw, auxiliary, and operating supply items as well as purchased goods	19,545	17,601
Expenses for purchased services	1,273	849
	<b>20,818</b>	<b>18,450</b>

### 9.5 Reconciliations for Result per Share

	2013	2012
Earnings diluted / undiluted in k €	5,562	4,086
Weighted average number of ordinary shares	3,281,312	3,372,588

The calculation of the average number of shares outstanding was carried out according to a pro rata temporis weighting taking into account the acquired own shares.

## NOTES TO THE BALANCE SHEET

### 10. Development of Fixed Assets

As at December 31, 2013, Basler used fully depreciated fixed assets representing an acquisition value of € 8,303 thousand (previous year: € 6,832 thousand).

For more details about the development of fixed assets, we refer to the separate explanation.

The technical equipment, machines, and fixtures and fittings amounting to € 338 thousand (previous year € 825 thousand) are assigned as collaterals to credit institutions.

The purchase commitments for tangible assets amounted to € 233 thousand (previous year: € 131 thousand) as of December 31, 2013.

### 11. Deferred Taxes

The following deferred tax assets and liabilities apply to measurement or recognition inconsistencies of the individual balance sheet items:

Deferred tax assets	12/31/2013	12/31/2012
From tax loss carry forwards	2,708	3,410
Inventories	69	220
Financial instruments	288	497
Other	136	75
Offsetting	-3,157	-4,108
	<b>44</b>	<b>94</b>

Deferred tax liabilities	12/31/2013	12/31/2012
Capitalization of development	3,756	3,500
Receivables	109	282
Finance lease	475	320
Financial instruments	0	12
Other	10	13
Offsetting	-3,157	-4,108
	<b>1,193</b>	<b>19</b>



## 12. Inventories

The inventories include the following:

	12/31/2013	12/31/2012
Finished products	1,506	1,478
Semifinished products	1,140	1,234
Raw materials, supplies, and operating materials	6,597	4,598
Merchandise	352	326
	<b>9,595</b>	<b>7,636</b>

As of December 31, 2013, unscheduled value adjustments were made on the inventories to the amount of € 858 thousand (previous year: € 1,180 thousand), of which a decrease of € 322 thousand applied to fiscal year 2013 (previous year: an increase of € 129 thousand).

Finished products and merchandize include devices made available to customers temporarily for testing, on loan, and for demonstration purposes worth € 212 thousand (previous year: € 108 thousand). This manner of reporting facilitates the handling of the future sale to the customer. Devices used for demonstration purposes over an extended period, e.g., for trade fairs and exhibitions, are stated under fixed assets and are depreciated over their useful lives amounting to three years.

## 13. Receivables from Deliveries and Services as well as Production Orders

Receivables from deliveries and services as well as from production orders were as follows:

	12/31/2013	12/31/2012
Receivables from manufacturing to order	388	1,003
Advance payments received for manufacturing to order	-178	-842
	<b>210</b>	<b>161</b>
Receivables from deliveries and services	6,668	6,162
	<b>6,878</b>	<b>6,323</b>

Of the receivables from deliveries and services in the amount of € 6,668 thousand (previous year: € 6,162 thousand) € 6,668 thousand (previous year: € 6,162 thousand) are due within one year.

The values of the receivables from deliveries and services are adjusted by € 29 thousand (previous year: € 23 thousand). Value adjustments of receivables are maintained at Basler on separate accounts. Value adjustments are performed as far as the collectability of a receivable is in danger, e.g., due to insolvency. The value adjustments have developed in the following way:

	2013	2012
Latest revision date 01/01	23	135
Exchange rate differences	0	0
Allocation	10	0
Consumption	3	6
Liquidation	1	106
<b>Status as at 12/31</b>	<b>29</b>	<b>23</b>

The aging profile of the receivables from deliveries and services after specific allowances is as follows:

	2013	2012
Book value as of 12/31	6,668	6,162
Of which as of 12/31 neither impaired nor past due	5,171	4,808
Of which not impaired and up to 60 days past due	1,354	1,196
Of which not impaired and more than 61 days past due	143	158

The sum of advance payments received amounts to € 1,791 thousand (previous year: € 899 thousand), of which € 178 thousand (previous year: € 842 thousand) are deducted from the receivables arising from long-term production. The receivables from production orders are not impaired by specific allowances. There are no receivables past due that would require value adjustments.

The maximum default risk corresponds to the book values stated in the balance sheet of each financial asset (minus value adjustments taken into account as of the balance sheet date, if applicable).

The fair values do not differ significantly from the book values.

## 14. Other Short-Term Financial Assets and Other Short-Term Assets

	12/31/2013	12/31/2012
Other expense	354	421
Advance payments made	590	516
Derivative financial instruments	0	42
Other	217	95
	<b>1,161</b>	<b>1,074</b>

The fair values do not differ significantly from the book values. The maximum default risk corresponds to the book values stated in the balance sheet of each financial asset. The other current financial assets are not impaired by value adjustments. There are no receivables past due that would require value adjustments.

## 15. Tax Refund Claims

The tax refund claims relate to input tax amounting to € 356 thousand (previous year: € 161 thousand) and the reclaim of taxes paid in advance on income and profit amounting to € 36 thousand (previous year: € 565 thousand).

The fair values do not differ significantly from the book values. The maximum default risk corresponds to the book values stated in the balance sheet of each financial asset.

## 16. Cash and Cash Equivalents

Cash and cash equivalents include cash in bank and cash in hand in the amount of € 9,665 thousand (previous year: € 8,197 thousand).

## 17. Lease

### 17.1 Finance Lease

The company building and the company grounds in Ahrensburg are used within the framework of a lease agreement. The agreement is classified as financing lease agreement. The book values at the end of the fiscal year are as follows:

	12/31/2013	12/31/2012
Land	1,817	1,817
Buildings	14,883	15,575
	<b>16,700</b>	<b>17,392</b>

The development is recorded separately in the fixed asset schedule.

The liabilities from finance lease are as follows:

	Minimum lease payments		Cash value of the minimum lease payments	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
With a residual term of up to one year	2,213	2,210	2,151	2,149
With a residual term of more than one year and up to five years	16,292	8,867	12,859	7,395
With a residual term of more than five years	0	9,638	0	6,708
	<b>18,505</b>	<b>20,715</b>		
Minus:				
Future financing costs:	-3,495	-4,463		
<b>Cash value of the minimum lease payments:</b>	<b>15,010</b>	<b>16,252</b>	<b>15,010</b>	<b>16,252</b>
Recorded in the group's annual balance sheet as				
Short-term liabilities from financing lease			2,151	2,149
Long-term liabilities from financing lease			12,859	14,103

Basler will receive at least the following rental payments from subleasing the office building in Ahrensburg under contracts that have been concluded and are non-cancellable:

Fiscal year	
<b>2014</b>	520
<b>2015 - 2017</b>	214
<b>From 2018</b>	-

The earnings from subleases amounted to € 837 thousand in the reporting year (previous year: € 891 thousand).

Basler has the option of purchasing the building at the end of the lease.

The interest rates applicable to the liabilities related to this finance lease were fixed on the day of the conclusion of the agreement. They amount to 6.22 % and 6.84 % for the different elements of the building.

## 17.2 Operating Leasing

Parts of the fixtures and fittings are used within the framework of an operating lease. The future rental and leasing payments based on non-cancellable operating leases and rentals amount to a minimum of:

Fiscal year	
2014	648
2015 - 2017	709
From 2018	-

Almost all rental and leasing options provide for final purchase options at market conditions. During the year under review, the rent/leasing expenses amounted to € 433 thousand (previous year: € 329 thousand).

## 18. Equity

### 18.1 Subscribed Capital

The paid-up share capital of the company amounts to € 3,500,000 and is divided into 3,500,000 issued no-par-value shares. The shares are in bearer form. The number of shares in circulation as of January 1, 2013, amounted to 3,325,664 and on December 31, 2013, to 3,238,184. In the reporting year, 87,480 own shares were acquired.

The shares of Basler AG have been listed at the Frankfurt Stock Exchange since March 23, 1999.

### 18.2 Authorized Capital

Pursuant to § 4 clause (3) of the Basler AG articles of incorporation, the management board is authorized, subject to approval by the supervisory board, to increase the share capital by May 30, 2017, by issuing up to 1,750,000 new no-par-value bearer shares against cash and/or non-cash contributions either once or several times by a total of € 1,750,000.00. The shareholders shall be granted a subscription right for this purpose. However, the management board is authorized, subject to approval by the supervisory board, to exclude subscription rights of the shareholders for fractional amounts.

## 18.3 Components of the Residual Total Income

The results before and after taxes of the components of the residual total income are as follows:

	12/31/2013			12/31/2012		
	Earnings before taxes	Taxes	Net	Earnings before taxes	Taxes	Net
Currency conversion of foreign subsidiaries	-83	0	-83	-34	0	-34
Cash flow hedges	233	-65	168	1,286	-361	925
<b>Total</b>	<b>150</b>	<b>-65</b>	<b>85</b>	<b>1,252</b>	<b>-361</b>	<b>891</b>

## 18.4 Dividend Payment

On May 23, 2013, a dividend was paid amounting to € 0.30 per share (total dividend: € 982 thousand).

## 19. Financial Liabilities

Basler reports the following financial liabilities as at December 31, 2013 (in k €):

Description	Interest condition	Interest rate	End of term	Repayment amount
ERP bank loan, tranche III	Fixed	3.65 %	03/31/2016	337 k € (previous year: 525 k €)
ERP bank loan, tranche IV	Fixed	4.60 %	03/31/2016	562 k € (previous year: 750 k €)
ERP bank loan 2012, tranche I	Fixed	2.15 %	12/30/2022	2,550 k € (previous year: 1,195 k €)
ERP bank loan 2012, tranche II	Fixed	2.45 %	12/30/2022	2,550 k € (previous year: 1,195 k €)

Furthermore, derivative financial liabilities of € 1,027 thousand (previous year: € 1,742 thousand) as well as other financial liabilities of € 114 thousand (previous year: € 54 thousand) are shown under other financial liabilities.

The fair values of the above financial liabilities, of the liabilities from deliveries and services, and of the other short-term liabilities, do not vary significantly from the reported book values.

## 20. Provisions

	01/01/ 2013	Allo- cation	Utiliza- tions	Liqui- dation	Currency differences	12/31/ 2013
<b>Long-term provisions</b>						
Personnel costs	489	26	0	0	0	515
<b>Long-term provisions</b>	<b>489</b>	<b>26</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>515</b>
<b>Short-term provisions</b>						
Personnel costs	1,698	2,507	-1,522	-9	-7	2,667
Commissions	9	38	-9	0	-1	37
Guarantee	173	198	-173	0	0	198
Legal and consultancy costs	95	126	-80	-15	-1	125
Other	237	164	-177	-49	-1	174
<b>Short-term provisions</b>	<b>2,212</b>	<b>3,033</b>	<b>-1,961</b>	<b>-73</b>	<b>-10</b>	<b>3,201</b>
<b>Total</b>	<b>2,701</b>	<b>3,059</b>	<b>-1,961</b>	<b>-73</b>	<b>-10</b>	<b>3,716</b>

The provisions for personnel costs were mainly made for variable salaries and for bonuses for the reporting year.

The short-term provisions are expected to be utilized in the course of one year.

## 21. Derivative Financial Instruments and Other Financial Instruments

As a company acting on global markets, Basler is exposed to various market risks. In order to reduce USD currency risks, Basler uses forward exchange contracts as fair value hedges. As these dealings are intended as security for underlying operating transactions, their terms are less than one year in each case. As of the balance sheet date, there were no forward exchange dealings.

As in the case of the receivables, the maximum default risk corresponds to the book values stated in the balance sheet of each financial asset (minus value adjustments taken into account as of the balance sheet date, if applicable), including the derivative financial instruments. As the contractual partners for derivatives are renowned financial institutions, it can be assumed that the liabilities under derivative transactions will be met.

Basler uses forward exchange contracts employed as cash flow hedges for the medium-term hedging against USD exchange rate fluctuations. They provide hedging for a maximum period of 12 months. As of the balance sheet date, there were no open transactions.

In 2011, an interest rate swap was concluded in order to hedge future credit transactions against interest rate increases. The hedging relationship was repealed in 2012. Valuation of the interest rate swap is carried out according to the mark-to-market method. Positive fair values are stated under short-term other assets and negative fair values under short-term other financial liabilities. The income shown in the financial result resulting from valuation at fair value in fiscal year 2013 amounted to € 511 thousand (previous year: expense € 1,539 thousand).

	12/31/2013	12/31/2012
Nominal value in k €	10,000	10,000
Fair value in k €		
Positive	-	-
Negative	1,027	1,539

## 21.1 Categories of Financial Instruments

In accordance with IFRS 7, the financial instruments are classified into the following valuation classes:

Category	Significance		Valuation
AfS	Available for Sale	Financial assets available for divestment	Fair value (without affecting net income against equity)
FAHfT	Financial Assets Held for Trading	Financial assets available for trading	Fair value (with effect on net income through profit or loss)
FLAC	Financial Liabilities Measured at Amortised Cost	Financial liabilities measured at amortized cost	At amortized cost
FVTPL	At Fair Value Through Profit or Loss	At fair value through profit or loss	Fair value (with effect on net income through profit or loss)
HtM	Held to Maturity	Financial investments held to maturity	At amortized cost
LaR	Loans and Receivables	Loans and receivables	At amortized cost

The book values of the financial instruments as of December 31, 2013, are as follows:

	Category of measurement according to IAS 39	Book value	Amortized costs	Fair value, affecting net income	Fair value
<b>Assets</b>					
Remaining financial assets	AfS	5	5		
<b>Long-term financial assets</b>		<b>5</b>			<b>5</b>
Receivables from deliveries and services	LaR	6,668	6,668		
Receivables from production orders	LaR	210	210		
<b>Short-term financial assets</b>		<b>6,878</b>			<b>6,878</b>
Short-term derivative assets	FVTPL	0			0
Remaining other short-term financial assets	LaR	217	217		
<b>Other short-term financial assets</b>		<b>217</b>			<b>217</b>
Liquid assets	LaR	9,665	9,665		
<b>Cash and cash equivalents</b>		<b>9,665</b>			<b>9,665</b>
		<b>16,765</b>			
<b>Liabilities</b>					
Liabilities to credit institutions	FLAC	5,599	5,599		
Other financial liabilities	FLAC	8	8		
Liabilities from finance lease	FLAC	12,859	12,859		
<b>Long-term financial liabilities</b>		<b>18,466</b>			<b>18,466</b>
Other financial liabilities	FLAC	513	513		
Short-term derivative assets	FVTPL	1,027		1,027	
Liabilities from deliveries and services	FLAC	1,132	1,132		
Liabilities from finance lease	FLAC	2,151	2,151		
Remaining other short-term financial liabilities	FLAC	2,355	2,355		
<b>Short-term liabilities</b>		<b>7,178</b>			<b>7,178</b>
		<b>25,644</b>			



The valuation levels of the financial instruments valued at fair value are as follows:

	Level 1	Level 2	Level 3	Total
Financial liabilities of "Market value through profit or loss"				
Short-term derivative assets	0	1,027	0	1,027
<b>Total</b>	<b>0</b>	<b>1,027</b>	<b>0</b>	<b>1,027</b>

Comparative values as of December 31, 2012:

	Measurement category according to IAS 39	Book value	Amortized acquisition costs	Fair value, through profit or loss	Fair value
<b>Assets</b>					
Remaining financial assets	AfS	5	5		5
<b>Long-term financial assets</b>		<b>5</b>			<b>5</b>
Receivables from deliveries and services	LaR	6,162	6,162		
Receivables from production orders	LaR	161	161		
<b>Short-term financial assets</b>		<b>6,323</b>			<b>6,323</b>
Short-term derivative assets	FVTPL	42		42	
Remaining other short-term financial assets	LaR	95	95		
<b>Other short-term financial assets</b>		<b>137</b>			<b>137</b>
Liquid assets	LaR	8,197	8,197		
<b>Cash and cash equivalents</b>		<b>8,197</b>			<b>8,197</b>
		<b>14,662</b>			
<b>Liabilities</b>					
Liabilities to credit institutions	FLAC	3,289	3,289		
Other financial liabilities	FLAC	19	19		
Liabilities from finance lease	FLAC	14,103	14,103		
<b>Long-term financial liabilities</b>		<b>17,411</b>			<b>17,411</b>
Other financial liabilities	FLAC	1,480	1,480		
Short-term derivative assets	FVTPL	1,539		1,539	
Liabilities from deliveries and services	FLAC	1,846	1,846		
Liabilities from finance lease	FLAC	2,149	2,149		
Remaining other short-term financial liabilities	FLAC	658	658		
<b>Short-term liabilities</b>		<b>7,672</b>			<b>7,672</b>
		<b>25,083</b>			

The valuation levels of the financial instruments valued at fair value are as follows:

	Level 1	Level 2	Level 3	Total
Financial assets of "Market value affecting profit and loss"				
Short-term derivative assets	0	42	0	42
<b>Total</b>	<b>0</b>	<b>42</b>	<b>0</b>	<b>42</b>

	Level 1	Level 2	Level 3	Total
Financial liabilities of "Market value affecting profit and loss" category				
Short-term derivative assets	0	1,539	0	1,539
<b>Total</b>	<b>0</b>	<b>1,539</b>	<b>0</b>	<b>1,539</b>

For the calculation of the fair value of derivative instruments, discounted cash flow analyses are applied to derivatives without optional components using corresponding interest yield curves to the instruments' maturity and option pricing models are applied to derivatives with optional components. Forward foreign exchange transactions are valued based on listed forward rates and interest yield curves that are derived from listed market interest rates in view of the contracts' maturity. Interest rate swaps are valued at the cash value of the estimated future cash flows. The discounting took place using the pertinent interest yield curves derived from listed interest rates. The fair value of other financial assets and liabilities is determined in accordance with generally accepted measurement models based on discounted cash flow analyses.

Please refer to note 13 for the recording of impairments and net profits/losses of the stated financial assets and financial liabilities.

### III. ADDITIONAL INFORMATION

## 22. Types and Management of Financial Risks

### 22.1 Counterparty Risk

Basler continuously checks the creditworthiness of its customers by employing internal and external evaluations. In addition, the risk associated with receivables from deliveries and services is reduced by the fact that the company has a diverse customer base. Furthermore, the company operates a clearly defined process to follow up on outstanding receivables. A credit line structure supported by the ERP system with

documented escalation levels is used to limit the risk even further. Please refer to notes 13, 14, 15, 19, and 21 for statements of the maximum default risks.

### 22.2 Interest Rate Risk

All longer-term financial liabilities stated as at the balance sheet date are valued at amortized cost and are not subject to interest rate risk within the meaning of IFRS 7 due to existing fixed-interest agreements. The sensitivity analysis in connection with the interest rate risk from the interest rate swap showed a positive effect on earnings before taxes of € 221 thousand resulting from an increase of the interest yield curve by 0.5 percentage points and a negative effect earnings before taxes of € 221 thousand resulting from a decrease of the interest yield curve by 0.5 percentage points.

## 23. Capital Management/Liquidity Risk

Basler manages its capital with the aim of maximizing the earnings of its stakeholders by optimizing the ratio of equity capital to borrowed capital.

However, it must furthermore be ensured that Basler possesses sufficient reserves to also enable short-term growth. This goal is managed using the financial reserves key figure.

This key figure is calculated from the ratio of borrowed capital plus unused credit lines to short-term assets minus liquid assets.

A value of 125 % is targeted.

	12/31/2013	12/31/2012
Borrowed capital without finance lease and deferred taxes	14,588	12,621
Unused credit lines	3,600	3,600
<b>Subtotal:</b>	<b>18,188</b>	<b>16,221</b>
Short-term receivables	6,878	6,323
Inventories	9,595	7,636
Remaining receivables and other financial assets and accruals and deferrals	1,161	1,074
Liquid assets	-9,665	-8,197
<b>Subtotal:</b>	<b>7,969</b>	<b>6,836</b>
<b>Financial reserves</b>	<b>228 %</b>	<b>237 %</b>

This strategy was not changed compared to the previous year.

On the reporting date, Basler had access to credit lines amounting to € 3,600 thousand (previous year: € 3,600 thousand). These were not used, as in the previous year.

The availability of credit lines and the granting of bank loans are partly tied to compliance with certain financial key figures. As in the previous year, Basler AG complied with the key figures.

The following maturity analysis of financial liabilities (contractually agreed, non-discounted payments) indicates the influence on the group's liquidity (in k €):

	2014	2015	2016 to 2018	From 2019
Bank debt	549	848	1,360	4,036
Liabilities from deliveries and services	1,132	-	-	-
Other current financial and tax liabilities	2,355	-	-	-
Liabilities from finance lease	2,213	2,215	14,077	0

As per December 31, 2012, the following maturity structure ensued:

	2013	2014	2015 to 2017	From 2018
Bank debt	1,475	620	1,066	1,976
Liabilities from deliveries and services	1,846	-	-	-
Other current financial and tax liabilities	658	-	-	-
Liabilities from finance lease	2,210	2,213	6,654	9,638

## 24. Segment Report

In 2009, Basler decided to strategically focus on the camera business. Various product lines of the solutions segment were sold or discontinued. Furthermore, the restructuring to a functional organisation was finished in 2012. As a result of this measure, the business with individual solutions (formerly solutions segment) fell below the quantitative threshold of IFRS 8.13 and is therefore no longer reportable. Thus, only the camera business is reportable (formerly components segment) corresponding to the overall presentation of the company

### 24.1 Other Statements, Segment-Independent

Customers of Basler are global players. In the following statement of turnover per country, the product's country of installation is considered the target country. If the country of installation is not known, the last known country of delivery is considered.

	2013	2012
Germany	7,822	7,562
Other European Union	16,267	13,109
America	14,455	13,889
Asia	26,566	21,297
	<b>65,110</b>	<b>55,857</b>

The long-term assets of the Basler group are held in the following countries:

	2013	2012
Germany	35,156	34,360
America	23	31
Asia	337	36
	<b>35,516</b>	<b>34,427</b>

## 25. Number of Employees

The average number of employees in each functional area is shown in the table below:

	2013	2012
Production	79	62
Sales	100	91
Development	89	84
Administration	84	73
	<b>352</b>	<b>310</b>

Basler is strongly committed to providing a family friendly, flexible working environment. One indication of this is the high percentage of employees who work under a wide variety of part-time schemes. Expressed in terms of equivalents of full-time positions this breaks down as follows:

	2013	2012
Production	75	60
Sales	95	86
Development	84	81
Administration	71	63
	<b>325</b>	<b>290</b>

## 26. Remuneration of Auditors

The remuneration paid to BDO AG Wirtschaftsprüfungsgesellschaft is separated into the following categories:

	2013	2012
Audit fees	68	67
Tax consultancy services	50	21
Other services	0	10
	<b>118</b>	<b>98</b>

## 27. Relations to Closely Affiliated Persons

In fiscal year 2013, there were no transactions with related parties.

## 28. Management Board and Supervisory Board

### 28.1 Management Board

In 2013, the management board consisted of the following members:

#### Dr. Ing. Dietmar Ley

CEO, responsible for the business units product creation, finance, and personnel

#### Dipl.-Ing. (MBA) John P. Jennings

Executive Director for sales and marketing and subsidiaries

#### Dipl.-Ing. (FH), Dipl.-Wirt.-Ing. (FH) Arndt Bake

Executive Director for product management, production, and supply chain management

As of January 1, 2014, Mr. Hardy Mehl, Dipl.-Kaufmann, was appointed to the management board and takes over responsibility for the operations, finance, IT, and legal divisions.

### 28.2 Supervisory Board

In 2013, the supervisory board consisted of the following members:

#### Norbert Basler

Supervisory board chairman, entrepreneur

#### Prof. Dr. Eckart Kottkamp

Supervisory board vice-chairman, advisor

#### Konrad Ellegast

Regular supervisory board member, advisor

Additional mandates held by the supervisory board members in 2013, compliant with § 285 No. 10 HGB:

#### Norbert Basler

Member of the supervisory board, Kuhnke AG, Malente, until May 7, 2013

Member of the supervisory board, Plato AG, Lübeck

#### Prof. Dr. Eckart Kottkamp

Chairman of the advisory board, Mackprang Holding GmbH & Co. KG, Hamburg

Chairman of the advisory board, ACTec GmbH, Freiberg

Chairman of the supervisory board, Lloyd Fonds AG, Hamburg

Member of the supervisory board, Elbphilharmonie Hamburg Bau GmbH & Co KG, Hamburg

Member of the supervisory board, KROMI Logistik AG, Hamburg

Member of the advisory board, C. Mackprang Jr. GmbH & Co. KG, Hamburg

#### Konrad Ellegast

Chairman of the advisory board, Dichtungstechnik G. Bruss GmbH & Co. KG, Hoisdorf

### 28.3 Remuneration of the Members of the Management Board and Supervisory Board

As of January 1, 2011, the remuneration model of the management board was changed by the implementation of a sustainability clause (see remuneration report in the management report). According to this, the variable claims acquired in one fiscal year are paid over a period of three years and during this period of time are subject to the intermediate risk of substantial decreases due to subsequent worsening of the situation. In 2013, the following variable remunerations were paid out of the bonus bank:

	Outpayment
Dr. Dietmar Ley	€ 96,918.26
John P. Jennings	€ 83,187.25
Arndt Bake	€ 68,432.93

In 2013, the total remuneration of the management board amounted to € 1,121,102.93. In 2013, the individual members of the management board directly and indirectly received the following remuneration (in €):

	Fixed remuneration	Performance-related remuneration for 2013	Total 2013
Dr. Dietmar Ley	272,047.95	160,103.49	432,151.44
John P. Jennings	251,082.83	123,887.15	374,969.98
Arndt Bake	200,277.38	113,709.13	313,986.51

In 2012, the total remuneration of the management board amounted to € 1,109,601.55. The individual members of the management board received the following direct and indirect remuneration (in €):

	Fixed remuneration	Performance-related remuneration for 2012	Total 2012
Dr. Dietmar Ley	256,498.65	164,813.66	421,312.31
John P. Jennings	245,259.91	137,368.88	382,628.79
Arndt Bake	189,287.71	116,372.74	305,660.45

In the case of a proper termination of office as member of the management board, one third each of a positive balance of the remaining performance-related compensation is paid per year in the course of the following three years.

In the case of premature termination of office as member of the management board, possible payments are limited to the value of two annual remunerations and will not exceed the total of claims resulting from the remaining term of the employment contract.

The contracts of the management board members were amended so that in the case of termination by a member of the management board with good cause no more payments will be made to the member of the management board. This amendment came into force for the contracts of Arndt Bake and John P. Jennings on November 1, 2012, and for the contract of Dr. Dietmar Ley on January 1, 2013.

### 28.4 Remuneration of the Supervisory Board

The total remuneration of the members of the supervisory board amounted to € 54 thousand in the year 2013.

	Fixed remuneration	Performance-related remuneration for 2013	Total 2013
Norbert Basler	24,000.00	0.00	24,000.00
Prof. Dr. Eckart Kottkamp	18,000.00	0.00	18,000.00
Konrad Ellegast	12,000.00	0.00	12,000.00

The total remuneration of the members of the supervisory board amounted to € 47 thousand in the year 2012.

	Fixed remuneration	Performance-related remuneration for 2012	Total 2012
Norbert Basler	20,750.00	0.00	20,750.00
Prof. Dr. Eckart Kottkamp	15,562.50	0.00	15,562.50
Konrad Ellegast	10,375.00	0.00	10,375.00



## 28.5 Share Ownership by the Members of Management Board and Supervisory Board

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

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

## 29. Holdings Index

In addition to Basler AG, the following companies are included in the group's annual balance sheet by way of full consolidation due to extant voting majorities:

Company name	Proportion of stake in %
Basler Inc., Exton/USA	100
Basler Asia Pte. Ltd., Singapore	100
Basler Vision Technologies Taiwan Inc., Jhubei City/Taiwan	100

Further participating interests are not held.

## 30. Corporate Governance

The company has made its Declaration of Compliance with the German Corporate Governance Code which is mandatory under § 161 of the German Stock Corporation Act (AktG). The declaration was made accessible to the shareholders on the company's website at [www.baslerweb.com](http://www.baslerweb.com).

## 31. Approval of the Annual Balance Sheet

The annual balance sheet is expected to be released for publication by the supervisory board on March 18, 2014.

## 32. Recommendation for the Appropriation of Profit

The management board recommends the distribution of a dividend amounting to € 0.47 per share corresponding to an amount of 1,521,946.48 €.

Ahrensburg, March 3, 2014

Management Board



Dr. Dietmar Ley

(CEO)



John P. Jennings

(CCO)



Arndt Bake

(CMO)



Hardy Mehl

(CFO/COO)

## AUDITORS' AUDIT OPINION

We have audited the consolidated financial statements of Basler Aktiengesellschaft, Ahrensburg, — consisting of balance sheet, profit and loss statement, statement of comprehensive income, statement of changes in equity, cash flow statements, and notes — and the group management report for the business year from January 1, 2013 to December 31, 2013. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the additional provisions stated in Section 315a Para. 1 HGB are the responsibility of the company's legal representatives. It is our responsibility to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and the German standards of proper auditing of financial statements as established by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that inaccuracies and infringements significantly affecting the presentation of the net assets, financial position, and results of operations in the consolidated financial statements in accordance with German principles of proper accounting and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting information of the sections included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the results of our audit the consolidated financial statements are in compliance with the IFRS, as adopted by the EU, and the additional provisions stated in Section 315a Para. 1 HGB and give a true and fair view of the net assets, financial position, and results of operations of the group in accordance with German principles of proper accounting. The group management report is in accordance with the annual financial statements and provides on the whole a suitable understanding of the group's position and suitably presents the opportunities and risks of future development.

We have issued the above report on the audit of the consolidated financial statements and the group management report for the fiscal year from January 1, 2013, to December 31, 2013, of Basler Aktiengesellschaft, Ahrensburg, in accordance with applicable legal provisions and German principles of proper accounting for audits of consolidated financial statements.

Lübeck, March 4, 2014

BDO AG

Wirtschaftsprüfungsgesellschaft

Dr. Probst

Auditor

ppa. Janitschke

Auditor

## DECLARATION OF THE LEGAL REPRESENTATIVES

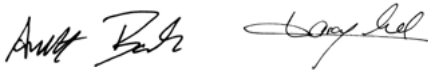
We affirm to the best of our knowledge that the consolidated financial statements, in accordance with the accounting principles applicable to annual reporting, provide a true and fair view of the group's asset, financial, and earnings situation and that the annual group management report represents a true and fair picture of the course of business, including the operating result, and the group's financial situation as well as a description of the essential opportunities and risks concomitant with the expected development of the group during the remainder of the fiscal year.

Ahrensburg, March 3, 2014

The Management Board



Dr. Dietmar Ley    John P. Jennings  
(CEO)                      (CCO)



Arndt Bake                      Hardy Mehl  
(CMO)                      (CFO/COO)

## Events 2014

### Finance Events

Date		Venue
05/06/2014	Publication 3-month report 2014	Ahrensburg, <a href="#">Germany</a>
06/04/2014	Shareholders' meeting 2014	Hamburg, <a href="#">Germany</a>
06/25/2014	Small & Mid Cap Investors' Conference	Paris, <a href="#">France</a>
07/31/2014	Publication 6-month report 2014	Ahrensburg, <a href="#">Germany</a>
11/06/2014	Publication 9-month report 2014	Ahrensburg, <a href="#">Germany</a>
11/24-26/2014	Deutsches Eigenkapitalforum 2014 (German equity forum)	Frankfurt am Main, <a href="#">Germany</a>

### Shows and Conferences

Date		Venue
01/15-18/2014	Basler Asian Distributors' Meeting	Da Nang, <a href="#">Vietnam</a>
02/12-14/2014	Semicon Korea	Seoul, <a href="#">Korea</a>
03/04-07/2014	Korea Vision Show 2013 / Automation World	Seoul, <a href="#">Korea</a>
03/18-20/2014	Vision China, Shanghai / SEMICON China	Shanghai, <a href="#">China</a>
03/19-22/2014	WIN Fair	Istanbul, <a href="#">Turkey</a>
03/25-28/2014	Intertraffic Amsterdam	Amsterdam, <a href="#">Netherlands</a>
03/25-28/2014	Automaticon 2014	Warsaw, <a href="#">Poland</a>
04/15-17/2014	Vision Show Boston	Boston, <a href="#">USA</a>
05/14-15/2014	Vision Russia	Moscow, <a href="#">Russia</a>
06/11-12/2014	Vision, Robotics & Mechatronics	Veldhoven, <a href="#">Netherlands</a>
06/11-13/2014	Exhibition on Sensing via Image Information	Yokohama, <a href="#">Japan</a>
06/11-14/2014	Propak Asia Thailand	Bangkok, <a href="#">Thailand</a>
06/17-19/2014	Photonics Festival	Taipei, <a href="#">Taiwan</a>
06/18-20/2014	Vision China, Shenzhen	Shenzhen, <a href="#">China</a>
06/19-22/2014	Assembly Technology Thailand	Bangkok, <a href="#">Thailand</a>
08/04-07/2014	NI Week, Austin (Texas)	Austin, <a href="#">USA</a>
08/27-30/2014	Taipei Int'l Industrial Automation Exhibition	Taipei, <a href="#">Taiwan</a>
10/15-17/2014	Vision China, Beijing	Beijing, <a href="#">China</a>
October 2014	AOI Forum & Show	Hsinchu, <a href="#">Taiwan</a>
11/04-06/2014	Vision Stuttgart	Stuttgart, <a href="#">Germany</a>
11/19-20/2014	All-over-IP Expo 2014	Moscow, <a href="#">Russia</a>
11/19-22/2014	Metalex Thailand	Bangkok, <a href="#">Thailand</a>
12/03-05/2014	International Technical Exhibition on Image Technology and Equipment	Yokohama, <a href="#">Japan</a>





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