



Annual Report 2015



## KEY FIGURES

in € m*	2013	2014	2015	Changes in %
Sales revenues	65.1	79.2	85.4	8 %
Incoming orders	68.6	82.7	83.0	0 %
Gross results	32.5	41	40.7	-1 %
Gross profit margin	49.9 %	51.8 %	47.7 %	-4 Pp.
Full costs for research and development	9.1	11.0	12.0	9 %
Research and development ratio	14.0 %	13.9 %	14.1 %	0 Pp.
EBITDA	14.0	18.0	16.0	-11 %
EBIT	8.5	12.5	10.0	-20 %
EBT	7.8	11.1	9.1	-18 %
Net income	5.6	8.2	6.2	-24 %
Weighted average number of shares	3,281,312	3,219,331	3,209,466	0 %
Result per share (€)	1.70	2.54	1.94	-24 %
Cash flow from operating activities	12.1	16.0	12.9	-19 %
Cash flow from investing activities	-6.5	-8.6	-9.3	8 %
Free Cash flow	5.6	7.4	3.6	-51 %
				Changes to previous year
in € m*	12/31/13	12/31/14	12/31/15	
Total assets	63.3	72.3	76.7	6 %
Long-term assets	35.61	38.8	42.5	10 %
Equity	32.5	37.3	45.2	21 %
Liabilities	30.8	35.0	31.5	-10 %
Equity ratio	51.3 %	51.6 %	58.9 %	7 Pp.
Net cash	3.7	4.5	6.6	47 %
Working Capital	13.7	17.1	15.8	-7 %
Number of employees for the fiscal year (full time equivalents)	325	375	438	17 %
Share price (XETRA) in €	29	38.66	43.43	12 %
Number of shares in circulation	3,238,184	3,181,136	3,241,363	2 %
Market capitalization	93.9	123.0	140.8	14 %

\*unless otherwise stated

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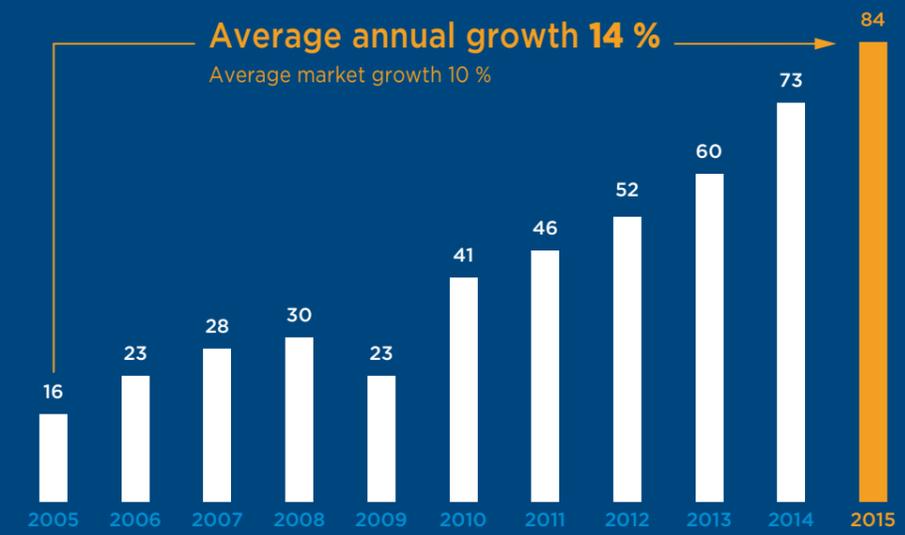
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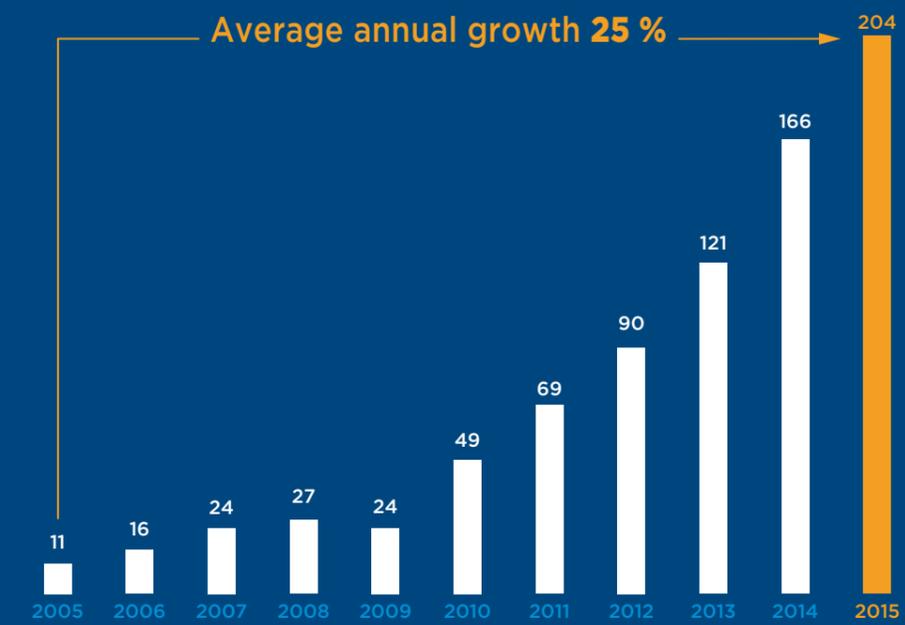


## BASLER GROWTH STORY

Camera Revenue (in € million)



Camera Units (in k Production Units)

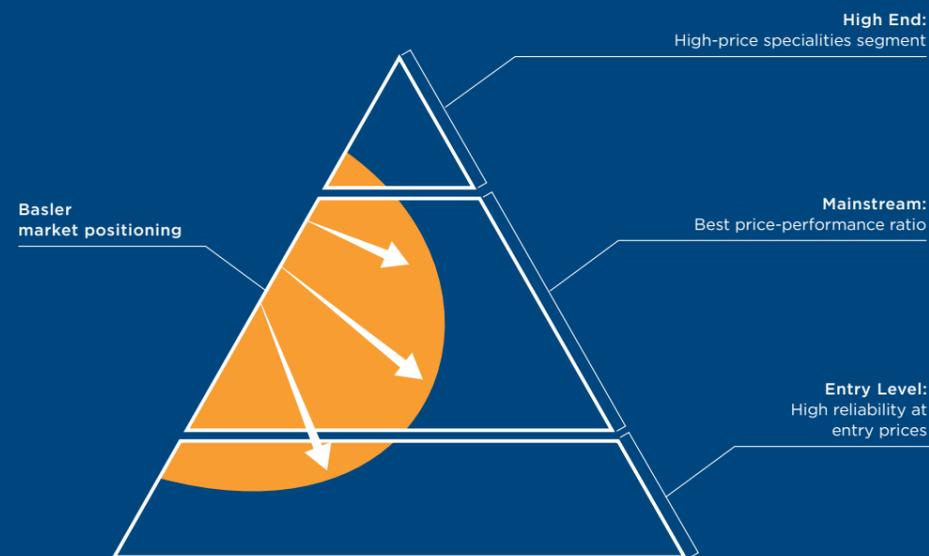


## GROWTH STRATEGY UNTIL 2020

In the past few years Basler has consistently and successfully aligned its strategy towards the high volume mainstream and entry level markets.

As a result, the company plans an average annual growth of 15 % in these areas for the next few years and has targeted a medium-term goal to increase sales to € 150 million by 2020; raising the number of produced cameras to over 500,000 pieces at a pre-tax return of 10 %.

### OUR MARKET MODEL:



Our volume strategy is based on:

- ➔ an attractive price-performance ratio
- ➔ ease of use
- ➔ high reliability of products

We achieve this through lean innovation and lean operations.



## REPORT OF THE MANAGEMENT BOARD

*Dear shareholders, employees, customers, and business partners of Basler AG,*

We are pleased that we made good progress in implementing our profitable growth strategy in 2015 and would like to inform you about the details in our annual report.

Following the successes of previous years, group sales increased by nearly 8 %. Revenues from our core business with digital industrial cameras rose by approximately 15 % and thus compensated the planned decreases from the discontinued solutions business. With these results, we grew by almost 5 percentage points faster than the market for industrial cameras in 2015 and again gained market shares (source: VDMA, Verband Deutscher Maschinen- und Anlagenbau, German Engineering Federation). The sales growth and the pre-tax return of 10.7 % achieved in the reporting period move along our strategic path providing for an average pre-tax return of 10 % and a sales growth in our core business of 15 %. With this objective, we strive for a sustainable balance between profitability, stability, and growth. With a positive free cash flow of € 3.6 million, in 2015 we also achieved our strategic goal to finance the profitable growth from own funds despite a significant increase in personnel and high bonus distributions for the preceding year. After an above average dividend payment for the extraordinarily successful year 2014, compared to the previous year, the net liquidity further increased due to the sale of own shares.

Growth was particularly driven by applications outside of factory automation as well as the continuous expansion of the product portfolio for the mainstream and entry level business. Regionally, Asia showed by far the highest growth dynamics (11 % compared to the previous year) - in contrast to the slowdown of the macroeconomic development. After the successful start of our production facility in Singapore in summer 2014, in 2015, we therefore gradually added further products to our local production portfolio, increased the output quantity, and thus increased the local value added in our most important regional market. The compliance of high quality standards and the smooth functioning of the local supply chain are vital for the planned sales growth of the Asian business in the upcoming years.

Our passionate and committed employees as well as a company culture which fosters innovation are two essential success factors for the positive results of the past reporting period. In the elapsed fiscal year, we hired 68 new employees with a very low fluctuation rate of less than one percent. We also intensively worked on adjusting structures and procedures as well as steering mechanisms to the strongly growing organization in order to create the foundations for a sustainable profitable growth in the upcoming years. For maintaining the company culture, in 2015 we set a high value on the selection and integration of new colleagues as well as on the reflection of necessary changes due to the foreseeable further company growth.

We would like to take this opportunity to thank all employees for these results achieved in the financial year 2015.

Dr. Dietmar Ley  
CEO



John P. Jennings  
CCO



Arndt Bake  
CMO



Hardy Mehl  
CFO/COO





We thank our customers and sales partners for the trust in our company, for using our products, the continuous communication enabling us to further improve our products and services, and the feedback helpful for our own further development.

We would also 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 enable us to let you participate for the sixth time in a row in the success of the company. We will therefore forward a proposal to the general meeting 2016 suggesting to pay a dividend for the financial year 2015 in the amount of € 0.58 per share, consisting of a basic dividend of € 0.20 per share and an additional dividend of € 0.38 per share. Should that proposal be adopted, the planned dividend payment of a total of € 1.9 million would correspond to about 30 % of the net result.

For 2016, economic research institutes and banks assume a restrained upturn of the global economy. In principle, we share this estimation for our market environment. Based on discussions with our customers and forecasts of associations and market research institutes expressing more cautious expectations for the development of the Chinese economy we expect our market to grow by 5 - 7 % in 2016, thus slightly more defensive than in the previous years. Given these assumptions, we expect a nearly double digit growth in sales for Basler AG in 2016. Irrespective of the market growth, we strive to gain further market shares. Important factors for the growth will be sales with new products, diversification in application fields outside of industrial mass production, and gains in market shares in important regional markets. We assume the Asian market to develop disproportionately positive again this year.

For the financial year 2016, we expect sales revenues for the group to be in a corridor between € 90 and 92 million and a pre-tax return between 9 and 10 %. We expect the course of business to follow a typically seasonal pattern characterized by a moderate first quarter, followed by simultaneously strongly developing second and third quarters, and a weakening in the fourth quarter.

With a high level of orders, an increased number of employees, unique market access, solid liquidity, and a very attractive product portfolio, Basler AG is well positioned for the financial year 2016. The risk profile of our business model is well-balanced due to a large number of customers and target markets. Besides the high level of customer loyalty in the design-in business we underpin the sustainability of our business model by diversification in applications outside the factory. Thus, we are convinced to be able to continue with the implementation of our growth strategy and to exceed the sales threshold of € 100 million in the foreseeable future.

We look forward moving another step forward with you in 2016.

Ahrensburg, March 2016

The Management Board

Dr. Dietmar Ley  
CEO

John P. Jennings  
CCO

Arndt Bake  
CMO

Hardy Mehl  
CFO/COO





## REPORT OF THE SUPERVISORY BOARD

*Dear Ladies and Gentlemen,*

In the elapsed fiscal year 2015, 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 2015, five regularly occurring supervisory board meetings took place, which all members of the supervisory board attended except for the meeting on September 15 which Mr. Garbrecht was not able to attend. The meetings were held on March 17, May 21, September 15, November 18, and December 16. 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 the supervisory board dealt with in the elapsed fiscal year were inter alia:

- Consultation on and conclusion of the annual balance sheet for 2014 and the proposals for the shareholders' meeting
- Dividends for fiscal year 2014 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
- The company's patents
- Advancement of the corporate strategy
- New business development
- Company organization
- Situation as well as quantitative and functional expansion of the subsidiaries
- Transfer prices between Basler AG and its subsidiaries
- Investments
- Corporate financing and banking relationships

Norbert Basler  
Founder & Chairman of the  
Supervisory Board



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



Horst W. Garbrecht  
Supervisory Board



- Currency hedges
- Liquidity and working capital
- Investor relations
- Share buyback program
- Corporate planning and budget for the group for fiscal year 2016
- 4-year-planning
- Business premises
- Correctness and effectiveness of the internal control system (IKS)
- Correctness and effectiveness of the risk management system (RMS)



- Compliance issues
- Changes of legal requirements
- Commitment to and amendments of the Corporate Governance Code
- Selection procedure for the statutory auditor
- IT security and IT costs
- Remuneration of the management board
- Further development of supervisory board composition and organization
- Efficiency of the supervisory board's work

The BDO AG Wirtschaftsprüfungsgesellschaft which was selected as annual auditor by the shareholders' meeting on May 21, 2015, was commissioned by the chairman of the supervisory board to perform the audit by a letter of November 2, 2015. The annual auditor participated in the supervisory board meeting on March 15, 2016, in which the presented annual balance sheet and the reported essential results were discussed.

The accounting, the annual balance sheet as of December 31, 2015, and the situation report for Basler AG, along with the group's annual balance sheet as of December 31, 2015, 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 improved it. 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 duly performed 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".



Key fact

**Market shares gained -**  
organizationally  
secure growth

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.

### Market shares gained - organizationally secure growth

As in the previous years, in 2015 Basler AG's growth in the camera business was clearly above market growth. This repeated expansion of the market leadership was accompanied by the achievement of the set profitability goals. Thus, the company meets its requirements of being a profitable growth company. At the same time, the technological and strategic requirements for further sustainable growth and stable profitability were effectively worked on.

In this year, special emphasis was given to further develop the organization of Basler AG. The strong increase in personnel in the previous years and the expansion plans for the future require a profound restructuring of the organization, but especially of the processes within the company. With more than 500 employees in the group, other forms of cooperation are needed in order to ensure productivity and efficiency.

On the basis of an excellent company culture accompanied by a substantial willingness to change of the entire staff, courageous steps towards a more modern, efficient, and future oriented company organization were decided on. Their implementation will take many more months, but the effectiveness of this restructuring can clearly be felt already.

Thus, also 2015 was a challenging financial year: The integration of many new colleagues, a strong capacity utilization, the further development of the company strategy, and the concurrent restructuring of all processes were very demanding for all of us - but all this laid the foundations for the future success of Basler AG.

From the supervisory board perspective the company made substantial progress in the elapsed fiscal year. The supervisory board expressly thanks all employees, executives, and the members of the management board for the successful work they have accomplished in the past fiscal year.

Ahrensburg, March 2016

For the Supervisory Board

Norbert Basler

Founder & Chairman of the  
Supervisory Board

Prof. Dr. Eckart Kottkamp

Vice Chairman of the Supervisory Board

Horst W. Garbrecht

Supervisory Board



## THE BASLER SHARE

The financial year 2015 can be considered as a satisfactory year for the European investor. Temporarily, many important stock indices were affected by substantial volatility. Despite severe fluctuations during the summer months and the beginning of December, the German leading index DAX rose from 9,870 points at the beginning of the year to over 10,700 points.

In this patchy capital market environment of 2015, the Basler share price again increased due to the steadily positive business development of the company. The share opened the financial year 2015 at a price of € 38.16 and closed at a price of € 43.43 at the end of the year. This corresponds to a share price increase of 14 %.

After publication of the preliminary business figures 2014, the Basler share price rapidly increased from € 38.16 to over € 50.00 in February 2015. Increasing interest from investors caused the share price rise to € 56.00 in the month of April reaching its annual high of € 62.00 in the month of May. After this increase the company parted with a portion of its treasury shares - 50,000 pieces were sold to a new investor with long-term orientation and a further 16,419 pieces were sold directly via the stock market. At the end of the second quarter the share closed at a price of € 53.00.

In July, the share price initially moved sideways and afterwards increased to € 55.00 prior to the publication of the second quarter results. Obviously, a number of investors had expected an increase of the guidance – against multiple affirmations of the annual forecast by the management board. When this increase failed to appear and at the same time uncertainties about the future economic development in China emerged, the Basler share price came under selling pressure without fundamental reasons leading to a closing price of € 43.00 at the end of the third quarter.

In the last quarter, the share price moved sideways, and reached its annual low of € 37.46 at the end of November. After successful meetings at the Equity Forum in Frankfurt the share price slightly recovered in the course of the month of December and closed at € 43.43 on December 31, 2015.

### The General Meeting

The general meeting took place in the Hamburg Chamber of Commerce on May 21, 2015.

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 2014. After a general debate all items were approved by more than 99 % of the voters present.

Please find detailed information about the general meeting 2015 here [www.baslerweb.com/en/investors/annual-general-meeting](http://www.baslerweb.com/en/investors/annual-general-meeting)

### Share Buyback Program

The general meeting of June 4, 2014, 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 resolution reads as follows:

“By June 3, 2019, the company is authorized to buy back own shares amounting to a volume of up to 10 % of the share capital of the corporation existing at the time the resolution was adopted – or if this value is lower – at the time of the exercise of the authorization. The shares can be used for all purposes provided for in the authorization of the general meeting of June 4, 2014.”

Convinced that sales and results would 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 in spring 2012, in spring 2013, as well as in September 2013. Due to the solid liquidity development in the first half year of 2014, on June 30, 2014, in accordance with the resolution of the general meeting the management board and the supervisory board decided to make full use of the total of 10 % of own shares and to use a maximum amount of € 3.5 million for the buyback of own shares. On June 1, 2015, the supervisory board and the management board decided to finish the buyback of own shares for the time being.

Temporarily, the share price of the company increased to € 62.00 in May. The company benefitted from this opportune moment and sold a part of its own shares – 50,000 pieces were sold to a long-term investor and another 16,419 pieces were placed via the market.

At the reporting date December 31, 2015, 258,637 own shares corresponding to almost 7.4 % were held by Basler AG. These were bought at an average share price of € 19.00.

### Dividend and Appropriation of Earnings

Due to the positive business development in the fiscal year 2015, the management board of Basler AG has decided to propose to the general meeting 2016 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 general meeting of 2016 to pay a dividend for the fiscal year 2015 of € 0.58 per share consisting of a base dividend of € 0.20 per share and an additional dividend amounting to € 0.38 per share.



Key fact

**0.58**

Dividend (in €Cent)



## 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 via conference calls, individual conversations, and roadshows or at capital market conferences. It is during the general 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 five roadshows and one capital market conference. 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 2015 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 again to gain new investors for Basler AG in 2015. After these positive experiences made in the elapsed fiscal years, we will continue this strategy in 2016.

In the previous year, the analysts of Warburg Research and Oddo Seydler Bank 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 general meeting.

## Contact Details

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

Tel. +49 4102 463 0  
 Fax +49 4102 46346 108  
 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

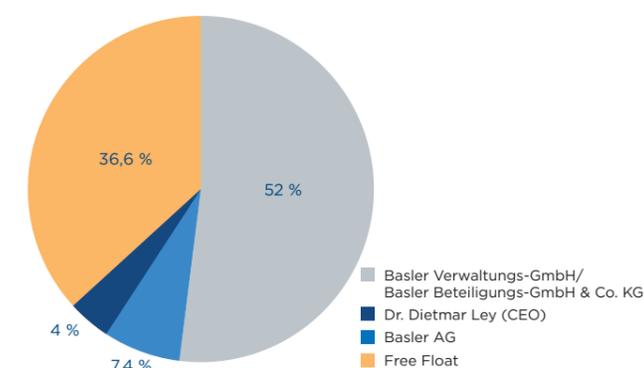
Designated sponsor: Close Brothers Seydler AG

Number of shares: 3,500,000

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

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

## Shareholder Structure



## Financial Events



Key fact

**62.00**

Share price -  
year high 2015 (in €)

## Share Price Key Figures

	2015	2014	2013	2012
Market capitalization in € million (as of 12/31)	140.8	123.0	93.9	45.9
Annual closing price in € (as of 12/31)	43.43	38.66	29.00	13.79
Year high in €	62.00	43.85	31.05	14.40
Year low in €	37.46	28.21	13.47	9.40
Annual development	+14 %	+35 %	+110 %	+2 %



## SHARE PRICE DEVELOPMENT

### BASLER (XETRA) VS. TECDAX 2014/2015



## DECLARATION OF CONFORMITY 2015 WITH THE CORPORATE GOVERNANCE CODEX 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 2015 Basler AG complied with the recommendations for conduct as amended on June 24, 2014 as well as on May 5, 2015 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 5.2 and 5.3 – Chairmanship of the Audit Committee, Establishment of Committees within the Supervisory Board

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

### Clause 5.4.1 – Composition of the Supervisory Board

For nominations to the general meeting, the supervisory board will also in the future continue to align itself to all necessary legal requirements and will give preference to women with equal qualifications. Consideration will also be given to the international activities of the company, to potential conflicts of interest, and to diversity. However, the supervisory board must make its decision insofar as the best suitable candidate is concerned from its perspective whenever a new election is waiting. The supervisory board – in agreement with the management board – does not consider it to be pertinent if it is bound by abstract objectives formulated in advance with respect to this selection of a candidate, instead of being able to freely decide on the persons available in their specific decision scenario which it deems to be best suited for the position. For this reason, the supervisory board does not name specific objectives as provided by clause 5.4.1 paragraph 2 GCGC, nor will it determine a regular limit of length of the membership to the supervisory board as recommended by clause 5.4.1, paragraph 2, sentence 1 as of May 5, 2015. Consequently, such objectives will also not be taken into account for the nominations directed at the responsible election bodies and no report will be given about them and the state of their implementation.



## Share Ownership

**Clause 6.2 - Share Ownership of Members of the Management Board and the Supervisory Board**

The company does not prepare a separate Corporate Governance Report. Please find details of the share ownership of the members of the management board and the supervisory board under the link beside.

**Clause 7.1.2 - Financial Reporting and Audit of the Annual Financial Statements**

The supervisory board regularly discusses the quarterly and half-year figures with the management board. In terms of lean processes, half-year or quarterly figures are being made available to the supervisory board but not discussed again with the management board after the completion of the reports.

Ahrensburg, March 15, 2016

Dr. Dietmar Ley  
CEO

John P. Jennings  
CCO

Arndt Bake  
CMO

Hardy Mehl  
CFO/COO

Norbert Basler  
Chairman of the  
Supervisory Board

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

Horst W. Garbrecht  
Supervisory Board

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# 1 Basic Company Information

## 1.1 Business Model

Basler 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, as well as in traffic control. Basler cameras are recognized on the market for innovation, excellent quality, simple integration, compact housings, and an outstanding price/performance ratio. These factors make Basler one of the world's biggest providers of digital industrial cameras measured in terms of the number of sold units.

In addition to research and development as well as the production of cameras, Basler has a globally operating sales organization. Target customers are national and international manufacturers of investment goods (OEM customers), integrating Basler cameras in their own products. Thus, cameras from Basler can be generically used in many applications. Only by the OEM customers' system integration they become part of an application-specific solution. The OEM customers are supported by an own direct sales organization or by regional sales partners (distributors).

Basler has 100 % owned subsidiaries in the USA, Singapore, and Taiwan. The subsidiaries are fully consolidated in the consolidated financial statements. Further representative offices are located in Japan, South Korea, China, Poland, UK, Finland, and the Netherlands. The foreign subsidiaries and representative offices mainly provide sales and service activities. In the Singapore subsidiary camera models for the local Asian market are manufactured.

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 - particularly the semiconductor and electronics sector - continues to be of particular importance for the business development of the group. Basler increasingly expands its business outside of factory applications into the medical market and traffic technology market and thus further reduces the cyclicity of its business.

## 1.2 Control System

An annually conducted strategy process defining the alignment of the company regarding target markets, positioning, service program, technologies, sales strategy, and financial key figures is the basis of the group management. The strategy process concludes with a qualitative and quantitative 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). The key BSC figures are sales, gross margin, profit

(EBT), cash flow, profitability, and rate of return (ROCE). Employees' satisfaction, the growth of the number of website visitors, and the sales of new products serve as early indicators. The key performance indicators are sales and EBT. 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 a high quality of the manufactured products and of the corporate processes applied, 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 and Basler pursues a sustainable growth strategy, Basler's average annual investment in research and development (R&D) amounts to approximately 15 % of sales. R&D activities are structured as follows:

- Predevelopment of new technologies
- Development of new platform architectures for future product lines as well as corresponding manufacturing technologies
- Development of new product lines and products on existing product platforms
- Customer specific adjustments of products
- Maintenance of existing products

The target of the predevelopment is the examination of technologies that seem to be reasonable for the integration in future products. As far as possible, Basler aims to master new technologies prior to platform or product developments and to have sufficiently analyzed possible risks. In this way, product developments can be conducted more closely to the planning. Already at this stage selected customers are informed about technology developments in order to get early feedback. The use of platform developments is specifically used to minimize the complexity of a broad product portfolio and to increase the development efficiency. On the basis of a well-designed product platform, generic camera products as well as customized modifications are realized.

Within the mentioned above categories, the following measures in the financial year 2015 should be particularly pointed out:

In the predevelopment, Basler made further steps towards the development of a three-dimensional camera technology. First prototypes based on the so-called "time-of-flight-technology" were realized taking into consideration feedback from customers.



Markets



Industry & Production



Biomedical Microscopy



Medical & Life Sciences



Traffic & Transport



Retail

Basler ToF Camera





In the platform development, a low-price and very compact camera platform for the dart and pulse camera lines were transferred to series production and first products based on this platform were launched onto the market in the elapsed fiscal year. Furthermore, a great variety of new product variants based on the ace platform with new CMOS sensors and the GigE Vision and USB3 Vision interface standards were developed and marketed. In the financial year 2015, the concrete demand for cameras with the new USB 3.0 interface developed very positively according to expectations. In addition to the established GigE interface, Basler will give priority to the development and marketing of further products with USB 3.0 interface. Additionally, in the course of the financial year 2015, Basler started series production of a 12 megapixel camera called Basler beat designated for the market segment with very high data rates and camera link interface. The initial market success ran according to plan.

#### Basler Lenses



In 2015, besides investments in primary camera development, investments were made in the development of complementary accessories. The offer of accessories strives for an even better use of the established market access building up further opportunities in order to differentiate from competitors. In view of this, a product line of lenses at optimized prices of the 5 megapixel category was brought into series production in the elapsed fiscal year. The unique price performance ratio due to the combination of Basler ace cameras and Basler Lenses met with an excellent response from the market.

In addition to the development of new products, approximately one fifth of the R&D budget is invested in the ongoing maintenance of products in order to ensure the availability of products in series production and continuously optimize the manufacturing costs.

Based on total sales, the expenses for research and development amounted to 14 % (previous year: 14 %). Compared to the previous year, overall, the costs (personnel expenses, depreciations, other operating expenses, as well as directly attributable overhead) increased from € 11.0 million to € 12.2 million in 2015.

The expenses include third-party services in the amount of € 690 thousand (previous year: € 815 thousand). The capitalized investments in own developments amounted to € 6.4 million (previous year: € 5.9 million) which corresponds to an increase of 5 % compared to 2014. The amount of depreciations for own developments amounted to € 3.0 million (previous year: € 3.2 million). As of December 31, 2015, the number of full-time equivalent employees in research and development was 108 (previous year: 94).

At the end of fiscal year 2015, Basler was the owner of 24 patents and patent applications, of which 10 are granted and 14 are in the process of application. Furthermore, Basler is the owner of one utility model, seven designs, and 86 trade names. Further trade names are in the process of application.

## 2 Economic Report

### 2.1 Basic Conditions

The global economic growth of 2.4 % was below the expected growth of 2.6 %. The USA grew by 2.5 % and China by 6.9 % both maintaining their economic growth on a similar level as in the previous year. The euro zone developed better than expected and recorded a 1.5 % growth instead of the estimated 0.9 %. Inter alia, this is due to the easing of the monetary policy by the ECB. In 2015, Germany itself achieved an economic growth of 1.5 %. (Source: Berenberg, Economy and Financial Markets, Outlook 2016).

These macroeconomic conditions also affected the machinery and plant construction industry that is relevant to Basler. Thus, demand developed slower than originally expected in 2015. In the course of the year, sales forecasts were reduced to a level of 2 % compared to the previous year whereas the production forecast was adjusted to a stagnation level (source: Verband Deutscher Maschinen- und Anlagenbau, VDMA, International Economic Situation Dec. 2015). The German image processing industry developed better than the entire machinery and plant construction industry. Compared to the previous year, the sales development of components of the German image processing industry was positive and increased by 9 % in the first nine months. However, incoming orders grew by only 3 % in the first three quarters (source: VDMA IBV, Quarterly Statistic Q4).

### 2.2 Business Development

Basler started the year 2015 with well-filled order books. Supported by major projects of the Asian electronics industry, it achieved a clear double-digit growth in the first months of the year. Even though the growth rate slowed down in the course of the year, Basler gained further market shares in the financial year 2015. Compared to the growth of the German image processing industry of approximately 9 %, Basler was able to increase its sales with industrial cameras by 15 %. This growth above market demonstrates the good progress Basler made in implementing the volume strategy. In absolute terms, sales for the Basler group increased from € 79.2 million in 2014 to the new record value of € 85.4 million in the financial year 2015 (+ 8 %). The group's growth rate clearly below the rate of the previous year is due to the discontinued former solutions business in an amount of approximately € 5 million.

Due to the consistent alignment of the camera business to high-volume segments (mainstream and entry level) the number of sold units of approximately 165,000 in the previous year was increased to approximately 203,000 units in 2015.

As in the previous year, the main driver of growth was the ace compact camera family that showed an increase in sales by 29 %. In particular, the ace models with Gigabit Ethernet interface largely contributed to the sales growth. The ace models with USB 3.0 interface that were launched on to the market in 2013 were also successfully distributed. For these camera models we expect a disproportionate increase in demand for the future. USB3 Vision technology has been established



Key fact

# 15 %

Sales camera growth  
2015



on the market. According to our expectations, the demand for sensor technologies strongly developed towards CMOS sensors. In the design-in process, the clear majority of customers decided for cameras with CMOS sensors.

By starting series production of our dart and pulse camera lines, as well as some new low-price ace models, the foundation for further expansion in the entry level sector was laid in the previous year. The new dart and pulse camera lines are not generating significant sales by now. However, initial feedbacks from the market are positive. The introductory models of the ace camera family already contributed considerably to the sales in the previous year.

The availability of the Basler beat camera line after its start of series production rounded off the product portfolio in the high end segment. Considering the high technical complexity of the product and the resulting long design-in cycles, the Basler beat line generated substantial sales in the previous year.

The sales from accessories increased disproportionately in the financial year 2015. This sales development is due to the strategic expansion of the portfolio by companion products; in particular by lenses and cables.

With regard to the regional business allocation, Basler achieved its largest sales growth of 11 % in Asia. The national markets in China and Japan considerably contributed to the strong sales increase in Asia. Sales revenues in EMEA increased by 10 %, those in Germany by 7 %. Due to the stronger USD, Basler recorded a slight decrease of -1 % in America.

However, it must be considered that the major part of growth in the EMEA region derives from projects that are induced in Asia since some major customers are supplied in EMEA with their end customers located in Asia.

## 2.3 Profit Situation

in € million	2015	2014	change	in %
Sales revenues	85.4	79.2	6.2	8 %
Cost of service performed	-44.7	-38.2	-6.5	17 %
<b>Gross results</b>	<b>40.7</b>	<b>41.0</b>	<b>-0.3</b>	<b>-1 %</b>
Other internal income	2.7	2.3	0.4	17 %
Expenses	-33.4	-30.8	-2.6	8 %
<b>Operative profit</b>	<b>10.0</b>	<b>12.5</b>	<b>-2.5</b>	<b>-20 %</b>
Financial result	-0.9	-1.4	0.5	-36 %
<b>Earnings before profit tax</b>	<b>9.1</b>	<b>11.1</b>	<b>-2.0</b>	<b>-18 %</b>
Taxes	-2.9	-2.9	0.0	0 %
<b>Group's annual surplus</b>	<b>6.2</b>	<b>8.2</b>	<b>-2.0</b>	<b>-24 %</b>



Key fact

# 10,7 %

Pre-tax margin 2015

Compared to the previous year, sales increased by € 6.2 million (+ 8 %) and amounted to € 85.4 million at the end of the fiscal year. Along with the sales growth, the costs of service performed increased. Their increase of 17 %, however, was disproportionate. Other operational costs climbed by 8 % to € 33.4 million. In the financial year 2015, the number of employees was further increased. The personnel expenses increased from € 31.4 million in 2014 to € 34.8 million in 2015. According to the increase in personnel expenses, operating expenses also increased from € 12.5 million in the previous year to € 13.3 million in 2015. The major part of the cost increase relates to investments made in the implementation of our medium-term planning providing for sales revenues amounting to € 130 million at a minimum pre-tax return rate of 10 %. All functional areas actively worked on the implementation of the strategy, met the requirements relative to the organizational structures and procedures, and acquired the necessary know how in order to achieve this target. Overall, the substantial increase in personnel in the last two years led to a short-term fall in productivity. Therefore, at the beginning of the elapsed fiscal year, the management of Basler started an organizational project for the group-wide implementation of lean management methods. The lean program is intended to substantially support Basler in the implementation of the profitable growth strategy. Despite the strong scaling of the operating expenses, Basler closed the financial year slightly above the target pre-tax return. The pre-tax margin was 10.7 % (previous year: 14 %).

Compared to the previous year, the financial result improved by € 0.5 million, particularly due to the positive market price development of an interest rate swap concluded in 2011.

The tax burden for financial year 2015 amounted to € 2.9 million corresponding to a tax ratio of approximately 31.5 % (previous year: 26.4 %). The deferred tax expenses amounted to € 1.4 million (previous year: € 1.4 million).

Compared to the extraordinarily profitable financial year 2014, the group's annual surplus decreased by 24 % and amounted to € 6.2 million (previous year: € 8.2 million).

The order backlog as of the reporting date amounted to € 9.4 million (previous year: € 12.6 million).

## 2.4 Financial Situation

The liquidity management of the group is aimed at meeting the demand for capital such that the growth is financed achieving an appropriate balance between maturity risk, rating of the creditors, cost of equity and the cost of debt. At the end of the financial year 2015, 106 % of the long-term assets were covered by equity (previous year: 96 %).

In the financial year 2015, a positive cash flow of € 12.8 million (previous year: € 16.0 million) was generated from current business activity. In 2015, the cash flow from investing activities amounted to € -9.3 million (previous year: € -8.6 million). In the course of the financial year 2015, the free cash flow calculated as the sum of cash flows from operational activity and investment reached a value of € 3.5 million (previous year: € 7.4 million).



Key fact

# 11 %

Sales growth in Asia 2015



On the financing side, liabilities to banks in an amount of € 0.9 million were paid off. An additional long-term loan from the Kreditanstalt für Wiederaufbau (KfW) in the amount of € 5 million was taken out for the funding of a new platform development. In 2015, no funds were retrieved from this loan. At the balance sheet date, unused credit lines with banks amounted to € 2.4 million.

Considering dividend payments and the net sale of own shares, cash flow from financing activities amounted to € -2.3 million (previous year: € -4.2 million).

At the end of the financial year, liquid assets amounted to € 14 million. This means an increase of freely available liquidity by € 1.2 million, compared to the previous year. The liquidity of the group was secure at all times.

## 2.5 Asset Situation

in € million	2015	2014	Change	
			relative	in %
Intangible assets	20.8	17.4	3.4	20 %
Tangible assets	6.3	5.3	1.0	19 %
Buildings and land in finance lease	15.3	16.0	-0.7	-4 %
Deferred tax claims	0.1	0.1	0.0	0 %
<b>Long-term assets</b>	<b>42.5</b>	<b>38.8</b>	<b>3.7</b>	<b>10 %</b>
Inventories	10.8	12.5	-1.7	-14 %
Receivables from deliveries and services	7.8	7.0	0.8	11 %
Other short-term assets	1.6	1.2	0.4	34 %
Cash in bank and cash in hand	14.0	12.8	1.2	10 %
<b>Short-term assets</b>	<b>34.2</b>	<b>33.5</b>	<b>0.7</b>	<b>2 %</b>
<b>Total assets</b>	<b>76.7</b>	<b>72.3</b>	<b>4.4</b>	<b>6 %</b>
<b>Equity</b>	<b>45.2</b>	<b>37.3</b>	<b>7.9</b>	<b>21 %</b>
Long-term interest bearing bank liabilities	6.8	7.4	-0.6	-8 %
Liabilities from finance lease	10.1	11.5	-1.4	-12 %
Other long-term liabilities	4.8	3.4	1.4	41 %
<b>Long-term liabilities</b>	<b>21.7</b>	<b>22.3</b>	<b>-0.6</b>	<b>-3 %</b>
Current financial debt	1.6	2.3	-0.7	-31 %
Short-term provisions	1.9	3.9	-2.0	-51 %
Liabilities from finance lease	2.2	2.2	0.0	-2 %
Current other financial debt	4.1	4.3	-0.1	-2 %
<b>Current financial debt</b>	<b>9.8</b>	<b>12.7</b>	<b>-2.9</b>	<b>-23 %</b>
<b>Total liabilities</b>	<b>76.7</b>	<b>72.3</b>	<b>4.4</b>	<b>6 %</b>



Key fact

# 58.9 %

Equity ratio 2015

In the elapsed fiscal year, investments in intangible assets increased to € 6.9 million (previous year: € 6.5 million). These mainly included own developments and services purchased for research and development. Intangible assets increased by € 3.4 million to € 20.8 million.

Investments in tangible assets amounted to € 2.5 million (previous year: € 2.2 million), much of which was attributable to the modernization of the electronics production at the Ahrensburg site at the beginning of the financial year. The new production line covers the medium term capacity and technology needs for the camera production. Buildings and land in finance lease decreased by € 0.7 million due to scheduled depreciations. In comparison to the previous year, long-term assets increased by 10 %.

Inventories decreased by € 1.7 million to € 10.8 million, compared to the previous year. The substantial decrease of the inventories is resulting from an ongoing inventory optimization process conducted by an interdisciplinary working capital team. Additionally, the fixed-step inventories of the production site in Singapore opened in 2014 reduced due to the increasing production quantity in 2015. Furthermore, compared to 2014, there were no major order backlogs and related material supplies at the end of the year. Receivables from deliveries and services increased by 11 % to € 7.8 million. Cash in bank and cash in hand showed a balance that was € 1.2 million higher than in the previous year. Compared to 2014, current assets increased by 2 %. In comparison to the previous year, the total assets increased by 6 % to € 76.7 million.

In comparison to the previous year, equity increased by € 7.9 million to € 45.2 million. This increase in equity amounting to € 3.5 million is due to retained profits and the sale of own shares settled against the buyback of own shares. This is set against the distribution of a dividend of € 2.2 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 € 0.26 million (previous year: € 0.32 million) is shown. In comparison to the previous year, the retained earnings including the consolidated result increased by € 5.0 million to € 38.9 million. As of the reporting date, a hidden reserve amounting to € 11.2 million resulted from the volume of own shares.

The long-term interest bearing bank liabilities decreased by € 0.6 million due to a proportional repayment of existing loans. As of the balance sheet date, cash values of the lease liabilities amount to € 12.3 million (previous year: € 13.7 million). € 10.1 million of this (previous year: € 11.5 million) were long-term liabilities.

The current liabilities decreased by € 2.9 million which is particularly due to the decrease of short-term provisions for variable compensations and employee participation. Since the business in 2015 developed tightly to the budget planning, no accrual will be made for employee participation for overfulfillment as in the previous year.

Off balance sheet liabilities mainly in terms of order commitments amounted to € 6.5 million (previous year: € 9.1 million) as of the balance sheet date. 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 (in relation to the after tax result). In the fiscal year 2015, it decreased by 35 % to € 13.1 thousand, compared to the previous year (previous year: € 20.2 thousand). This was particularly due to a lower productivity measured in terms of sales per employee. Due to the disproportionate increase of the number of employees by 17 %, sales per employee decreased by 8 % to € 181 thousand. In order to maintain the speed of growth, the pre-tax return was consciously re-oriented towards a level of 10 %. Supported by the initiated lean program for increasing productivity, a medium-term level of sales per employee above € 220 thousand is targeted.

The gross profit margin decreased from 51.8 % in the previous year to 47.7 %. The main reason for this was the discontinuation of the solutions business, changes in the portfolio mix, regional sales shifts towards Asia, as well as an increased intensity of competition. The management seeks to stabilize the gross margin on a level of 50 % in order to sustainably push ahead the volume strategy with great innovative power.

The main key financial indicator for steering Basler is the ROCE (return on capital employed). At the end of the financial year, the ROCE amounted to 16.9 % (previous year: 25.7 %). To provide comparability, we point out that the capital employed also includes the liabilities from finance lease for our building in Ahrensburg.

The working capital (without liquid assets) amounted to € 15.8 million (previous year: € 17.1 million). This decrease is particularly due to the reduction of inventories. The continuous optimization of the working capital proceeded by an interdisciplinary team shows the desired effect - the budget figure was slightly exceeded.

The equity ratio increased from 51.6 % in 2014 to 58.9 % at the end of the elapsed fiscal year.

The satisfaction of the employees is very important to the management of Basler and essential for the success of the company. Therefore, Basler provides 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, Basler AG offers child care services for emergencies, during special working hours, and during school holidays. Furthermore we set up in 2013 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“. The employees' satisfaction is reflected in a low fluctuation rate of 0.8 % (previous year: 0.9 %). 37 % of our employees are female.

In 2015, the average number of employees of the group was 473 (previous year: 405). Converted to the number of equivalents of full-time employment the average number of employees was 438 (previous year: 374). 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 the regional social commitment. The training ratio at the end of the financial year amounted to 7.2 %.

Another key aspect of the personnel policy is the continuous development of the 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 quarterly and the implementation level of the agreed measures is part of the balanced score card. The costs for basic and further training increased from € 545 thousand in 2014 to € 621 thousand in 2015.

In the elapsed fiscal year, a customer satisfaction survey was conducted. More than 300 customers and potential customers participated in the survey and assessed Basler. Since there was a good mix of regions, company sizes, and industries, we feel confident to have obtained a representative result. We measure customer satisfaction according to the Net Promoter Score (NPS) process, the customers' willingness to recommend our company. In 2015, we reached a NPS of 26. Compared to the industry benchmark, this good value is a motivation to continuously work on increasing our customers' satisfaction.

## 2.7 Overall Statement

Based on incoming orders of 2014, the financial year 2015 started very positively at strong double-digit sales growth rates and high profit margins. In the course of the year, the growth speed slowed down according to plan achieving the targets for incoming orders, sales, and result at the end of the year. Sales revenues amounting to € 85.4 million were slightly above the corridor of € 81 million to € 84 million forecasted at the beginning of the fiscal year. The pre-tax return of 10.7 % exceeded our strategic benchmark of 10 % and also the forecasted corridor of 9 - 10 %. In the core business with industrial cameras, Basler again succeeded in growing clearly above market due to the focusing on high-volume areas. With a broader product portfolio and new innovative products we reach more customers and applications than just a few years ago. Gradually, Basler expands its strong market position by adding new market fields, like medical, traffic, or logistics. Due to the continuous extension of the sales organization and the expansion in further regions Basler has one of the best market access in the industry. The Basler brand is very well-known and customers appreciate the high reliability and an excellent price performance ratio. Because of the results of the elapsed fiscal year, the Basler management feels confident in its strategic direction looking to the future with confidence. The growth-induced lower productivity is carefully monitored and accompanied by a lean management project as countermeasure.

The goal of Basler is to let the shareholders participate in the success and, at the same time, maintain sufficient liquidity in order to continue the growth course. In 2011, a dividend policy was adopted providing for a distribution of 30 % of the net results in form of a reliable base dividend (€ 0.20 per share) in combination with an optional additional dividend depending on the company's performance. For fiscal year 2014 a dividend of € 0.70 per share was paid, corresponding to a distribution ratio of 27 %. Since in financial year 2015 a positive result according to plan with an after tax return of 7.3 % (previous year: 10.4 %) was achieved, the proposal will be made to this year's shareholders' meeting in May 2016 to pay a dividend in the amount of € 0.58 per share (corresponds to € 1.9 million). Should the shareholders' meeting vote for the proposal, approximately 30 % of the annual surplus would be distributed to the shareholders. Since the dividend originates from the tax account, it is exempt from the withholding tax and the solidarity surcharge amounting to 26.375 % in total.



Key fact

# < 1 %

Employees fluctuation rate 2015



Key fact

# 7.2 %

Training ratio 2015



Key fact

# € 0.58

Dividend 2015



### 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 course of business of the global engineering industry to be stagnant at a growth rate of only 1%. Despite decreased raw material prices positively affecting manufacturing costs of engineering companies, they lead to a slump in key export markets like Russia and Brazil. The Chinese government's program of generating growth through services and consumption instead of exports and investments also has dampening effects on global economic growth. The engineering industry in the EU zone will benefit from national investment promotion programs but also from the weakness of the Euro against major foreign currencies. (Source: VDMA International Economic Development, Dec.) Compared to 2015, the Association of Manufacturers of Machinery and Equipment for the Semiconductor Industry (SEMI) assumes an increase of sales figures of 2.6% for 2016 (source: Market Study SEMI).



Key fact

**€ 90-92 mill.**

Revenue forecast 2016



Key fact

**9-10 %**

Exp. pre-tax return 2016

Due to the further broadening of the product portfolio, the growing sales organization, as well as the development of new sales regions and applications, for 2016 the management expects Basler sales to grow in the lower double-digit percentage range. Basler plans for group sales revenues within a corridor of approximately € 90 to 92 million. Cameras with CMOS image sensors and GigE Vision or USB3 Vision interface standard are expected to be the main drivers of growth. Regionally, the strongest growth is expected in Asia. Considering the medium-term goal of exceeding the sales threshold of € 130 million in 2019, for the time being we prioritize profitable sales growth versus a separate increase of the pre-tax return. Against this background, the pre-tax return for 2016 is planned within a corridor of 9 - 10%. Any further profits will be reinvested - on a priority basis for additional personnel in the functional areas of sales, marketing, and research and development - in order to ensure a sustainable sales growth within the coming years.

### 5 Opportunities and Risks Report

The growth strategy pursued by Basler for market leadership for industrial cameras in the coming years with group's sales above € 130 million, can only be implemented if opportunities are seized and, at the same time, measures are taken in order to minimize threatening risks in an appropriate way.

The purpose of the opportunity and risk management system at Basler is:

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

- to create scopes of action enabling a deliberate approach to opportunities and risks, in order to avoid risks that are unacceptable and to reduce avoidable risks to an acceptable level.

Essential parts of the opportunities and risks management system are the risk strategy, the risk atlas, the risk matrix, and the risk coping. In 2013, a risk strategy was adopted and software for a standardized collection and measurement of risks was implemented. Again, in the elapsed fiscal year, the risk inventory was conducted. Here, risks were identified and quantified according to occurrence probability and monetary amounts and measures were defined in order to minimize the risk. The number of identified risks has been compared to the defined risk cover amount (available capital for covering risks). The risk capacity of the group was not exceeded. 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 Internal Organization

The subject of this category is the business model, organizational structures and processes, IT and communications, information procurement, and personnel.

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. traffic technology, logistics, or medical technology. Since Basler continuously expands the product portfolio and pushes the diversification of possible applications, the business model is considered to be scalable and future-proof.

The company is organized by functions and the foreign subsidiaries directly report to the management board. Flat hierarchy and short decision making processes are intended to maintain the flexibility and the exchange among the employees despite increasing growth. In order to adequately manage the growing organization, measures for building up the organization and processes were taken. In the frame of a lean management initiative started in the past financial year, we began to align the company to its main value streams and to increase their efficiency. Furthermore, a strategy deployment process has been set up ensuring a breakdown of the company strategy to an operational level. In the upcoming years, the lean program will be focused on the development of the organization in order to continuously increase the competitiveness of Basler.

As a technology company, Basler is heavily depending on the knowledge of its employees. Therefore, as already mentioned under 2.6 - measures are taken for staff retention and further development, and it is worked on strengthen a company culture that is fostering innovation.

One main challenge within the coming years will be to shape the process of the increasing number of employees in a creative and effective way at all group locations. That is why we continuously work on increasing the level of attractiveness of the Basler employer brand and on continuously improving the process of integration of new employees.

Regarding IT and information procurement we refer to point 6 of the management report.



## 5.2 Finance



Key fact

# 0.03 %

Average default ratio 2015

The credit default risk is countered by a credit and receivables management system, in which larger customers are continually subject to credit checks and their credit limits are stored in the system according to the rating. In case of an exceeding of a credit limit, the specific situation is checked and, if necessary, the delivery of further 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 0.03 % in 2015 is again low in terms of the receivables from deliveries and services. In the fiscal year 2015, individual value adjustments and write-offs on accounts receivables were posted in the amount of € 2 thousand (previous year: € 44 thousand).

Liquidity is controlled in collaboration between accounting, controlling, sales, and strategic purchasing. 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.



Key fact

# € 14 mill.

Liquidity / Cash 2015

In the past years, the company generated a positive cash flow from operating activities, from which investments could be financed in addition to financial liabilities and, moreover, that resulted in a net liquidity at the reporting date amounting to € 14 million. The total of cash in hand, positive free cash flow, and freely available lines with credit institutions cover the future financial needs of Basler for a foreseeable period. In addition to this, as a technology company with significant investments in research and development and a positive rating, we get low interest KfW loans.

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

In principle, currency risks exist. As far as possible, sales revenues in foreign currencies - particularly in USD and JPY - are used for purchasing material in these currencies. Remaining surpluses are partially secured via forward exchange contracts or foreign exchange options. We use currency derivatives exclusively as hedging instruments. Interest rate risks exist to a lesser extent due to loans at fixed interest rates.

## 5.3 Procurement Market

In principle, there is a risk of a certain dependence on suppliers of technological components. On the suppliers' side, we reduce the risk by establishing long-term business relationships and regular supplier audits, and by regularly observing the procurement markets. As far as technically possible and economically useful, a second source is built up. Furthermore, processes and systems are implemented in order to ensure the short-term availability and the adherence to delivery dates of components. In the course of the past financial year, the supplier industry in the semiconductor and electronics industry further consolidated. Overall, the risk situation in the supplier market is assessed to be low.

## 5.4 Sales Market

Due to its broad portfolio mix of industries and customers, as well as its design-in characteristics, the volatility of the camera business in the capital goods markets is relatively low. Due to the focusing on the high-volume mainstream and entry level segments, the share of sales with customers outside the industrial mass production increases, and thus improves the sales risk structure. 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 cyclical individual industries.

Due to constantly emerging applications for camera technology and the lack of substituting technologies, the market for camera technology in the capital goods market is expected to continue to grow in the foreseeable future. However, temporarily there will be moderate fluctuations in demand in individual target markets. This applies in particular to capital goods markets in the semiconductor and electronics industry.



Key fact

# 37 %

Asia strongest sales region

Regionally, Basler largely depends on the development of the capital goods market in the Asian region. This region accounted for 37 % of total sales in the elapsed fiscal year and will develop further as the largest sales region for the foreseeable future.

The intensity of competition in the industrial camera market continued to be high in the year just ended. Compared to the majority of the competitors, Basler is ahead regarding product portfolio, market access, and brand recognition. The volume strategy'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 target continuous investments are made in marketing, sales, as well as research and development. Furthermore, the company pursues the strategy to gradually increase the value creation in Asia and the USA and develop from a German company with an international sales organization to a global company. If this strategy can successfully be implemented, Basler will strengthen its market position relative to the competition. The competitive environment is highly fragmented and characterized by many small niche suppliers. The top five competitors of Basler are: Teledyne-Dalsa (Canada), Point Grey Research (Canada), AVT/TKH (Germany), Toshiba-Teli (Japan), and IDS (Germany).

The risk of market price and margin erosion is countered through smoothly operating and innovative products. A slim product design, the use of platform architectures, as well as lean manufacturing processes are key success factors for the company's competitiveness and differentiation. Furthermore, competitive advantages are achieved by economies of scale due to the volume strategy.

Given the current shareholder structure, a hostile takeover of Basler AG can almost be excluded. The shareholder structure is nonetheless constantly checked for changes. At the end of the elapsed fiscal year, Basler AG held 258,637 pieces of its own shares.

## 5.5 Political and Legal Risks

Due to the regional diversification of the camera business in almost 60 countries of which 20 countries belong to the OECD, the risk of political events with catastrophic effects on the business is considered as manageable.



Legal risks are prevented by appropriate insurances. Furthermore, the know-how of the legal department is continuously improved. The legal department is involved in contract negotiations as well as in change processes. Additionally, in special cases, external experts are consulted for legal and tax advice. In the elapsed fiscal year, the existing contract management system was implemented in the subsidiaries Basler Inc. and Basler Asia in order to be able to professionally administrate existing contracts. Within the context of the risk management system and sensitive information, furthermore, we assessed the subject „Business damage due to own employees“. Currently, there are no indications for criminal activities or gross negligence.

The development and maintenance of the Basler brand are integral parts of the competitiveness and product policy and are legally protected. Name and logo of Basler as well as key product names are registered and protected brands.

## 5.6 Operating Risks

Another essential success factor is an on time and high quality product development in order to face the risk of strategic mistakes as far as technology is concerned. The implemented processes and planning instruments are continuously reviewed and adjusted so that development processes can be concluded on schedule and according to budget.

The production corresponds to modern standards and is oriented to manage variations of incoming orders, as well as to be able to implement an appropriate capacity utilization of employees and machines.

The quality of the 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.

## 5.7 Overall Statement

As manufacturer of cameras for the investment goods industry 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 and digital viewing becomes increasingly important in the industry/factory automation as well as in all other areas, as for example in traffic and medical. Due to Basler camera products being typically integrated in machines and equipment during the complete life cycle of the machine, business is quite stable and predictable. Furthermore, the trade associations for the global camera market expect continuous growth in the coming years. Finally, in the medium term, banks and economic research institutes mainly assume the global economic development to be stable to slightly positive.

Since Basler continuously focuses on activities regarding new products and the development of new markets and application fields and thus continuously broadens its sales opportunities, the risk of a below average development of the company in comparison to the camera market is considered to be manageable. By broadening the target markets, the already low dependences on single vertical markets further decrease step by step.

The management of Basler annually reviews the business model and the 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. Additionally, once a month a comprehensive report is made available to the executive management team.

Insofar, in the absence of macroeconomic crises, the management assumes to be able to achieve the sales threshold of € 130 million with a pre-tax return margin (EBT margin) of at least 10 % 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 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. The processes are on principle designed in accord with the “four-eye” 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 II (IFRS standards) 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 almost 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 and by manual control supported by the software used.

Within its activity the supervisory board of Basler 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. Due to sales revenues minus material purchases and other expenses in the respective foreign currency, payment surpluses in USD and JPY occur. Foreign currency balances are always exchanged into Euro. Surpluses in foreign currencies that possibly evolve in the future are hedged using forward exchange contracts the maturity of which in general does not exceed twelve months. Thus, currency risks from fluctuations of the exchange rate are 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 of foreign currencies. As of the balance sheet date, there were no derivative transactions in foreign currencies.

In 2011, Basler AG concluded a payer swap intended to 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. As of 12/31/2015, the market value amounted to € -1.0 million. In fiscal year 2015, a profit of € 259 thousand was booked due to the market valuation and the reduction of the nominal value.

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)

The management board of Basler consists of four members who are responsible for the following assignment of functions: Dr. Dietmar Ley is responsible for research and development as well as personnel and organizational development, John P. Jennings is responsible for sales, market communications, and the subsidiaries, Arndt Bake is responsible for marketing and new business, and Hardy Mehl is responsible for production, purchasing and logistics, finance, legal and investor relations.

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 that by contract of September 14, 2015, he transferred his complete shares of 1,828,000 pieces held as private assets by then into the Basler Beteiligungs-GmbH & Co KG as a contribution. Thus, Basler Beteiligungs-GmbH & Co. KG is holding 52.23 % of the voting rights in Basler AG.

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 for 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 % of the capital stock of the amount of € 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 June 30, 2019. 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 plan.

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 (§ 314 para. 1, no. 18, 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.

## 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. Secondary employment is on principle 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 profitable 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 for growth is limited to 400 %. The degrees of achievement are balanced at a ratio of 50 % to 50 %. Adding up both weighted degrees of achievement for profitability and growth 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 Euro for the bonus entitlement of the respective member of the management board for the elapsed fiscal year. Accordingly, the bonus entitlement can amount to 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 risk of a 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 the previous 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.

With regard to the information concerning the recommendations pursuant to nos 4.2.5 para. 3 sent. 2 DCGK (Deutscher Corporate Governance Kodex, German Corporate Governance Code) we refer to the notes.



### 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 4, 2016

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, 2015 to December 31, 2015

in € k	Notes	01/01/ - 12/31/2015	01/01/ - 12/31/2014
<b>Sales revenues</b>	4	<b>85,433</b>	<b>79,240</b>
Cost of sales		-44,691	-38,211
- of which depreciations on capitalized developments	10	-2,985	-2,531
<b>Gross profit on sales</b>		<b>40,742</b>	<b>41,029</b>
Other operating income	5	2,683	2,295
Sales and marketing costs		-15,818	-14,082
General administration costs		-10,960	-10,041
Research and development		-6,079	-5,287
Other expenses	6	-591	-1,372
<b>Operating result</b>		<b>9,977</b>	<b>12,542</b>
Financial income	7	325	58
Financial expenses	7	-1,226	-1,496
<b>Financial result</b>		<b>-901</b>	<b>-1,438</b>
<b>Earnings before tax</b>		<b>9,076</b>	<b>11,104</b>
Income tax	8	-2,863	-2,926
<b>Group's year surplus</b>		<b>6,213</b>	<b>8,178</b>
of which are allocated to			
shareholders of the parent company		6,213	8,178
non-controlling shareholders		0	0
Average number of shares	9.5	3,209,466	3,219,331
Earnings per share diluted / undiluted (€)		1.94	2.54

## Consolidated Statement of Comprehensive Income

Group's annual balance sheet according to IFRS for the fiscal year from January 1, 2015 to December 31, 2015

in € k	Notes	01/01/ - 12/31/2015	01/01/ - 12/31/2014
<b>Group's year surplus</b>		<b>6,213</b>	<b>8,178</b>
Result from differences due to currency conversion, directly recorded in equity (under specific conditions to be shown in the profit and loss statement in the future)	18.3	348	349
Surplus/ Net loss from cash flow hedges	18.3	0	0
<b>Total result, through profit or loss</b>		<b>348</b>	<b>349</b>
<b>Total result</b>		<b>6,561</b>	<b>8,527</b>
of which are allocated to			
shareholders of the parent company		6,561	8,527
non-controlling shareholders		0	0

## Consolidated Cash Flow Statement

Group's annual balance sheet according to IFRS for the fiscal year from January 1, 2015 to December 31, 2015

in € k	Notes	01/01/ - 12/31/2015	01/01/ - 12/31/2014
<b>Operating activities</b>			
Group's year surplus		6,213	8,178
Increase (+) / decrease (-) in deferred taxes		1,393	1,440
Payout/ incoming payments for interest		1,335	1,540
Depreciation of fixed assets		5,563	5,339
Change in capital resources without affecting payment		348	349
Decrease (-) / increase (+) in accruals		-2,514	1,404
Loss (+) / profit (-) from asset disposals		96	-12
Decrease (+) / increase (-) in reserves		1,787	-2,954
Increase (+) / decrease (-) in advances from demand		-164	-1,432
Increase (-) / decrease (+) in accounts receivable		-830	-85
Increase (-) / decrease (+) in other assets		-354	342
Increase (+) / decrease (-) in accounts payable		454	1,137
Increase (+) / decrease (-) in other liabilities		-416	704
<b>Net cash provided by operating activities</b>		<b>12,911</b>	<b>15,950</b>
<b>Investing activities</b>			
Payout for investments in fixed assets		-9,397	-8,731
Incoming payments for asset disposals		50	172
<b>Net cash provided by investing activities</b>		<b>-9,347</b>	<b>-8,559</b>
<b>Financing activities</b>			
Payout for amortisation of bank loans		-888	-400
Payout for amortisation of finance lease		-1,414	-1,325
Incoming payment for borrowings from banks		0	2,701
Interest payout		-1,335	-1,540
Incoming payment for salesback own shares		3,773	0
Payout for own shares		-247	-2,161
Dividends paid		-2,222	-1,519
<b>Net cash provided by financing activities</b>		<b>-2,333</b>	<b>-4,244</b>
<b>Change in liquid funds</b>		<b>1,231</b>	<b>3,147</b>
Funds at the beginning of the fiscal year		12,812	9,665
<b>Funds at the end of the fiscal year</b>		<b>14,043</b>	<b>12,812</b>
<b>Composition of liquid funds at the end of the fiscal year</b>			
Cash in bank and cash in hand	16	14,043	12,812
Payout for taxes		2,248	1,041



## Group Balance Sheet

Group's annual balance sheet according to IFRS for the fiscal year from January 1, 2015 to December 31, 2015

in € k	Notes	12/31/2015	12/31/2014
<b>Assets</b>			
<b>A. Long-term assets</b>			
I. Intangible assets	10	20,859	17,379
II. Fixed assets	10	6,276	5,366
III. Buildings and land in finance lease	17	15,316	16,008
IV. Other financial assets		5	5
V. Deferred tax assets	11	64	58
		<b>42,520</b>	<b>38,816</b>
<b>B. Short-term assets</b>			
I. Inventories	12	10,763	12,550
II. Receivables from deliveries and services and from production orders	13	7,793	6,963
III. Other short-term financial assets	14	233	351
IV. Other short-term assets	14	521	507
V. Claim for tax refunds	15	791	342
VI. Cash in bank and cash in hand	16	14,043	12,812
		<b>34,144</b>	<b>33,525</b>
		<b>76,664</b>	<b>72,241</b>

in € k	Notes	12/31/2015	12/31/2014
<b>Liabilities</b>			
<b>A. Equity</b>			
	18		
I. Subscribed capital		3,241	3,181
II. Capital reserves		2,443	0
III. Retained earnings including group's earnings		38,944	33,931
IV. Other components of equity		543	195
		<b>45,171</b>	<b>37,307</b>
<b>B. Long-term debt</b>			
I. Long-term liabilities			
1. Long-term liabilities to banks	19	6,825	7,413
2. Liabilities from finance lease		10,117	11,531
II. Non-current provisions	20	748	796
III. Deferred tax liabilities	11	4,046	2,647
		<b>21,736</b>	<b>22,387</b>
<b>C. Short-term debt</b>			
I. Other financial liabilities	19	1,579	2,286
II. Short-term accrual liabilities	20	1,970	3,861
III. Short-term other liabilities			
1. Liabilities from deliveries and services		2,732	2,277
2. Other short-term financial liabilities		1,194	1,369
3. Liabilities from finance lease	17	2,156	2,154
IV. Current tax liabilities		126	700
		<b>9,757</b>	<b>12,647</b>
		<b>76,664</b>	<b>72,341</b>



## Development of Fixed Assets for Fiscal Year 2015

Consolidated financial statement according to IFRS for fiscal year 2015 starting from January 1, 2015 to December 31, 2015

	Acquisition and production costs						Depreciations						Net book value	
	As at 01/01/2015 (in € k)	Additions (in € k)	Transfers (in € k)	Disposals (in € k)	Foreign exchange differentials (in € k)	As at 12/31/2015 (in € k)	As at 01/01/2015 (in € k)	Additions (in € k)	Unscheduled depreciations	Disposals (in € k)	Foreign exchange differentials (in € k)	As at 12/31/2015 (in € k)	As at 12/31/2015 (in € k)	Previous year (in € k)
<b>Intangible assets</b>														
Software, trademark rights, patents, and licenses	5,101	446	451	-84	0	5,914	4,112	498	0	-3	0	4,607	1,307	989
Finished own developments	19,489	0	5,994	0	0	25,483	13,270	2,985	0	0	0	16,255	9,228	6,219
Own developments in process	9,855	6,353	-5,994	0	0	10,214	0	0	0	0	0	0	10,214	9,855
Payments for third-party developments	316	110	-316	0	0	110	0	0	0	0	0	0	110	316
<b>Total intangible assets</b>	<b>34,761</b>	<b>6,909</b>	<b>135</b>	<b>-84</b>	<b>0</b>	<b>41,721</b>	<b>17,382</b>	<b>3,483</b>	<b>0</b>	<b>-3</b>	<b>0</b>	<b>20,862</b>	<b>20,859</b>	<b>17,379</b>
<b>Tangible Assets</b>														
Land and buildings on third-party land	1,669	199	108	0	5	1,981	707	124	0	0	5	836	1,145	962
Technical equipment and machinery	6,644	763	946	-220	10	8,143	4,206	792	0	-158	8	4,848	3,295	2,438
Other furniture, fixtures, and equipment	3,867	521	118	-135	13	4,384	2,325	459	0	-133	6	2,657	1,727	1,542
Assets under construction	424	992	-1,307	0	0	109	0	0	0	0	0	0	109	424
<b>Total tangible assets</b>	<b>12,604</b>	<b>2,475</b>	<b>-135</b>	<b>-355</b>	<b>28</b>	<b>14,617</b>	<b>7,238</b>	<b>1,375</b>	<b>0</b>	<b>-291</b>	<b>19</b>	<b>8,341</b>	<b>6,276</b>	<b>5,366</b>
<b>Buildings and Land under finance leases</b>														
Land of finance lease	1,817	0	0	0	0	1,817	0	0	0	0	0	0	1,817	1,817
Buildings of finance lease	24,391	0	0	0	0	24,391	10,200	692	0	0	0	10,892	13,499	14,191
<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>	<b>10,200</b>	<b>692</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,892</b>	<b>15,316</b>	<b>16,008</b>
Other financial assets	5	13	0	0	0	18	0	0	13	0	0	13	5	5
<b>Total other financial assets</b>	<b>5</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18</b>	<b>0</b>	<b>0</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>13</b>	<b>5</b>	<b>5</b>
<b>Total Assets</b>	<b>73,578</b>	<b>9,397</b>	<b>0</b>	<b>-439</b>	<b>28</b>	<b>82,564</b>	<b>34,820</b>	<b>5,550</b>	<b>13</b>	<b>-294</b>	<b>19</b>	<b>40,108</b>	<b>42,456</b>	<b>38,758</b>



## Development of Fixed Assets for Fiscal Year 2014

Consolidated financial statement according to IFRS for fiscal year 2014 starting from January 1, 2014 to December 31, 2014

	Acquisition and production costs						Depreciations						Net book value	
	As at 01/01/2014 (in € k)	Additions (in € k)	Transfers (in € k)	Disposals (in € k)	Foreign exchange differentials (in € k)	As at 12/31/2014 (in € k)	As at 01/01/2014 (in € k)	Additions (in € k)	Unscheduled depreciations	Disposals (in € k)	Foreign exchange differentials (in € k)	As at 12/31/2014 (in € k)	As at 12/31/2014 (in € k)	Previous year (in € k)
<b>Intangible assets</b>														
Software, trademark rights, patents, and licenses	4,842	334	30	-105	0	5,101	3,765	433	0	-86	0	4,112	989	1,077
Finished own developments	16,810	31	2,648	0	0	19,489	10,034	2,532	704	0	0	13,270	6,219	6,776
Own developments in process	6,603	5,900	-2,648	0	0	9,855	0	0	0	0	0	0	9,855	6,603
Payments for third-party developments	60	286	-30	0	0	316	0	0	0	0	0	0	316	60
<b>Total intangible assets</b>	<b>28,315</b>	<b>6,551</b>	<b>0</b>	<b>-105</b>	<b>0</b>	<b>34,761</b>	<b>13,799</b>	<b>2,965</b>	<b>704</b>	<b>-86</b>	<b>0</b>	<b>17,382</b>	<b>17,379</b>	<b>14,516</b>
<b>Tangible Assets</b>														
Land and buildings on third-party land	1,526	16	122	0	5	1,669	598	104	0	0	5	707	962	928
Technical equipment and machinery	5,446	791	499	-102	10	6,644	3,627	612	0	-40	7	4,206	2,438	1,819
Other furniture, fixtures, and equipment	3,168	618	172	-104	13	3,867	2,082	262	0	-25	6	2,325	1,542	1,086
Assets under construction	462	755	-793	0	0	424	0	0	0	0	0	0	424	462
<b>Total tangible assets</b>	<b>10,602</b>	<b>2,180</b>	<b>0</b>	<b>-206</b>	<b>28</b>	<b>12,604</b>	<b>6,307</b>	<b>978</b>	<b>0</b>	<b>-65</b>	<b>18</b>	<b>7,238</b>	<b>5,366</b>	<b>4,295</b>
<b>Buildings and Land under finance leases</b>														
Land of finance lease	1,817	0	0	0	0	1,817	0	0	0	0	0	0	1,817	1,817
Buildings of finance lease	24,391	0	0	0	0	24,391	9,508	692	0	0	0	10,200	14,191	14,883
<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>	<b>9,508</b>	<b>692</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,200</b>	<b>16,008</b>	<b>16,700</b>
Other financial assets	5	0	0	0	0	5	0	0	0	0	0	0	5	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>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>5</b>
<b>Total Assets</b>	<b>65,130</b>	<b>8,731</b>	<b>0</b>	<b>-311</b>	<b>28</b>	<b>73,578</b>	<b>29,614</b>	<b>4,635</b>	<b>704</b>	<b>-151</b>	<b>18</b>	<b>34,820</b>	<b>38,758</b>	<b>35,516</b>



## Consolidated Statement of Changes in Equity

Group's annual balance sheet according to IFRS for the fiscal year from January 1, 2015 to December 31, 2015

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	
<b>Shareholders' equity as of 01/01/2014</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>
Total result	0	0	8,178	349	0	349	8,527
Share buyback	-57	0	-2,104	0	0	0	-2,161
Dividend outpayment*	0	0	-1,519	0	0	0	-1,519
<b>Shareholders' equity as of 12/31/2014</b>	<b>3,181</b>	<b>0</b>	<b>33,931</b>	<b>195</b>	<b>0</b>	<b>195</b>	<b>37,307</b>
Total result	0	0	6,213	348	0	348	6,561
Share salesback	66	2,443	1,264	0	0	0	3,773
Share buyback	-6	0	-242	0	0	0	-248
Dividend payment**	0	0	-2,222	0	0	0	-2,222
<b>Shareholders' equity as of 12/31/2015</b>	<b>3,241</b>	<b>2,443</b>	<b>38,944</b>	<b>543</b>	<b>0</b>	<b>543</b>	<b>45,171</b>

\* 0.47 € per share

\*\* 0.70 € 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, Finland, Poland, the Netherlands, Canada and UK. Development and manufacturing are carried out in the German headquarters. In July 2014, a further production line was opened in the Singapore subsidiary. The production in Asia exclusively manufactures cameras for the Asian market and is currently concentrating on selected camera types.

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

Basler Beteiligungs-GmbH & Co. KG is holding 50 % of the voting rights in Basler AG.

#### 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

The changes effective January 1, 2015, set up in the course of the annual improvements of the IFRS (cycle 2011 - 2013) regarding IFRS 1, IFRS 3, IFRS 13, and IAS 40 have no effects on the consolidated financial statements of Basler AG.

The guidelines according to IFRIC 21 are not applicable.



## 2.3 Approved but not yet Adopted Standards

The following IFRS incorporated into EU law were issued as at 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	Puplication date	Date of incorporation into EU law	Date of application (EU)
Defined benefit plans: employee contributions (Amendments at IAS 19)	November 21, 2013	December 17, 2014	February 01, 2015
Annual improvements of 2010-2012 cycle	December 12, 2013	December 17, 2014	February 01, 2015
Fruit plants (Amendments at IAS 16 and IAS 41)	June 30 2014	November 23, 2015	January 01, 2016
Accounting of purchase of interests in jointly controlled operations (Amendments at IFRIC 11)	May 06, 2014	November 24, 2015	January 01, 2016
Clarifications of more reasonable depreciations methods (Amendments at IFRIC 16 und IAS 38)	May 12, 2014	December 02, 2015	January 01, 2016
Annual improvements of IFRS - cycle 2012-2014	September 25, 2014	December 15, 2014	January 01, 2016
Statement initiative (Amendments at IAS 1)	December 18, 2014	December 18, 2014	January 01, 2016
Equity-method in individual financial statements (Amendments at IAS 27)	August 12, 2014	December 18, 2014	January 01, 2016

The individual effects of the amendments are investigated by the group. The expected effects of the annual improvements of the IFRS were investigated; however, no effects are expected.

Furthermore, the following IFRS were issued as of the balance sheet date but are not yet incorporated into EU law.

Amendment / standard	Puplication date	Date of incorporation into EU law	Date of application (EU)
IFRS 9 Financial Instruments	July 24, 2014	H1/2016	January 01, 2018
IFRS 14 Regulatory Deferral Accounts	January 30, 2014	skipped	January 01, 2016
IFRS 15 Revenue from Contracts with Customers	May 28, 2014	Q1/2016	January 01, 2018
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	September 11, 2014	to be decided	January 01, 2016
Investment Entities - Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	December 18, 2014	Q1/2016	January 01, 2016

From the Basler group perspective, the application of the new IFRS 15 will not have significant effects on the amount of sales revenues. In particular the effects of IFRS 9 have been reviewed by the group.

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 evaluation of tangible assets concerning the useful life as well as to the evaluation of internally generated intangible assets concerning the useful life and to expected sales. In the course of the fiscal year, a review of the underlying useful lives revealed that no project (previous year: two) needed to be adjusted to given market conditions. The book values of the tangible and intangible assets result from the development of the fixed assets. The management board is of the opinion that the book value of the internally generated intangible assets despite possibly low sales volumes will be entirely realized.

## 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 IFRS 10 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 euro. 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 fiscal year, equity capital was increased by € 348 thousand (previous year: increased by € 349 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 2015, profits amounting to € 1,799 thousand (previous year: € 1,054 thousand) and expenses amounting to € 1,602 thousand (previous year: € 688 thousand). 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	
	12/31/2015	12/31/2014
1 Euro	US dollar 1.0887	US dollar 1.2141
1 Euro	New Taiwan dollar 35.95921	New Taiwan dollar 38.6092
	Average exchange rates	
	2015	2014
1 Euro	US dollar 1.10950	US dollar 1.3285
1 Euro	New Taiwan dollar 35.22120	New Taiwan dollar 40.33046

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. In the reporting period, no customer-specific production was conducted.

**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 as 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 as 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, production costs, and services that can be directly allocated as well as appropriate portions of production overheads 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 less 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 fixed assets 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 15
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. For details please see 3.17.

### 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. For details please see 3.17.

### 3.11 Liquid Assets and Cash Equivalents

The item includes cash on hand as well as short-term deposits with maturities of less than 3 months.

### 3.12 Leases

A lease is classified as an "operating lease" if essentially all risks and opportunities associated with economic ownership therein remain with the lessor. A leasing relationship is classified as a finance leasing relationship if due to the leasing agreement all main opportunities and risks linked to the ownership are transferred to the lessee.

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 in 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 less 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.

### 3.17 Impairment of Assets

The book values of property, plant, and equipment as well as intangible assets are reviewed at each reporting date (December 31) for indications of impairment (impairment test). If such indications are apparent, the recoverable amount of the asset is estimated in order to determine the amount of the possible impairment loss. If the recoverable amount cannot be estimated at the level of the specific asset, the recoverable amount of the cash-generating unit (CGU) to which the respective asset is allocated will be determined. At Basler AG, the allocation is made on the level of camera families as CGU.

Intangible assets that are not yet in use are tested for impairment at least once a year and in case of indications of an impairment (triggering events). The recoverable amount is defined as the higher amount of the fair value minus cost to sell and the value in use. For determination of the value in use the estimated future cash flows are discounted using a pre-tax interest rate. This pre-tax interest rate considers the current market evaluation of the time value of the money as well as risks related to the asset, if this has not already been considered in the estimation of the cash flows. The calculations are based on forecasts resulting from financial plans approved by the management. The fair value minus cost to sell is determined using an appropriate valuation model which does not differ from the calculation of the utility value. If the recoverable amount of an asset falls below its book value, the book value is depreciated to the recoverable amount. An impairment loss is recognized immediately in profit or loss.

In case of a reversal of the impairment loss, the book value of the asset will be increased to the newly determined recoverable amount. Here the upper value limit of the attribution in the amount of the original book value of the asset and/or of the CGU needs to be observed. A reversal is immediately recognized in the profit and loss.

For intangible assets with indefinite useful life the impairment test will be made on the level of camera families as CGU. The recoverable amount will be determined on the basis of the calculation of a utility value based on cash flow forecasts. The cash flow forecasts are based on financial plans approved by the management for a period of four years. 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 2015 and the following years. The gross profit margin is expected to decline slightly. Cash flows arising after the planning period are not considered. The discount factor before taxes used for the cash flow forecasts is 8.3 % (previous year: 8 %). It is based on the concept of weighted average capital costs. In the calculation of the utility value as well as of the fair value less cost to sell (using DCF method) there are uncertain estimates for the underlying assumptions, particularly with regard to:

- Gross profit margins
- Discounting factor (interest rate)
- Sales growth rate

A discount interest rate of more than 19.3 % and/or an expected decline of the gross profit by 11.3 % would lead to a devaluation of the assets.



## II. ITEMS OF THE ANNUAL FINANCIAL STATEMENTS

### NOTES TO THE PROFIT AND LOSS STATEMENT

#### 4. Sales Revenues

The sales revenues originate almost exclusively from standard business. We refer to the classification shown under point 24.

#### 5. Other Operational Profit

The other operational profit includes the following:

	2015	2014
Currency exchange gains	1,799	1,054
Rental income	477	623
Subsidies for research and development	139	150
Insurance recoveries	0	9
Income from the release of provisions	117	78
Other	151	381
	<b>2,683</b>	<b>2,295</b>

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

The other expense includes the following:

	2015	2014
Full costs for research and development	12,230	11,040
Capitalization of own development costs	-6,150	-5,753
Unscheduled depreciations on capitalized developments	0	704
Premises costs	526	577
Further other expense	64	91
	<b>6,670</b>	<b>6,659</b>

#### 7. Financial Result

	2015	2014
Interest income from cash in bank	3	28
Interest income from derivative financial instruments	2	22
Interest expense on bank loans	-202	-194
Other interest expenses	-18	-16
Interest expense from derivative financial instruments	-312	-352
Interest expense from discounting	-21	8
Capitalization of interest pursuant to IAS 23	202	178
Mark-to-market evaluation of derivative financial instruments	259	-224
Interest expense for finance lease	-803	-888
Other interest expense	-11	0
	<b>-901</b>	<b>-1,438</b>

The capitalization rate considered in accordance with IAS 23 was 2.36 % on 12/31/2015 (previous year: 2.44%).

#### 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.

	2015	2014
Current taxes from consolidated companies	1,477	1,451
Deferred taxes from consolidated companies	1,383	1,464
Other taxes	3	11
<b>Tax expense</b>	<b>2,863</b>	<b>2,926</b>

	2015	2014
Deferred tax expenses or income from losses carried forward (continuously)	135	646
Deferred tax expenses or income from losses carried forward (adjustment) (continuous adjustment losses carried forward)	119	0
Deferred tax expenses or income from temporary differences	1,129	818
<b>Deferred tax expense</b>	<b>1,383</b>	<b>1,464</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>	<b>2015</b>	<b>2014</b>
Net profit / loss for the year before income taxes	9,076	11,104
Applicable tax rate	28,08 %	28,08 %
Expected tax expense / income	2,548	3,118
<b>Reconciliation</b>		
Effects from deviating tax rates	30	-167
Tax effect from non-deductible expenses and tax-free earnings	112	110
Tax effect from tax audit adjustments	119	0
Other	54	-135
Actual tax expense / income	2,863	2,926
Group tax rate	31.5 %	26.4 %

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

	<b>2015</b>	<b>2014</b>
Germany, corporate income tax	7,476	8,180
Germany, trade income tax	5,161	6,264
USA, Pennsylvania state level	83	181

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 of the reporting date Basler capitalized deferred tax assets on corporate income tax and trade income tax loss carry forwards amounting to € 1,816 thousand (previous year: € 2,062 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 € 7.5 million and € 5.2 million can be utilized without limit; the remaining loss carry forwards in the USA expire after a maximum of thirteen years.

Active deferred taxes amounting to € 6 thousand were recognized for loss carry forwards in the USA amounting to € 83 thousand.

## 9. ADDITIONAL INFORMATION

### 9.1 Production Orders

As of December 31, 2015, there were no ongoing customer-specific production orders. The accumulated costs of customer-specific production orders in progress of the previous year amounted to € 73 thousand, the accumulated profits reported of the previous year amounted to € 157 thousand.

### 9.2 Scheduled and Unscheduled Depreciations

In fiscal year 2015, no unscheduled value adjustments were made on capitalized product developments (previous year: € 704 thousand). The depreciations of the previous year included discontinued products or products that are not expected to have sufficient economic benefit. The unscheduled depreciations on the capitalized developments of the previous year were recorded with the other expense. The depreciations and unscheduled depreciations are included in the following areas:

	<b>2015</b>	<b>2014</b>
Cost of service performed	3,770	3,176
Sales and marketing costs	176	140
General administration costs	1,230	1,004
Other expense	374	1,019
	<b>5,550</b>	<b>5,339</b>

### 9.3 Personnel Expenditures

	<b>2015</b>	<b>2014</b>
Wages and salaries	29,580	27,057
Social security contributions	5,253	4,391
	<b>34,833</b>	<b>31,448</b>

The expenses for the contribution-based pension schemes amounted to € 2,420 thousand (previous year: € 2,007 thousand). The employees in the group 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

	<b>2015</b>	<b>2014</b>
Expenses for raw, auxiliary, and operating supply items as well as purchased goods	29,078	25,857
Expenses for purchased services	1,494	1,686
	<b>30,572</b>	<b>27,543</b>

In the year 2015, costs for guarantees amounted to € 707 thousand (previous year: € 197 thousand).



### 9.5 Reconciliations for Result per Share

	2015	2014
Earnings diluted / undiluted in k €	6,213	8,178
Weighted average number of ordinary shares	3,209,466	3,219,331
<b>Earnings per Share (Euro)</b>	<b>1.94</b>	<b>2.54</b>

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 12/31/2015, Basler used fully depreciated fixed assets representing an acquisition value of € 17,057 thousand (previous year: € 15,029 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 € 38 thousand (previous year: € 313 thousand) are assigned as collaterals to credit institutions.

The purchase commitments for tangible assets amounted to € 186 thousand (previous year: € 1,775 thousand).

For the financial statements, the following intangible assets are of essential importance according to IAS 38.122b at the reporting date:

Description of the Intangible Asset	Book value 12/31/2015 (in k €)	Remaining useful lives (in years)
Expansion pylon SDK	991	3
Expansion of the ace camera line with sensors of the CMOSIS company and the camera link interface	829	6
Development of the ace camera line	545	5
Expansion of the ace camera line by 1.3 & 2 MP sensors of the e2V company	360	3
Development of USB interface for ace product line	2,716	5

As of December 31, 2014, the following intangible assets were important:

Description of the Intangible Asset	Book value 12/31/2015 (in k €)	Remaining useful lives (in years)
Development of the racer line scan camera line	1,415	5
Expansion of the ace camera line with sensors of the CMOSIS company and the camera link interface	1,036	6
Development of the ace camera line	717	5
Expansion of the ace camera line by 1.3 & 2 MP sensors of the e2V company	548	3
Expansion of the firmware functionality for the MK3 product platform	482	4

### 11. Deferred Taxes

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

	12/31/2015	12/31/2014
<b>Deferred tax assets</b>		
From tax loss carry forwards	1,816	2,062
Inventories	93	87
Financial instruments	278	364
Other	213	201
Offsetting	-2,336	-2,656
	<b>64</b>	<b>58</b>

	12/31/2015	12/31/2014
<b>Deferred tax liabilities</b>		
Capitalization of development	5,459	4,513
Receivables	0	65
Finance Lease	855	652
Fixed Assets	0	63
Other	68	10
Offsetting	-2,336	-2,656
	<b>4,046</b>	<b>2,647</b>

### 12. Inventories

The inventories include the following:

	12/31/2015	12/31/2014
Finished products	1,865	2,843
Semi-finished products	1,219	1,545
Raw materials, supplies, and operating materials	7,196	7,822
Merchandise	483	340
	<b>10,763</b>	<b>12,550</b>



As of 12/31/2015, unscheduled value adjustments were made on the inventories to the amount of € 728 thousand (previous year: € 635 thousand). Of which an increase of € 93 thousand applied to fiscal year 2015 (previous year: a decrease of € 223 thousand).

Finished products and merchandise include devices made available to customers temporarily for testing, on loan, and for demonstration purposes worth € 194 thousand (previous year: € 220 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:

	12/31/2015	12/31/2014
Receivables from manufacturing to order	0	230
Advance payments received for manufacturing to order	0	-228
	<b>0</b>	<b>2</b>
Receivables from deliveries and services	7.793	6.961
	<b>7.793</b>	<b>6.963</b>

Of the receivables from deliveries and services in the amount of € 7,793 thousand (previous year: € 6,961 thousand) € 7,793 thousand (previous year: € 6,961 thousand) are due within one year.

The values of the receivables from deliveries and services are adjusted by € 6 thousand (previous year: € 12 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:

[in € k]	Status as of 01/01	Currency differences	Allocation	Consumption	Liquidation	Status as of 12/31
2015	12	0	2	6	2	6
2014	29	0	41	39	19	12

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

[in € k]	Book value as of 12/31	Of which as of 12/31 neither impaired nor past due	Of which not impaired and up to 60 days past due	Of which not impaired and up to 61 days past due
2015	7,793	6,842	951	0
2014	6,961	6,132	780	49

The sum of advance payments received amounts to € 16 thousand (previous year: € 409 thousand), of which € 0 (previous year: € 228 thousand) are deducted from the receivables arising from long-term production. 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 (less 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

	12/31/2015	12/31/2014
Derivative Financial Instruments	0	102
Other	233	249
Other short-term financial assets	233	351
Accrued expenses	514	505
Advance payments made	7	2
Other short-term assets	521	507
<b>Total</b>	<b>754</b>	<b>858</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 € 453 thousand (previous year: € 336 thousand) and the reclaim of taxes paid in advance on income and profit amounting to € 338 thousand (previous year: € 7 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 in Bank and Cash in Hand

Cash and cash equivalents include cash in bank and cash in hand in the amount of € 14,043 thousand (previous year: € 12,812 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 a financing lease agreement. The book values at the end of the fiscal year are as follows:

	12/31/2015	12/31/2014
Land	1,817	1,817
Buildings	13,499	14,191
	<b>15,316</b>	<b>16,008</b>

The development is recorded separately in the fixed asset schedule.

The liabilities from the finance lease are as follows:

	Minimum lease payments		Cash value of the minimum lease payments	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
With a residual term of up to one year	2,218	2,215	2,156	2,154
With a residual term of more than one year and up to five years	11,859	14,077	10,117	11,531
With a residual term of more than five years	0	0	0	0
	<b>14,077</b>	<b>16,292</b>		
Minus:				
Future financing costs:	-1,804	-2,607		
Cash value of the minimum lease payments	12,273	13,685	12,273	13,685
Recorded in the group's annual balance sheet as				
Short-term liabilities from financing lease			2,156	2,154
Long-term liabilities from financing lease			10,177	11,531

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	€ k
<b>2016</b>	86
<b>2017-2019</b>	21
<b>From 2020</b>	-

The earnings from subleases amounted to € 477 thousand in the reporting year (previous year: € 623 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 Lease

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	€ k
<b>2016</b>	577
<b>2017-2019</b>	1,022
<b>From 2020</b>	74

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 € 597 thousand (previous year: € 404 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, 2015 amounted to 3,181,136 and on December 31, 2015 to 3,241,363. In the reporting year, 6,192 own shares were acquired and 66,419 shares were sold.



The shares in circulation developed as follows:

	12/31/2015		12/31/2014	
	Own shares	Shares in circulation	Own shares	Shares in circulation
January	322,723	3,177,277	261,816	3,238,184
February	325,056	3,174,944	263,233	3,236,767
March	325,056	3,174,944	263,233	3,236,767
April	325,056	3,174,944	268,050	3,231,950
May	325,056	3,174,944	268,050	3,231,950
June	271,390	3,228,610	268,050	3,231,950
July	270,555	3,229,445	282,137	3,217,863
August	258,637	3,241,363	291,146	3,208,854
September	258,637	3,241,363	291,946	3,208,054
October	258,637	3,241,363	301,240	3,198,760
November	258,637	3,241,363	309,122	3,190,878
December	258,637	3,241,363	318,864	3,181,136

In the financial year, own shares of a nominal amount of 66 thousand were sold with a value of € 3,773 thousand. The subscribed capital was decreased by the disclosed reduction amounting to the calculated value of the sold own shares. The exceeding sales proceeds were increased in the amount paid when the own shares were purchased offset against the net profit. The acquisition costs of the sold stake were determined at average share prices. The exceeding sales proceeds amounting to € 2,443 thousand were allocated to the capital reserve pursuant to § 272, sect. 2, no. 1.

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 for 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:

	12/31/2015			12/31/2014		
	Earnings before taxes	Taxes	Net	Earnings before taxes	Taxes	Net
Currency conversion of foreign subsidiaries	348	0	348	349	0	349
Cash flow hedges	0	0	0	0	0	0
Total	348	0	348	349	0	349

### 18.4 Dividend Payment

On May 22, 2015, a dividend was paid amounting to € 0.70 Cent per share (total dividend: € 2,222 thousand).

### 19. Financial Liabilities

Basler reports the following financial liabilities as at December 31, 2015 (in € k):

Description	Interest condition	Interest rate	End of term	Repayment amount
ERP-bank loan, tranche III	Fixed	3.65 %	3/31/2016	38 T€ (PY: 187 T€)
ERP-bank loan, tranche IV	Fixed	4.60 %	3/31/2016	63 T€ (PY: 313 T€)
ERP bank loan 2012, tranche I	Fixed	2.15 %	12/30/2022	3,413 T€ (PY: 3,900 T€)
ERP bank loan 2012, tranche II	Fixed	2.45 %	12/30/2022	3,900 T€ (PY: 3,900 T€)

€ 6,825 thousand of this are related to long term interest bearing bank liabilities (previous year: € 7,413 thousand).

Furthermore, derivative financial liabilities of € 992 thousand (previous year: € 1,398 thousand), the short-term repayment portion of the financial liabilities of € 588 thousand (previous year: € 888 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

	01/01/2015	Allocation	Utilizations	Liquidations	Currency differences	12/31/2014
<b>Long-term provisions</b>						
Personnel costs	796	0	-48	0	0	748
<b>Long-term provisions</b>	<b>796</b>	<b>0</b>	<b>-48</b>	<b>0</b>	<b>0</b>	<b>748</b>
<b>Short-term provisions</b>						
Personnel costs	3,207	1,308	-3,204	-98	15	1,228
Commissions	28	3	-30	0	2	3
Guarantee	223	336	-223	0	0	336
Legal- and consultancy costs	116	102	-88	-2	3	131
Other	287	204	-207	-17	5	272
<b>Short-term provisions</b>	<b>3,861</b>	<b>1,953</b>	<b>-3,752</b>	<b>-117</b>	<b>25</b>	<b>1,970</b>
<b>Total</b>	<b>4,657</b>	<b>1,953</b>	<b>-3,800</b>	<b>-117</b>	<b>25</b>	<b>2,718</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 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 no open forward exchange contracts existed.

USD	12/31/2015	12/31/2014
Nominal value in k €	-	3,971
Foreign currency amount in k USD	-	5,000
Fair value in k €		
Positive	-	-
Negative	-	-147

JPY	12/31/2015	12/31/2014
Nominal value in k €	-	3,200
Foreign currency amount in k JPY	-	450,000
Fair value in k €		
Positive	-	102
Negative	-	-

In the previous year, no valuation units were formed.

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 2015 amounted to € 259 thousand (previous year: expense € 224 thousand).

	12/31/2015	12/31/2014
Nominal value in k €	8,182	9,394
Fair value in k €		
Positive	-	-
Negative	992	1,251

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
FAHfT	Financial Assets Held for Trading	Financial assets available for trading
FLAC	Financial Liabilities Measured at Amortized Cost	Financial liabilities measured at amortized cost
FVTPL	At Fair Value Through Profit or Loss	At fair value through profit or loss
HtM	Held to Maturity	Financial investments held to maturity
LaR	Loans and Receivables	Loans and receivables



The book values of the financial instruments as of Thursday, December 31, 2015, are as follows:

12/31/2015					
	Category of measurement according to IAS 39	Book value	Amortized cost	Fair value, affecting net income	Fair value
<b>Assets</b>					
Remaining financial assets	AfS	5	5		
<b>Long-term assets</b>		<b>5</b>			<b>5</b>
Receivables from deliveries and services	LaR	7,793	7,793		
<b>Short-term financial assets</b>		<b>7,793</b>			<b>7,793</b>
Remaining other short-term financial assets	LaR	233	233		
<b>Other short-term financial assets</b>		<b>233</b>			<b>233</b>
Liquid assets	LaR	14,043	14,043		
<b>Cash and cash equivalents</b>		<b>14,043</b>			<b>14,043</b>
		<b>22,074</b>			
<b>Liabilities</b>					
Liabilities to credit institutions	FLAC	6,825	6,825		
Liabilities from finance lease	FLAC	10,117	10,117		
<b>Long-term financial liabilities</b>		<b>16,942</b>			<b>16,942</b>
Other financial liabilities	FLAC	588	588		
Short-term derivative assets	FVTPL	992		992	
Liabilities from deliveries and services	FLAC	2,732	2,732		
Liabilities from finance lease	FLAC	2,156	2,156		
Remaining other short-term financial liabilities	FLAC	1,178	1,178		
<b>Short-term liabilities</b>		<b>7,646</b>			<b>7,645</b>
		<b>24,587</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	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Financial liabilities of "Market value affecting profit and loss" category				
Short-term derivative assets	0	992	0	992
<b>Total</b>	<b>0</b>	<b>992</b>	<b>0</b>	<b>992</b>

Comparative values as of December 31, 2014:

12/31/2014					
	Category of measurement according to IAS 39	Book value	Amortized cost	Fair value, affecting net income	Fair value
<b>Assets</b>					
Remaining financial assets	AfS	5	5		
<b>Long-term assets</b>		<b>5</b>			<b>5</b>
Receivables from deliveries and services	LaR	6,961	6,961		
Receivables from production orders	LaR	2	2		
<b>Short-term financial assets</b>		<b>6,963</b>			<b>6,963</b>
Short-term derivative assets	FVTPL	102		102	102
Remaining other short-term financial assets	LaR	249	249		
<b>Other short-term financial assets</b>		<b>351</b>			<b>351</b>
Liquid assets	LaR	12,812	12,812		
<b>Cash and cash equivalents</b>		<b>12,812</b>			<b>12,812</b>
		<b>20,131</b>			
<b>Liabilities</b>					
Liabilities to credit institutions	FLAC	7,413	7,413		
Other financial liabilities	FLAC	0	0		
Liabilities from finance lease	FLAC	11,531	11,531		
<b>Long-term financial liabilities</b>		<b>18,944</b>			<b>18,944</b>
Other financial liabilities	FLAC	888	888		
Short-term derivative assets	FVTPL	1,398		1,398	
Liabilities from deliveries and services	FLAC	2,277	2,277		
Liabilities from finance lease	FLAC	2,154	2,154		
Remaining other short-term financial liabilities	FLAC	1,369	1,369		
<b>Short-term liabilities</b>		<b>8,086</b>			<b>8,086</b>
		<b>27,030</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	102	0	102
<b>Total</b>	<b>0</b>	<b>102</b>	<b>0</b>	<b>102</b>
Financial liabilities of "Market value affecting profit and loss" category				
Short-term derivative assets	0	1,398	0	1,398
<b>Total</b>	<b>0</b>	<b>1,398</b>	<b>0</b>	<b>1,398</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. Essential observable input parameters are not present.

Except for the described instrument, Basler AG considers the book values for financial assets and debts to be good approach to the fair value.

Please refer to notes 7 and 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, and 21 for statements of the maximum default risks.

### 22.2 Interest Rate Risk

All longer-term financial liabilities stated as of 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 € 198 thousand resulting from an increase of the interest yield curve by 0.5 percentage points and a direct negative effect on earnings before taxes of € 60 thousand resulting from a decrease of the interest yield curve by 0.5 percentage points

### 22.3 Currency Risk

An analysis of the sensitivity of all receivables and liabilities in foreign currency of all group entities regarding a decreasing and / or increasing exchange rate by 10 percentage points each as of the balance sheet date would result in the following effects on profit:

	Exchange rate +10 %	Exchange rate -10%
USD	-34	104
JPY	58	-39
SGD	23	-32
	<b>47</b>	<b>33</b>

In doing so, the main foreign currencies were taken into consideration.

## 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 less liquid assets.

A value of 125 % is targeted.

	12/31/2015	12/31/2014
Borrowed capital without finance lease and deferred taxes	15,174	18,703
Unused credit lines	7,400	2,400
<b>Subtotal</b>	<b>22,574</b>	<b>21,103</b>
Short-term receivables	7,793	6,963
Inventories	10,763	12,550
Remaining receivables and other financial assets	754	858
Liquid assets	-14,043	-12,812
<b>Subtotal</b>	<b>5,267</b>	<b>7,559</b>
<b>Financial reserves</b>	<b>429 %</b>	<b>279 %</b>

This strategy was not changed compared to the previous year.

On the reporting date, Basler had access to credit lines amounting to € 7,400 thousand (previous year: € 2,400 thousand) including € 5,000 thousand earmarked loan commitments. As of the previous year's reporting date, these were not used or retrieved.

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):

	2016	2017	2018 to 2020	From 2021
Bank debt	750	638	3,139	3,667
Liabilities from deliveries and services	2,732	-	-	-
Other current financial and tax liabilities	1,304	-	-	-
Liabilities from finance lease	2,218	2,221	9,638	0

As per 12/31/2014, the following maturity structure ensued:

	2015	2016	2017 to 2019	From 2020
Bank debt	1,075	754	1,895	5,549
Liabilities from deliveries and services	2,277	-	-	-
Other current financial and tax liabilities	2,037	-	-	-
Liabilities from finance lease	2,215	2,218	11,859	0

The interest swap shown under other financial liabilities is in total allocated to short-term liabilities.

According to the longest possible redemption period the following maturities of derivative financial instruments would occur:

	Up to 1 year	2 to 5 years	More than 5 years	Total
2015	354	598	40	992
2014	357	804	135	1,296

## 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 organization was finished in 2012. As a result of these measures, within the internal reporting the discontinuing solutions segment was not reported or managed separately.

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.

	2015	2014
Germany	9,634	8,991
EMEA	26,875	24,367
America	17,160	17,303
Asia	31,764	28,579
<b>Total</b>	<b>85,433</b>	<b>79,240</b>

Sales revenue of more than 10 % of the total sales revenue was generated with no customer in 2015.

The sales revenues of the Basler group are structured as follows:

	2015	2014
Sales Camera Business	80,225	70,563
Sales Solutions	1,271	5,950
Sales Accessories	3,937	2,727
<b>Total</b>	<b>85,431</b>	<b>79,240</b>

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

	2015	2014
Germany	41,747	38,045
America	88	91
Asia	621	622
<b>Total</b>	<b>42,456</b>	<b>38,758</b>

## 25. Number of Employees

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

	2015	2014
Production	113	98
Sales	144	121
Development	115	100
Administration	101	86
<b>Total</b>	<b>474</b>	<b>405</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:

	2015	2014
Production	106	92
Sales	136	113
Development	108	94
Administration	88	75
<b>Total</b>	<b>438</b>	<b>374</b>



## 26. Remuneration of Auditors

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

	2015	2014
Audit fees	74	67
Tax consultancy services	18	48
Other services	3	37
	<b>95</b>	<b>152</b>

## 27. Relations to Closely Affiliated Persons

In fiscal year 2015, there were no business relationships with related parties except for the remuneration of the management board and the remuneration of the supervisory board.

## 28. Management Board and Supervisory Board

### 28.1 Management Board

In 2015, the management board consisted of the following members:

- Dr. Dietmar Ley, Chief Executive Officer, responsible for research and development, organization development, and human resources
- John P. Jennings, Chief Commercial Officer, responsible for sales, market communication, and subsidiaries
- Arndt Bake, Chief Marketing Officer, responsible for strategic marketing, and product management
- Hardy Mehl, Chief Financial and Operations Officer, responsible for finance, controlling, SAP and IT, legal and patents, investor relations, facility management, production and supply-chain-management

### 28.2 Supervisory Board

In 2015, the supervisory board consisted of the following members:

Norbert Basler	Chairman of the Supervisory Board, Entrepreneur
Prof. Dr. Eckart Kottkamp	Vice Chairman of the Supervisory Board, Consultant
Konrad Ellegast (until May 21, 2015)	Member of the Supervisory Board, Consultant
Horst W. Garbrecht (since May 22, 2015)	Member of the Supervisory Board Chairman of the Management of Metabowerke GmbH

Additional mandates held by the supervisory board members in 2015, compliant with § 285 No. 10 HGB:

#### Norbert Basler

Member of the Supervisory Board, Plato AG, Lübeck  
Member of the Supervisory Board, Fördergesellschaft mbH, Lübeck  
Vice Chairman of the Advisory Board, Zöllner Holding GmbH, Kiel

#### Prof. Dr. Eckart Kottkamp

Chairman of the Advisory Board, Mackprang Holding GmbH & Co. KG, Hamburg  
Chairman of the Advisory Board, ACTec Holding 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

### 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 2015, a total of € 1,528,214.78 was paid out allocated as follows:

2015	Dietmar Ley Chairman of the Management Board (CEO)	John P. Jennings Management Board Sales (CCO)	Arndt Bake Management Board Marketing (CMO)	Hardy Mehl Management Board Finance (CFO) and Operations (COO)
Transfer	since 1996	since 2006	since 2011	since 2014
Fixed Remuneration	270,529.50	273,003.93	187,138.13	220,162.50
Additional Benefits	16,586.35	54,210.44	20,521.34	15,262.16
<b>Total</b>	<b>287,115.85</b>	<b>327,214.36</b>	<b>207,659.47</b>	<b>235,424.66</b>
Multi-year variable remuneration	154,049.05	148,056.60	107,839.32	49,496.00
Payout bonus bank	154,049.05	148,056.60	107,839.32	49,496.00
Other	0.00	0.00	0.00	0.00
<b>Total</b>	<b>441,164.90</b>	<b>475,270.97</b>	<b>315,498.79</b>	<b>284,920.66</b>
Pension expenses	581.64	8,114.55	581.64	2,081.64
<b>Total payout</b>	<b>441,746.54</b>	<b>483,385.51</b>	<b>316,080.43</b>	<b>287,002.30</b>

Mr. Jennings draws his salary in USD. Since the amounts are stated in Euro, the increase is due to currency effects.

The claim to variable compensation components of the financial year 2015 amounting to € 357,564.75 was transferred to the bonus bank and will be paid out within the next years according to the process described in the management report. In 2015, the total granted benefits for the management board amounted to € 1,426,338.56, and are allocated as follows:



2015	Dietmar Ley	John P. Jennings	Arndt Bake	Hardy Mehl
	Chairman of the Management Board (CEO)	Management Board Sales (CCO)	Management Board Marketing (CMO)	Management Board Finance (CFO) and Operations (COO)
Granted Benefits	since 1996	since 2006	since 2011	since 2014
Fixed Remuneration	270,529.50	273,003.93	187,138.13	220,162.50
Additional Benefits	16,586.35	54,210.44	20,521.34	15,262.16
<b>Total</b>	<b>287,115.85</b>	<b>327,214.36</b>	<b>207,659.47</b>	<b>235,424.66</b>
Multi-year variable remuneration	101,734.03	102,664.55	70,374.28	82,791.89
of which transferred to the bonus bank	101,734.03	102,664.55	70,374.28	82,791.89
<b>Total</b>	<b>388,849.88</b>	<b>429,878.93</b>	<b>278,033.75</b>	<b>318,216.55</b>
Pension expenses	581.64	8,114.55	581.64	2,081.64
<b>Total remuneration</b>	<b>389,431.52</b>	<b>437,993.47</b>	<b>278,615.39</b>	<b>320,298.19</b>
Possible Minimal amount-reduction bonus bank	-90,176.50	-91,001.31	-62,379.38	-73,387.50
Possible maximum amount-transfer to bonus bank	360,706.00	364,005.24	249,517.50	293,550.00

2014	Dietmar Ley	John P. Jennings	Arndt Bake	Hardy Mehl
	Chairman of the Management Board (CEO)	Management Board Sales (CCO)	Management Board Marketing (CMO)	Management Board Finance (CFO) and Operations (COO)
Granted Benefits	since 1996	since 2006	since 2011	since 2014
Fixed Remuneration	262,650.00	217,209.26	181,687.56	172,500.00
Additional Benefits	16,394.15	46,766.53	20,455.58	12,388.45
<b>Total</b>	<b>279,044.15</b>	<b>263,975.78</b>	<b>202,143.14</b>	<b>184,888.45</b>
One-year variable remuneration	0.00	0.00	0.00	0.00
Multi-year variable remuneration	226,080.37	204,583.63	156,390.54	148,482.25
Of which transferred to the bonus bank	226,080.37	204,583.63	156,390.54	148,482.25
<b>Total</b>	<b>505,124.52</b>	<b>468,559.41</b>	<b>358,533.68</b>	<b>333,370.70</b>
Pension expenses	498.12	6,361.21	498.12	498.12
<b>Total remuneration</b>	<b>505,622.64</b>	<b>474,920.62</b>	<b>359,031.80</b>	<b>333,868.82</b>
Possible minimal amount - reduction bonus bank	-87,550.00	-79,225.35	-60,562.50	-57,500.00
Possible maximum amount - transfer to bonus bank	350,200.00	316,901.41	242,250.00	230,000.00

In 2014, a total of € 1,256,360.49 was paid out allocated as follows:

2014	Dietmar Ley	John P. Jennings	Arndt Bake	Hardy Mehl
	Chairman of the Management Board (CEO)	Management Board Sales (CCO)	Management Board Marketing (CMO)	Management Board Finance (CFO) and Operations (COO)
Transfer	since 1996	since 2006	since 2011	since 2014
Fixed Remuneration	262,650.00	217,209.26	181,687.56	172,500.00
Additional Benefits	16,394.15	46,766.53	20,455.58	12,388.45
<b>Total</b>	<b>279,044.15</b>	<b>263,975.78</b>	<b>202,143.14</b>	<b>184,888.45</b>
One-year variable remuneration	0.00	0.00	0.00	24,609.00
Multi-year variable remuneration	118,029.01	92,259.70	83,555.68	0.00
Payout bonus bank	118,029.01	92,259.70	83,555.68	0.00
Other	0.00	0.00	0.00	0.00
<b>Total</b>	<b>397,073.16</b>	<b>356,235.48</b>	<b>285,698.82</b>	<b>209,497.45</b>
Pension expenses	498.12	6,361.21	498.12	498.12
<b>Total payout</b>	<b>397,571.28</b>	<b>362,596.70</b>	<b>286,196.94</b>	<b>209,995.57</b>

The claim to variable compensation components of the financial year 2014 amounting to € 735,536.79 was transferred to the bonus bank and will be paid out within the next years according to the process described in the management report. In 2014, the total remuneration of the management board amounted to € 1,673,443.88, allocated as follows:

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.

In November 2012, the contracts of Arndt Bake and John P. Jennings and in January 2013, the contract of Dr. Dietmar Ley 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.

## 28.4 Remuneration of the Supervisory Board

The total remuneration of the members of the supervisory board amounted to € 54 thousand in the year 2015.

	Fixed remuneration 2015	Performance-related remuneration for 2015	Total 2015
Norbert Basler	24,000.00	0,00	<b>24,000.00</b>
Prof. Dr. Eckart Kottkamp	18,000.00	0,00	<b>18,000.00</b>
Konrad Ellegast (until 21.05.2015)	4,700.00	0,00	<b>4,700.00</b>
Horst W. Garbrecht (since 22.05.2015)	7,300.00	0,00	<b>7,300.00</b>



The total remuneration of the members of the supervisory board amounted to € 54 thousand in the year 2014.

	Fixed remuneration 2014	Performance-related remuneration for 2014	Total 2014
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

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

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

	12/31/2015 Number of shares	12/31/2014 Number of shares
Dr. Dietmar Ley	144,794	144,794
John P. Jennings	5,500	5,500
Arndt Bake	700	700
Hardy Mehl	550	450

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

Back

	12/31/2015 Number of shares	12/31/2014 Number of shares
Norbert Basler	-	1,816,891
Prof. Dr. Eckart		
Kottkamp	-	-
Horst W. Garbrecht	-	-

### 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/Singapore	100
Basler Vision Technologies Taiwan Inc., Jhubei City/Taiwan	100
Beruf und Familie Stormarn GmbH, Bad Oldesloe	20

Another participation exists in Beruf und Familie Stormarn GmbH, Bad Oldesloe:

Company name	Proportion of stake in % (12/31/2014)	Equity (12/31/2014)	Result 2014
Beruf und Familie Stormarn GmbH, Bad Oldesloe	20	k€ 1	k€ 0.5

Further participating interests are not held.

### 30. Corporate Governance

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 15, 2016.

### 32. Recommendation for the Appropriation of Profit

The management board recommends the distribution of a dividend amounting to € 0.58 per share corresponding to an amount of € 1,879,990.54.

Ahrensburg, March 4, 2016

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 prepared by the Basler Aktiengesellschaft Ahrensburg comprising the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the financial year from January 1, 2015 to December 31, 2015. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a(1) of the HGB are the responsibility of the legal representatives of the parent company. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. We conducted our audit of the consolidated financial statements in accordance with § 317 of the HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework 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 expectations as to 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 financial information of those components consolidated, the scope of the consolidation, the accounting and consolidation principles used and the significant estimates made by management, 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 findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a(1) of the HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development."

We issued this report on the audit of the consolidated financial statements and the group management report of Basler AG, Ahrensburg, for the financial year from January 1, 2015 to December 31, 2015 in accordance with the legal provisions and the German generally accepted standards for reporting on audits of consolidated financial statements.

Lübeck, March 4, 2015

### BDO AG

Wirtschaftsprüfungsgesellschaft

Herbers  
Auditor

ppa. Janitschke  
Auditor

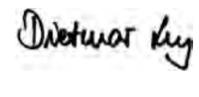


## DECLARATION OF THE LEGAL REPRESENTATIVES

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 15, 2016

The Management Board

			
Dr. Dietmar Ley CEO	John P. Jennings CCO	Arndt Bake CMO	Hardy Mehl CFO/COO

## EVENTS 2016

### IR-Events

Datum	Event	Venue
05/02/2016	Publication 3-month report 2016	Ahrensburg, Germany
06/03/2016	Shareholders' meeting 2016	Ahrensburg, Germany
08/03/2016	Publication 6-month report 2016	Ahrensburg, Germany
11/02/2016	Publication 9-month report 2016	Ahrensburg, Germany
11/10/2016	Analyst conference on exhibition VISION	Stuttgart, Germany
11/21 - 23/2016	Deutsches Eigenkapitalforum 2016 (German equity forum)	Frankfurt am Main, Germany

### Shows and Conferences

Datum	Event	Venue
02/03-04/2016	Oldenburger 3D-Tage	Oldenburg, Germany
02/16-18/2016	SPIE Photonics West	San Francisco, USA
03/09-11/2016	Korea Vision Show / Automation World	Seoul, Korea
03/15-17/ 2016	Vision China, Shanghai / SEMICON China	Shanghai, China
05/03-05/2016	AIA Vision Show	Boston, USA
05/10-13/2016	Analytica 2016: International Trade Fair for Laboratory Technology, Analysis and Biotechnology	Munich, Germany
06/29 -07/01/2016	Vision China, Shenzhen	Shenzhen, China
10/17-19/2016	Vision China, Beijing	Beijing, China
November 2016	AOI Forum & Show Taiwan	Hsinchu, Taiwan
11/08-10/2016	VISION: World's leading trade fair for machine vision	Stuttgart, Germany
11/23-24/2016	All-over-IP Expo 2016	Moscow, Russia
11/23-26/2016	Metalex Thailand	Bangkok, Thailand
12/07-09/2016	International Technical Exhibition on Image Technology and Equipment Japan	Yokohama, Japan

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