BASLER

the power of sight

ANNUAL REPORT

2020

KEY FIGURES

in € m*	2020	2019	2018	Changes to previous year in %
Sales revenues	170.5	162.0	150.0	5 %
Incoming orders	181.6	166.5	154.0	9 %
Gross results	88.7	82.0	80.2	8 %
Gross profit margin	52.0 %	50.6 %	53.5 %	1.4 Pp.
Full costs for research and development	23.7	23.1	20.1	3 %
Research and development ratio	13.9 %	14.3 %	13.4 %	-0.4 Pp.
EBITDA	34.6	30.0	36.0	15 %
EBIT	20.1	17.0	24.8	18 %
EBT	20.4	16.9	24.5	21 %
EBT Margin	12.0 %	10.4 %	16.3 %	1.5 Pp.
Net income	15.1	12.9	17.0	17 %
Weighted average number of shares	10,005,420	9,942,657	9,642,198	1 %
Result per share (€)	1.51	1.29	1.76	17 %
Cash flow from operating activities	37.3	24.7	27.0	51 %
Cash flow from investing activities	-23.3	-34.4	-25.7	-32 %
Free cash flow	14.0	-9.7	1.3	>100 %

in € m*	12/31/2020	12/31/2019	12/31/2018	Changes to previous year in %
Total assets	190.1	181.2	139.0	5 %
Long-term assets	95.0	93.5	63.5	2 %
Equity	114.9	103.0	75.5	12 %
Liabilities	75.2	78.2	63.5	-4 %
Equity ratio	60.4 %	56.8 %	54.3 %	3.6 Pp.
Net cash	23.0	16.0	8.0	44 %
Working capital	27.3	28.8	31.4	-5 %
Number of employees for the fiscal year (full time equivalents)	808	806	610	<1 %
Share price (XETRA) in €	72.00	54.40	41.33	32 %
Number of shares in circulation	10,005,264	10,007,757	9,617,157	<1 %
Market capitalization	720.4	544.4	397.5	32 %

* unless otherwise stated

CONTENT

COMPANY PROFILE

Basler is a leading international supplier of high-quality image processing components for computer vision applications. In addition to classic area scan and line scan cameras, lenses, frame grabbers, light modules, and software, the company offers embedded vision modules and solutions, 3D products as well as customized product adjustments and advisory services. Basler products are used in a number of markets and applications, inter alia in the fields of factory automation, medical, logistics, retail and robotics.

Basler products are recognized for innovation, high reliability, simple integration and an outstanding price performance ratio. Target customers are national and international manufacturers of investment goods (OEM customers), integrating image processing components in their own systems and equipment. The customers are mainly supported by own direct sales organization or by regional sales partners (channel partners).

Basler AG's component products are generic and usable in many industries and / or applications. After the OEM customer's successful integration within its product development (so-called design-in), they become a firm part of the specific customer solution. Since the customer normally does not change its components supplier throughout the life cycle of its own products, the design-in phase will typically be followed by recurring business.

REPORT OF THE MANAGEMENT BOARD

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

The financial year 2020 was unexpectedly turbulent and challenging. After a pronounced weak period since mid 2018, markets started to recover at the end of 2019. However, this recovery was nipped in the bud by the corona pandemic right at the beginning of the year. Due to the pandemic, positive signs within the industry's development turned negative resulting in interruptions in supplies in the procurement markets.

Immediately, we switched to a pandemic mode; within a few weeks in March we transferred our employees to home office, adjusted our production and procurement processes, stopped new hirings, developed scenario plans, and increased our liquidity cushion. The health of our employees, the reliable supply of products to our customers, and a high degree of transparency as well as intensive communication and leadership work had top priority. In a very stable condition, we successfully started into the second quarter. Whereas the German industry for image processing components recorded a decline of approximately 5 % already in the first half-year, our incoming orders and sales increased by almost 10 % within the same period of time. This positive development compared to the industry is particularly due to a better regional (Asia, China) and vertical (electronics, logistics) presence as well as to a solid operating crisis resilience. During the lockdown we continued to sail high on the wind and essentially kept our strategic investment path despite all pandemic circumstances. In addition to a continuously high R&D intensity, the integration of Silicon Software and Basler China moved on. Moreover, a building expansion at the headquarters, as well as an SAP S/4HANA project for further digitizing the group were started. We neither used short-time work nor cut our staff – productivity and commitment of our global team were pleasantly high. Despite a weaker third quarter, we positively set apart from the development of the industry in the second half-year. With increasing incoming orders and sales in the fourth quarter, we reached sales of approximately € 171 million and incoming orders of approximately € 182 million in financial year 2020. The gross margin increased, personnel costs developed approximately in proportion to sales and our operating costs decreased particularly due to corona by almost € 2 million. After having increased our forecast several times in the course of the year, the pre-tax result as well as the pre-tax return rate increased compared to the previous year to € 20.4 million / 12 % - what a crazy and at the same time successful year!

Particularly in the past year, our employees and their families extraordinarily contributed to this success. We would like to take this opportunity to thank them for their passion and tireless commitment. Already in December, we showed our gratitude with a special bonus. We are very pleased by the trust of our customers and sales partners. We would also like to thank our supervisory board and our shareholders for the trustful and long-term oriented cooperation. We very much appreciate your approval and understanding with regard to last year's reduction of the dividend distribution ratio as a matter of prudence. This year, we particularly would like to let our shareholders participate in the success of the company. We will forward a proposal to the general meeting 2021 suggesting to pay a regular dividend for the financial year 2020 in the amount € 0.45 per share. Additionally, we will propose to pay a special dividend in the amount of € 0.13 per qualifying share reflecting the particular circumstances and the unexpectedly strong result of the past year. Should that proposal be adopted, the planned dividend payment of a total of approximately € 5.8 million would correspond to about 38 % of the net result.

Dr. Dietmar Ley
CEO

Arndt Bake
CMO

John P. Jennings
CCO

Hardy Mehl
CFO/COO

Financial year 2021 will also be characterized by pandemic uncertainties. However, we vigorously start into the new financial year due to our positive book-to-bill ratio and large order backlog. In principle, signals of growth from logistics, semiconductor and electronics fields of applications as well as the positive signs in China make us confident about the new financial year. On the basis of current information, we plan to reach sales within a corridor of € 190 million to € 210 million in fiscal year 2021. Depending on sales, this would result in a pre-tax return rate between 12 and 14 %. Based on this estimation, we expect a strong investment cycle within the sectors of semiconductors and electronics as well as in logistics and assume that there will be no major interruptions in supply in the procurement markets for electronic components. In addition, we expect the pandemic progression to improve in the second half-year due to vaccinations. The broad forecast corridor reflects the current uncertainties and the relatively early date for a forecast within the financial year.

With tailwind, an increased number of employees, unique market access, solid liquidity, and a significantly extended and highly innovative product portfolio, Basler has started into the financial year 2021. In this year, we want to achieve another important milestone on our strategic path to become a full-range provider and in reaching a sales level of € 250 million. Despite all corona pandemic-related challenges, we continue to implement our profitable and self-financed growth strategy.

We look forward to working together with you shaping the future growth of Basler AG and would like to give you detailed insights of the past fiscal year. Enjoy reading our report and stay healthy.

Ahrensburg, March 25, 2021

The Management Board

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


LENS MADE IN
1:2.8
ZOOM LENS
20-35 mm

Norbert Basler
Founder & Chairman of the Supervisory Board

REPORT OF THE SUPERVISORY BOARD

Dear Ladies and Gentlemen,

In the elapsed fiscal year 2020, the supervisory board 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 continuously monitored and advised the management board in its management activities. The management board 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 discussed the business and economic situation in detail with the chairman of the supervisory board.

In fiscal year 2020, four regularly occurring supervisory board meetings took place. These were held on March 27, 2020, May 26, 2020, September 14, 2020, and December 9, 2020. All members of the organization attended the meetings – due to the time difference between Germany and the US, Mr. Jennings joined the meetings only at lunch times via Microsoft Teams. Due to Covid-19 as well as the related travel restrictions, all 2020 supervisory board meetings were held virtually, only the meeting on September 14 was a meeting that was attended in person except for Mr. Jennings, who again joined the meeting at lunch time virtually.

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 has 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 2019 and the proposals for the shareholders' meeting
- Dividend for fiscal year 2019 including the proposal for the shareholders' meeting
- Economic and market-specific developments
- Situation of the relevant markets and Basler AG's position in these markets
- Advancement of the corporate strategy
- New business development
- M&A activities
- Final integration of the MVLZ machine vision business in China to Basler China
- Final integration of Silicon Software GmbH
- Further development of the company organization
- Expansion of business premises
- Investments

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

Horst W. Garbrecht
Supervisory Board

- Liquidity and working capital
- Company taxes
- Investor Relations
- Share buyback program
- Corporate planning and budget for the group for fiscal year 2021
- 4-year-planning for the group 2021 - 2024
- Correctness and effectiveness of the internal control system (ICS)
- Correctness and effectiveness of the risk management system (RMS)
- Correctness and effectiveness of the compliance management system (CMS)
- Changes of legal requirements
- Adjustment catalogue of business transactions requiring approval
- Sustainability reporting
- Commitment to and amendments of the Corporate Governance Code
- Selection procedure for the statutory auditor
- Personnel development of the management board
- Remuneration of the management board
- Efficiency of the supervisory board's work
- Rules of procedures of the supervisory board
- Personnel development of the supervisory board

- Articles of association issues

- Effects of the corona pandemic

The BDO AG Wirtschaftsprüfungsgesellschaft which was selected as annual auditor by the shareholders' meeting on May 26, 2020, was commissioned by a letter of May 29, 2020 by the chairman of the supervisory board's audit committee, Prof. Dr. Mirja Steinkamp, to perform the audit. The annual auditor participated in the supervisory board meeting on March 25, 2021, in which the presented annual balance sheet and the reported essential results were discussed.

The accounting, the annual balance sheet as of December 31, 2020, and the situation report for Basler AG, along with the group's annual balance sheet as of December 31, 2020, 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 notice 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 performed 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.

Prof. Dr. Mirja Steinkamp
Supervisory Board

Dorothea Brandes
Supervisory Board

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".

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.

ROBUSTLY THROUGH THE PANDEMIC – MARKET SHARES INCREASED – FUTURE OPPORTUNITIES MAINTAINED

Basler AG managed the extraordinary challenges very well along with the corona pandemic and showed to be robust.

The pandemic will continue to be a central topic for the world, the society and also for Basler AG. However, for 2020 we note gratefully that the corona related challenges have been successfully managed so far, threats have been repelled, and emerging opportunities have been taken: Due to a consistent management of preventive measures and the flexibility of all parties concerned, serious health impacts for the employees were avoided. In a declining market, market shares were gained and growth above plan was generated. Also the profitability target was exceeded. However, even more important is that the company continued the development of all future opportunities without cuts in the development of technology, of the market, and the strategy - despite the pandemic. At the same time, the strategy-driven reorganization of the company to a full provider for image processing continues unabatedly.

In conclusion, the company proved to be responsive, flexible, and robst – a result and confirmation of the long lived modern, value based company culture and solid, careful way of doing business. Based on its cultural, financial and capacity resources, the Basler team did an awesome job. The courage, the identification with the company, the commitment and extreme diligence of all parties involved were and are excellent.

The supervisory board expressly thanks all people working for Basler and hopes that shaping the future will soon be possible under normal circumstances. At the same time we are sure that the experience made is valuable and helpful for the future.

Ahrensburg, March 25, 2021

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

Prof. Dr. Mirja Steinkamp
Supervisory Board

Dorothea Brandes
Supervisory Board

Dr. Marco Grimm
Supervisory Board

Dr. Marco Grimm
Supervisory Board

THE BASLER SHARE

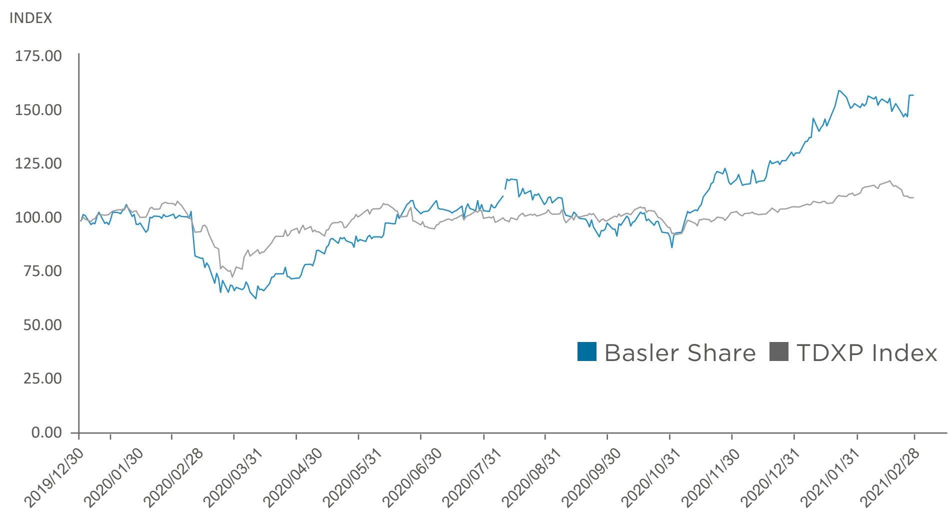
At the beginning of 2020, the Basler share opened at € 54.20 and remained stable around this value during the first weeks of the year. In March, when Covid-19 broke out and the accompanying uncertainties reached the capital market, the share price started to descend to its annual low of € 34.15 at the end of March.

In the second quarter, the share price recovered steadily, inter alia due to the increase of the sales forecast for the first half-year from € 78 million to € 86 – 88 million at the end of May. At the end of June, the share price closed the first half-year at € 57.60. In July, this positive trend continued and received tailwind after the announcement of preliminary results above plan for the first half-year on July 9, 2020. In anticipation of positive half-year results, the share price increased to over € 60.00 at the beginning of August. This threshold crossing continued until the end of August, before the share received a setback in September and finally closed the quarter at € 50.40. In October, the share price showed little movement. After positive quarterly results and the capital market's regained confidence in technology stocks, it started the year-end rally and closed the year at € 72.00. Within this upward trend, the share price reached its annual high at € 72.20 on December 28, 2020. The share price increase in this extraordinarily volatile financial year 2020 was almost 33 %.

In 2020, Basler AG benefitted from the strongly Asia oriented business that overcame the Covid-19 pandemic faster than Europe and the Americas. Furthermore, Basler developed significantly better than its competitors due to its solid presence in the semiconductor and logistics sector. This business success together with reliable forecasts and financial as well as organizational stability was obviously recognized by investors and made the share price of Basler increase disproportionately compared to its peers.

SHARE PRICE DEVELOPMENT 2020

Basler (Xetra) vs. TecDax



SHAREHOLDERS' MEETING

For the first time in the company history the shareholders' meeting that took place on May 26, 2020, was conducted virtually. The registered and logged-in investors were given an extensive company presentation by the management board informing them about the strategic direction of the company and the course of business in 2019. After a general debate, all items were approved by more than 99 % of the voters present.

Please find detailed information about the general meeting 2020 here www.baslerweb.com/en/investors/annual-general-meeting

The general meeting 2021 is scheduled for May 19 and will again be in a virtual format.

DIVIDEND 2020 € 0.58

SHARE BUYBACK PROGRAM

Convinced that sales and result would increase over the following years, in September 2011 the management board first decided to conduct a share buyback program. In the course of the past nine years, further share buyback programs followed.

With the approval of the supervisory board, on December 9, 2020, the management board of Basler AG decided to terminate the share buyback program that was restarted on March 11, 2020, and suspended at that time and to start a new share buyback program based on the resolution of the shareholders' meeting of May 26, 2020. The new share buyback program amounts to a total of € 10.0 million with a term running until May 25, 2025.

The basis of the share buyback program was the authorization pursuant to section 71 (1) no. 8 of the AktG dated May 26, 2020, agenda item 8 of this shareholders' meeting. According to this, the company may acquire treasury shares on the basis of the currently registered share capital up to a total amount of € 1,050,000.00 divided into 1,050,000 shares. The authorization is valid until the end of May 25, 2025.

At the reporting date December 31, 2020, Basler AG held 494.736 own shares corresponding to almost 4.7 % of total shares of 10.5 million shares.

In principle, the company is allowed to use the shares for all legal purposes provided for in the authorization. In particular, this share buyback program is intended to buy own shares for a later use as acquisition currency.

The share buyback program will be implemented as a programmed buyback program within the meaning of Art. 1 lit. a of Regulation (EU) 2016/1052. The program will be managed by Oddo BHF. The credit institution has been instructed, at its own discretion but within the framework of the following provisions, not to buy more than 25 % of the average daily trading volume of the 20 trading days on the respective trading venue prior to the purchase date from the respective daily turnover. In this context, the purchase price per share (excluding ancillary purchase costs) may not exceed or fall short of the share price determined on the trading day by the opening auction in XETRA trading (or a comparable successor system) on the Frankfurt Stock Exchange by more than 10 %.

The extent to which own shares are actually acquired will depend in particular on market conditions. The acquisition is carried out via the stock exchange in compliance with the provisions of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse ("Market Abuse Regulation") and the delegate regulation (EU) 2016/1052 of the Commission of March 8, 2016 adopted on the basis of Article 5 (6) of the Market Abuse Regulation supplementing regulation (EU) No. 596/2014 of the European Parliament and of the Council by regulatory technical standards for the conditions applicable to buyback programs and stabilization measures ("Delegated Regulation") and the volume limits and other purchase restrictions and publication requirements provided for therein. The company has the right to suspend or prematurely terminate the share buyback program at any time.

DIVIDEND AND APPROPRIATION OF EARNINGS

Due to the solid business development in the fiscal year 2020, the management board of Basler AG has decided to propose to the general meeting 2021 to pay a dividend.

Our dividend strategy is to pay approximately 30 % of the net result every year, however, always depending on the business development and planned investments in growth and in the future of the company.

Having reduced the payout ratio last year for reasons of prudence, we want our shareholders to participate particularly in the company's success for 2020. On this base, the proposal will be made in the general meeting of 2021 to pay a regular dividend for the fiscal year 2020 of € 0.45 per share. In addition, we will propose a special dividend of € 0.13 per eligible share. This reflects the special circumstances and the unexpectedly high earnings in the past fiscal year. If this proposal is adopted, an amount of approximately € 5.8 million would be paid out and thus 38 % of our net income would be distributed to our shareholders.

CAPITAL MARKET COMMUNICATION

Continuous and open communication with all capital market participants is very important to Basler AG. We value the direct contact to analysts, investors, and private shareholders. We communicate with institutional investors via conference calls, individual meetings, 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. However, IR work has been different since March 2020. Communication stayed intense, but limited to digital formats. We very much hope that in the second half-year of 2021 we can get in direct contact again with our investors and are already looking forward to a personal reunion.

In the elapsed fiscal year, Basler AG participated in two (previous year: seven) roadshows and eight (previous year: seven) capital market conferences. Furthermore, many investors sought direct contact with the company. We addressed this interest via conference calls.

As a listed family company, in 2020 we again 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, even though they considerably increased in the elapsed three fiscal years. Due to this clear orientation as well as the very stable business development in 2020, the quality and quantity of our investors' meetings considerably improved further in 2020.

In the previous year, the analysts of Warburg Research, Oddo BHF AG, Berenberg Bank, Jeffries as well as Matelan Research regularly prepared studies about Basler AG (previous year: 5). You can find some of the current recommendations via 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, 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 463 108
ir@baslerweb.com
www.baslerweb.com/Share

REGULAR INFORMATION

If you wish to receive information about our company regularly, please contact our investor relations department via www.baslerweb.com/Investors.

SHARE-RELATED INFORMATION

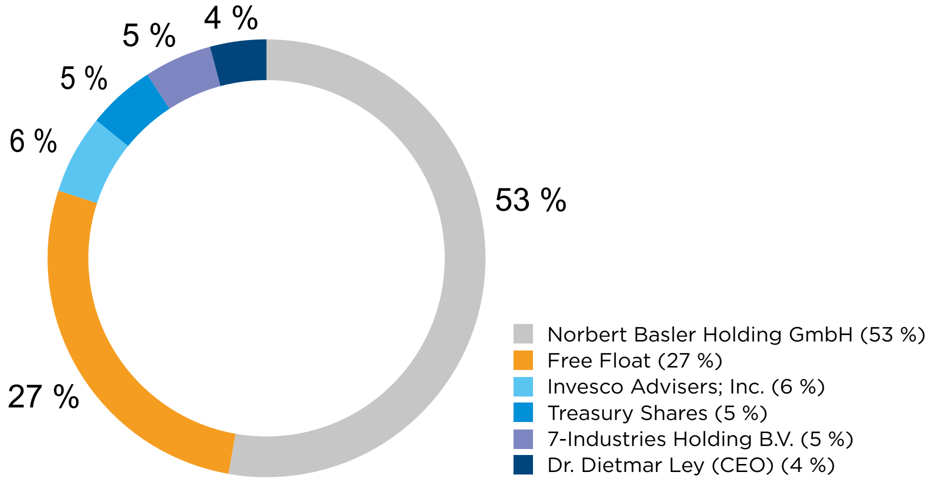
ISIN: DE0005102008
Abbr.: BSL

Prime Standard branch: Industrial
Industry group: Advanced Industrial Equipment
Admission segment: Prime Standard / Regulated Market
Designated sponsor: Oddo Seydler AG, since October 2020 M.M. Warburg & Co.
Number of shares: 10,500,000

Member of the following indices: CDax, Prime All Share (performance and share price)
DAXsubsector Advanced Industrial Equipment (performance and share price)

YEAR HIGH 2020 € 72.20

SHAREHOLDER STRUCTURE



SHARE OWNERSHIP BY THE MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

	12/31/2020 Number of Shares	12/31/2019 Number of Shares
Supervisory Board		
Norbert Basler	-	-
Dorothea Brandes	-	-
Horst W. Garbrecht	-	-
Dr. Marco Grimm	-	-
Prof. Dr. Eckart Kottkamp	-	-
Prof. Dr. Mirja Steinkamp	-	-
Management Board		
Dr. Dietmar Ley	378,882	377,382
John P. Jennings	13,500	13,500
Arndt Bake	1,850	1,650
Hardy Mehl	5,550	4,600

SHARE PRICE KEY FIGURES

	2020	2019	2018	2017
Market capitalization in € million (as of 12/31)	720.40	544.40	397.50	626.30
Annual closing price in € (as of 12/31)	72.00	54.40	124.00	195.05
Year high in €	72.20	57.20	218.70	228.70
Year low in €	34.15	33.70	120.40	58.57
Annual development	+33 %	+30 %	-36 %	+218 %

CORPORATE GOVERNANCE

REPORT ON CORPORATE GOVERNANCE OF THE BASLER GROUP

The Management Board and the Supervisory Board of Basler AG and the Basler group are committed to responsible, long-term and sustainable development of the company. Good Corporate Governance is one of the key components. The following Declaration of Conformity refers to the recommendations of the Government Commission for the German Corporate Governance Code as amended on December 16, 2019.

Open and transparent corporate communication, observance of shareholder interests, forward-looking handling of opportunities and risks, as well as efficient and trustful cooperation between the Management Board and the Supervisory Board, are major aspects of good Corporate Governance. These are conducive to Basler AG and Basler group in gaining the trust of shareholders, business partners, employees, and the general public. At the same time, these principles are important orientation standards for both committees. In the following, the Management Board and the Supervisory Board jointly report on Corporate Governance at Basler AG.

MANAGEMENT BOARD

With the expiration of John P. Jennings' Management Board contract on December 31, 2020, the composition of the Management Board changed. John P. Jennings is succeeded by Alexander Temme. Since Alex joined Basler AG in 2002, he performed several management functions as well as the management of a business unit.

The four-member Management Board leads the company under its own responsibility. In line with corporate interests, the Management Board performs its leadership role with the objective of sustainably increasing the company value. The Management Board agrees with the Supervisory Board on the strategic direction of the company and implements this strategy. It ensures the adherence to legal provisions and company-internal guidelines and works to achieve compliance throughout the group. It establishes an appropriate risk management and risk controlling system in the company.

The Supervisory Board is promptly involved and provided with complete information concerning all decisions that may materially affect the net asset situation, financial and earnings situation of the company. The Management Board reports to the Supervisory Board regularly, quickly and comprehensively in written and verbal form about all relevant topics relating to business development, company planning, strategic alignment, the opportunity and risk situation, risk management, and compliance. Members of the Management Board are appointed by the Supervisory Board.

The members of the Management Board do not hold other mandates in other statutory Supervisory Boards or in comparable domestic or foreign supervisory committees.

SUPERVISORY BOARD

Since the annual meeting 2018 the Supervisory Board consists of six members. Two of them are representatives of the employees and are directly elected by the staff. The other four members are directly elected by the annual general meeting. The election of the Supervisory Board is in compliance with the recommendations of the Corporate Governance Code; all members of the Supervisory Board are elected individually.

The Supervisory Board serves the Management Board in an advisory capacity, monitors the Management Board in its management of the company and verifies all significant business transactions for the Management Board by examining the documents in question in terms of the German Stock corporation Act (AktG), the company's articles of incorporation and the Supervisory Board's and Management Board's rules of procedure. Also, outside of regular Supervisory Board meetings the Supervisory Board is provided with information on the business development. In this way, it can follow and support business operations by giving advice and recommendations on an appropriate information basis.

The Supervisory Board complements the rules of procedure of the Management Board by determining a catalogue of transactions requiring consent. The Supervisory Board acts on the basis of its own rules of procedure. Moreover, the Supervisory Board declares the annual financial statements, and approves the consolidated financial statements. Every year, the chairman of the Supervisory Board presents the activities of the Supervisory Board in his report to the shareholders as part of the annual report. In addition, he is available for discussion as chairman at the annual general meeting. You will find additional information on the Management Board, and the Supervisory Board, particularly regarding their working methods and further mandates performed by the members in the Supervisory Board's report, in the notes, as well as in the management report.

The individual Supervisory Board members' Supervisory Board mandates and shareholdings as well as the shareholdings of the Management Board are shown in the notes.

The duration of the Supervisory Board membership can be seen on the following website:

www.baslerweb.com/en/company/management/supervisory-board/.

The rules of procedures for the Supervisory Board foresee the formation of two committees. Both of them have been formed and work in line with the contents of the rules of procedures of the Supervisory Board:

The **audit committee's** function is to prepare negotiations and resolutions of the Supervisory Board regarding

- accounting and the effectiveness of the risk management system
- the internal control systems as well as the internal audit system with the necessary independence of the auditor
- the issuing of the audit mandate to the auditor
- the determination of focal points of the audit, and the fee agreement
- compliance issues.

The chairman of the audit committee is independent and has in-depth expertise in the areas of accounting and auditing of financial statements. It should not have been a member of the company's Management Board in the past two years. The chairman of the Supervisory Board is a member but not the chairman of the audit committee.

COMPOSITION OF THE AUDIT COMMITTEE:

Prof. Dr. Mirja Steinkamp, Chairwoman of the Audit Committee

Norbert Basler, Member of the Audit Committee

Prof. Dr. Eckart Kottkamp, Member of the Audit Committee

The **nominating committee** searches for suitable candidates for the work of the Supervisory Board, proposes them to the Supervisory Board for its election proposals to the general meeting. The nominating committee is exclusively staffed by shareholder representatives.

COMPOSITION OF THE NOMINATING COMMITTEE:

Norbert Basler, Chairman of the Nominating Committee

Horst W. Garbrecht, Member of the Nominating Committee

Prof. Dr. Eckart Kottkamp, Member of the Nominating Committee

When composing the Supervisory Board, the election by the annual general meeting is prepared by evaluating candidates, who bring industry knowledge, experience and specialist expertise to the table. The proposals to the annual general meeting for the election of Supervisory Board members are based on the competence profile of the Supervisory Board and the objectives for the composition of the entire body. Against this background, the Supervisory Board has not set an age limit for Supervisory Board members.

INDEPENDENCE OF THE MEMBERS OF THE SUPERVISORY BOARD

The shareholder representatives in the Supervisory Board have determined what they consider to be an appropriate number of independent shareholder representatives in the Supervisory Board, taking into account the ownership structure of the company. The Supervisory Board in its current composition complies with this determination. The number and names of the shareholder representatives are shown under

www.baslerweb.com/en/company/investors/corporate-governance/supervisory-board/

The Supervisory Board mainly bases its assessments of independence on the indicators mentioned in the current version of the Corporate Governance Code dated December 16, 2019. Aspect requiring further explanation are the classification of the Supervisory Board chairman Norbert Basler as “independent“ of the company and its Management Board. Norbert Basler is regarded as independent by the other shareholder representatives in the Supervisory Board despite having been a member of the company‘s Supervisory Board for twenty-one years and his (indirect) shareholder position. In his activities as a member of the Supervisory Board, he has never given cause to doubt that he has always fulfilled his duties in the Supervisory Board in a dutiful and proper manner. The other shareholder representatives in the Supervisory Board are therefore convinced of its independence. There were and are no significant business relationships between Norbert Basler and the company or any of its dependent companies. Nor is Norbert Basler a close family member of a member of the Management Board of Basler AG.

The classification of the supervisory board member Prof. Dr. Eckart Kottkamp as „independent“. Prof. Dr. Eckart Kottkamp is regarded as independent by the other representatives of the shareholders in the supervisory board, despite his 15 years on the supervisory board. In his activities as a member of the supervisory board, he has never given cause to doubt that he has always performed his duties in a dutiful and proper manner. The other shareholder representatives on the supervisory board are therefore convinced of his independence. There were and are no significant business relationships between Prof. Dr. Eckart Kottkamp and the company or any of its dependent companies. Prof. Dr. Eckart Kottkamp is also not a close family member of a member of the Management Board of Basler AG.

SELF-ASSESSMENT OF THE SUPERVISORY BOARD WORK

The supervisory board regularly assesses the effectiveness of the performance of its duties as entire body and in its committees. The assessment is based on a catalogue of criteria developed by the supervisory board.

RELEVANT INFORMATION ON CORPORATE GOVERNANCE PRACTICES OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

In addition to legal requirements, the company’s articles of incorporation, the rules of procedures of the supervisory board and the Management Board, the supervisory board’s competence profile as well as the recommendations of the German Corporate Governance Code form the basis for practices of corporate management at Basler AG.

DIVERSITY CONCEPT

For several years, Basler AG relies on the diversity principle shown in the composition of the employees, the high rate of female participation as well as the age structure of the company.

There have been no formulated written diversity concepts for the supervisory board as well as for the Management Board to date. The Management Board consists of experienced managers. Before their board activities, all of them were responsi-ble for different areas in the company. Their professional backgrounds and focus complement each other very well. Their individual curricula vitae can be found at www.baslerweb.com/en/company/management/board/.

The Management Board's employment contracts expire at different times, the age limit for members of the Management Board is 70 years. The Management Board did not set up any committees.

In 2014, the supervisory board together with the Management Board worked out a competence profile including the key topics: professional skills, experiences, competence in the company's key success factors, as well as a personality profile. The purpose of this competence profile is to cover as good as possible all important and trendsetting topics of the company.

In the past years, two new supervisory board members, Mr. Garbrecht and Mrs. Prof. Dr. Steinkamp, were found according to this profile and complete the body with the necessary qualifications.

All members of the supervisory board are elected separately. As the contracts of the Management Board, those of the supervisory board expire at different times.

The nominating committee ensures the implementation of the diversity concept.

In its proposals to the general meeting, the supervisory board will continue to observe legal requirements and give priority to women in case of equal qualification. The decision on the candidates which the supervisory board considers to be the most appropriate ones, is to be taken whenever a new election is scheduled. The supervisory board and the Management Board do not consider it as useful to be bound to pre-formulated abstract targets for selecting candidates instead of freely deciding on a person which is available and seems to be most suitable for the position.

In its meeting in March 2018, the supervisory board decided that for the time being, an increase of the female quota in the supervisory board and the Management Board is desirable, but has not to be achieved. Currently, no position in the Management Board is occupied by a woman. The female quota in the supervisory board is 33 %.

REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

In accordance with the recommendations of the German Corporate Governance Code, Basler AG has been reporting the remuneration of each member of the Management Board and the supervisory board for some time now. 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 fringe benefits. Part of the variable remuneration is paid in shares. 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.

In 2019, Basler AG commissioned a study on the remuneration of the management board and the supervisory board. This confirms the appropriateness of the system and the level of compensation and names comparable companies. Domestic technology companies listed in the Prime Standard with sales of between € 100 million and € 200 million were used as comparative companies. The study also provides suggestions for the further development of the compensation system.

You will find a detailed overview of the remuneration of the Management Board and the supervisory board in the notes of this annual report. A detailed remuneration report can be found in the company's management report.

OPPORTUNITIES AND RISKS REPORT AS WELL AS COMPLIANCE

The growth strategy pursued by Basler increasing sales to above € 250 million, can only be implemented if opportunities are seized and, at the same time, measures are taken in order to minimize 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 and
- 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 risk management system are the risk strategy, the risk atlas, the risk matrix, and the measures to overcome risks and to avoid them. In 2014, 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 (ICS), the internal quality management system and finally by the annual external audit in the frame of the DIN ISO 9001:2015.

The compliance of the group's business activities with legal requirements and human rights, as well as the rejection of corruption and bribery are self-evident for Basler AG. They are set down within a Code of Conduct and specific corporate guidelines supported by a Compliance Management System. Detailed information on this subject can be found under point 11 of the notes "Non-financial statement".

FINANCIAL REPORTING AND YEAR-END AUDIT

Basler AG prepares its consolidated financial statements as well as the consolidated interim reports as per the International Financial Reporting Standards (IFRS). The annual financial statements of Basler AG (individual financial statements) are prepared in accordance with the provisions of the German Commercial Code (HGB). The consolidated financial statements are prepared by the Management Board, examined by the auditor and approved by the supervisory board. The annual general meeting selected BDO AG Wirtschaftsprüfungsgesellschaft as auditor and group auditor for the 2020 fiscal year. On March 25, 2021, BDO took part in the deliberations of the supervisory board concerning the annual financial statements and the consolidated financial statements and reported on the results of its audit. Furthermore, the auditor was available to provide the supervisory board with additional information and answer questions concerning the year-end audit.

TRANSPARENCY AND COMMUNICATION

Basler makes an open and trustful communication with the shareholders and other stakeholders a priority and maintains a fair, prompt and reliable dialogue with all stakeholders. All capital market-relevant information is published simultaneously in German and English and made accessible on the company's website. This includes annual and quarterly reports, press releases, ad hoc notifications, information on the annual general meeting and company presentations. The financial calendar with the relevant publication and event dates can also be found there.

Basler AG provides information on the trading of company shares by Management Board and supervisory board members (directors' dealings) as per § 15a of the German Securities Trading Act (WpHG) as well as on changes in the shareholdings if the voting thresholds defined in the German Securities Trading Act (WpHG) are reached, surpassed or fallen below. Information on the shares held by the Management Board and the supervisory board are included in the notes.

SHAREHOLDERS AND THE ANNUAL GENERAL MEETING

Shareholders can assert their rights and exercise their voting rights at the general meeting. The Management Board presents the consolidated financial statements and annual financial statements, explains the prospects of the company and, together with the supervisory board, answers the shareholders' questions. The invitation to the annual general meeting and the corresponding documents and information are made available on the Basler AG website the day the meeting is called in accordance with stock corporation laws or are made available for viewing in the offices of the company. Basler supports its shareholders in the assertion of their voting rights by appointing voting representatives, who vote according to the instructions of the shareholders.

GENDER QUOTA

The first level of management beneath the Management Board is the divisional management and below it follows the department management. On December 31, 2020, approximately 27 % of Basler AG's divisional managers were female and 20 % of its department managers were female. There have not yet been defined targets for the group. The definition of a department manager in the subsidiaries differ from the one in the mother company. Therefore, a comparability is currently difficult. This will be reviewed accordingly in the upcoming financial year. The targets for promoting the participation of women in management position have not yet been met at the end of the reporting period. This is due to the M&A transactions of smaller companies which had mostly males in management positions in the past years. The possibilities in the context of organic growth over the short period of time were not sufficient to compensate for this effect.

The company offers a special training program (high potential program) in order to qualify talented employees for leadership roles. The 2020 program sequence focused on the promotion of women in leadership positions. The goal is to identify and promote suitable managers in order to sustainably increase the percentage of women in management positions.

DECLARATION OF CONFORMITY WITH THE CORPORATE GOVERNANCE CODE PURSUANT TO § 161 OF THE GERMAN STOCK CORPORATION ACT (AKTIENGE-SETZ – AKTG)

The Management Board and the supervisory board declare that in the elapsed fiscal year 2020, Basler AG complied with the recommendations for conduct published in the Federal Gazette on March 20, 2020 pursuant to the amendment of December 16, 2019 made by the "Government Commission of the German Corporate Governance Code" (hereinafter called "code") with the following exceptions:

B. APPOINTMENT OF THE MANAGEMENT BOARD

B.2

Mr. Alexander Temme was appointed to the Management Board with effect from January 1, 2021 for a term of four years ending on December 31, 2024. In this way, the company ensures that the contracts of the members of the Management Board expire with a time lag and that at no time two personnel decisions have to be made simultaneously in this body. In view of the fact that Mr. Temme moves into this position coming from a managerial activity of many years within the company combined with a high level of trust, the supervisory board considers this decision to be uncritical.

C. COMPOSITION OF THE SUPERVISORY BOARD

C.1, C.2 UND C.7

In its proposals to the general meeting, the supervisory board will continue to observe legal requirements and give priority to women in case of equal qualification. In doing so, the company's international activities, potential conflicts of interest as well as diversity will be considered. The decision on the candidates which the supervisory board considers to be the most appropriate ones, is to be taken whenever a new election is scheduled. The supervisory board and the Management Board do not consider it as useful to be bound to pre-formulated abstract targets for selecting candidates instead of freely deciding on a person which is available and seems to be most suitable for the position. Therefore, the supervisory board does not give concrete targets according to point C.1 DCGK (Deutscher Corporate Governance Kodex, German Corporate Governance Code) nor does it set an age limit for members of the supervisory board according to point C.2 DCGK. Subsequently, such targets will neither be taken into account for proposals to the responsible electoral bodies nor will be reported about their state of implementation.

G. REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

G.1

The remuneration system of Basler AG provides for financial performance criteria for the granting of variable remuneration components. Non-financial performance criteria are used in corporate management, but they are not used as a basis for determining the variable remuneration components.

G.6, G.7, G.10

The remuneration system of the Management Board is based on a "bonus bank system" which is set up as follows:

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 from -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 a 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.

In order to create a special performance incentive for the Management Board and to motivate its members to work in the long run on increasing the value of the company, the supervisory board decided to convert a part of the bonus into shares. Since 2018, an individually fixed percentage part of the respective future claim for variable remuneration of above 100 % of target achievement will be granted in shares. Analogously, the above described bonus bank procedure comes into effect.

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.

The supervisory board considers the remuneration system appropriate and long-term oriented. It also prevents conflicts of interest and misaligned incentives in the best possible way. A detailed description of the remuneration system can be found in the management report under point 10. In many aspects it is oriented at the DCGK (Deutscher Corporate Governance Kodex, German Corporate Governance Code), however, it slightly deviates from the recommendations of the Corporate Governance Code in points G.6, G.7, G.10:

G.6, G.7

This recommendation is deliberately not complied with. Instead, there is an annual strategy process in which the supervisory board and the Management Board agree on the medium- and long-term goals of the company and derive the short-term goals for the variable compensation.

G.10

The company considers a quota of 50 % of the variable compensation above this target level (overachievement) in the form of shares to be appropriate. Both the entry and the payment in the bonus bank are made in the same way as the procedure for variable compensation in cash. One third of the annual balance is paid out each year and two thirds are carried forward.

Ahrensburg, March 25, 2021

Dr. Dietmar Ley
CEO

John P. Jennings
CCO

Arndt Bake
CMO

Hardy Mehl
CFO/COO

Alexander Temme
CCO

Norbert Basler
Founder & Chairman of the Supervisory Board

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

Horst W. Garbrecht
Supervisory Board

Prof. Dr. Mirja Steinkamp
Supervisory Board

Dorothea Brandes
Supervisory Board

Dr. Marco Grimm
Supervisory Board

CONTENT

1 BASIC COMPANY INFORMATION

1.1 BUSINESS MODEL

Basler AG is headquartered in Ahrensburg near Hamburg (Germany), the other group companies develop and manufacture image processing components for professional users. The majority of sales are related to digital cameras that are mainly used in industrial mass production, medical technology, traffic control as well as logistics. Furthermore, the Basler group continuously expands its product range and thus gradually develops to become a full provider of hardware components for image processing. Basler products are recognized for innovation, high reliability, simple integration and an outstanding price performance ratio. Target customers are national and international manufacturers of investment goods (OEM customers), integrating image processing components in their own systems and equipment. The customers are mainly supported by a direct sales organization and/or by regional sales partners (channel partners). Basler AG's component products are generic and usable in many industries and / or applications. After the OEM customer's successful integration within its product development (so-called design-in), they become a firm part of the specific customer solution. Since the customer normally does not change its components supplier throughout the life cycle of its own products, the design-in phase will typically be followed by a long-term stable business relationship. Based on the range and technology of standard components, Basler also offers customization for high-volume OEM customers.

Basler AG owns subsidiaries in Germany, the USA, Singapore, Taiwan, China, Japan, and Korea. The subsidiaries are fully consolidated in the financial statements. Further representative offices are located in Poland, UK, Finland, France, Malaysia, and the Netherlands. The foreign subsidiaries and representative offices mainly provide sales activities. Additionally, there is a production site in the Singapore subsidiary for the supply of the local Asian markets.

External factors influencing the business model are the general macroeconomic situation and the demand situation in the regional markets in Asia, Europe, and North America. Due to the alignment towards industrial goods manufacturers, the economic situation of the machinery and plant construction industry - particularly the semiconductor and electronics sector - is of particular importance for the business development of the group. Due to the expansion started in the past years to business outside of factory applications into, for example, the medical market and traffic technology market as well as the logistics market, Basler opens up further long-term growth potential and at the same time reduces the cyclicality of its business. Basler participates and at the same time drives the development of computer vision technology, which is growing step by step into further areas of application due to increasing performance, price reduction and networking.

1.2 CONTROL SYSTEM

Basler AG pursues a self-financed, profitable growth strategy. Organic growth forms the main focus, but is supplemented by corporate acquisitions. An annual 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 key financial indicators are sales and pre-tax return. In addition, the economic value creation is controlled via the return on capital employed (ROCE) and free cash flow are used to manage the group.

The strategy process concludes with a qualitative and quantitative mid- and long-term planning as well as with a budget for the upcoming fiscal year. Performance indicators that are essential for the group management are derived from both planning perspectives and summarized in a balanced score card system (BSC) with derived scorecards for key value added processes. The BSC figures and the underlying scorecards are updated monthly and discussed within the management team. On the operational level there is a so-called "daily management" or "shop floor management" where the daily work progress and continuous improvements are controlled. Thus, potential deviations from the targets are recognized at an early stage on different hierarchic levels and addressed by appropriate counter- and preventive measures.

In order to ensure a high quality, robustness and reliability of the manufactured products and of the corporate processes applied, Basler has implemented a worldwide quality management system (QM system). On a regular basis a quality management review is conducted in which the management board checks the effectiveness of the existing management system together with the process owner and provide for its sustained improvement. During the year, internal audits are carried out to check whether the processes in practice are in line with the process descriptions of the QM system. Additionally, once a year, an external audit is held in order to verify whether the QM system is applied according to the provisions of the DIN ISO 9001:2015 and ISO 13485:2016 (Medical Norm). Furthermore, once a year an ICS audit is conducted in business areas selected by the supervisory board. A compliance system is used to manage adherence to standards, laws and ethical guidelines.

1.3 RESEARCH AND DEVELOPMENT

As a technology company, Basler relies on an early recognition of technological trends and their fast integration in product development. Since image processing technology develops fast and the company pursues a sustainable growth strategy, the average annual investment in research and development (R&D) amounts to approximately 13 - 15 % of sales. R&D activities are structured as follows:

- Controlled innovation management
- Pre-development 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

Within innovation management; the collection, valuation, testing and selection of innovative ideas follows a special process. The principle “fail fast, learn fast” is applied during the entire process. In the framework of the process, technological as well as commercial aspects are considered, so if successful, at the end of the innovation process, a qualified product or business idea is identified which can be scaled by applying classic product creation processes.

Pre-development examines technologies that seem to be reasonable for integration in future products. As far as possible, Basler aims to master new technologies prior to platform or product developments in order to have sufficiently analyzed possible risks beforehand. This way, product developments can be conducted more efficiently and closer to planning. Already at this stage selected customers are informed a bout technology developments in order to get early feedback from customers and / or markets.

Within the platform and product development, the following measures in the financial year 2020 should be particularly pointed out:

- Development of new platform technologies:
  - Finalization of two new platforms for industrial cameras (ace 2 and boost) including a joint new firmware platform
  - Development of embedded vision camera modules as well as the compatibility to NXP processors
  - Finalization of a second camera generation based on 3D time-of-flight (ToF) technology (Basler blaze)
  - Finalization and serial transfer of a new platform for frame grabbers specially designed for Basler boost cameras

- Product development:
  - Expansion of the ace 2 product line by new CMOS sensors and new features
  - Expansion of the ace camera line MED ace by new sensors and features especially designed for customer requirements from the medical market
  - Product variants of the new boost camera line
  - Introduction of embedded vision kits compatible with NVIDIA and NXP processor technology
  - Development of complementary accessories particularly in the area of cables, lenses, interface cards and lighting

For confidentiality reasons this report does not go into more detail regarding innovations and pre-developments.

Compared to the previous year, the expenses for R&D (personnel costs, depreciation, other operating expenses as well as directly attributable overhead) slightly increased from € 23.1 million to € 23.7 million and amounted to 13.9 % of sales. Due to new hirings, the number of full-time equivalent employees in research and development increased from 196 (December 31, 2019) to 200 (December 31, 2020). Overall, the Corona pandemic had no significant impact on the working capacity and productivity in the research and development area. Despite all circumstances, the innovative strength of the company could be maintained and powerful investments were made in the medium to long-term technological future of Basler.

The expenses include third-party services in the amount of € 362 thousand (previous year: € 396 thousand). The capitalized investments in own developments amounted to € 10.5 million (previous year: € 12.5 million). The amount of depreciation for own developments amounted to € 8.5 million (previous year: € 7.1 million).

At the end of fiscal year 2020, Basler was the owner of 84 patents and patent applications; 32 are granted, 52 are in the process of application. Furthermore, Basler is the owner of 5 utility models and 14 designs.

At the end of fiscal year 2020, Silicon Software GmbH was the owner of 2 patents, both of them are granted.

At the end of fiscal year 2020, Basler AG is the owner of 140 trademarks. 14 more trademarks are in the process of application. Silicon Software GmbH is the owner of 2 trademarks at the end of fiscal year 2020.

2 ECONOMIC REPORT

2.1 BASIC CONDITIONS

With economic conditions in the previous year already the worst since the financial crisis of 2008/09 and signs of a recovery on the industrial goods markets towards the end of 2019, this was nipped in the bud by the onset of the Corona pandemic in early 2020. In 2020, the economic environment was very strongly characterized by the consequences of the Corona pandemic and the ongoing trade war between the USA and China. In March, the Corona pandemic led to a rapid global slowdown in demand for capital goods for the manufacturing sector. As a consequence of the first wave of lockdowns, the Purchasing Managers‘ Index fell to a very low 34.5 % in April and then turned back to an above 50 % growth threshold in the third quarter (source: PMI,IHS Markit). The global economic growth of -3.5 % was below the initial expectations of 2.4 %. The economic downturn in the Euro zone amounted to -7.2 %, -5.8 % in Germany, and -3.5 % in the USA, and thus, was also far from the original growth forecasts. Only China recorded an economic growth of 2.7 %, even if this was far below the forecast of 5.9 %. (source: Berenberg, Economy and Financial Markets, Outlook 2021).

SALES REVENUE 2020 **€ 170,5 million**

Due to the pandemic, the market for machinery and plant engineering that is relevant for Basler developed significantly weaker than in the previous year and weaker than expected. Incoming orders recorded a decrease of 10 %, whereas revenues decreased by 7 %. (source: VDMA Statistic Dec. 2020).

2.2 BUSINESS DEVELOPMENT

After a stable business development in fiscal year 2019 and recovery tendencies at the turn of the year, Basler originally strived for a low one-digit growth for fiscal year 2020. However, with the onset of the pandemic, the original plans were adapted to the greatly changed conditions before publication. Despite strong incoming orders and sales in January and February, major uncertainties related to the emerging pandemic were immediately reflected in the business planning and management. At the end of March, Basler AG published its forecast for the first half-year showing a sales corridor of € 70 million to € 78 million and a pre-tax return rate of 6 – 10 %. Due to major uncertainties, at that stage, the management slowed down new hirings and reduced material costs budgets without damaging major strategic projects. The extraordinarily high level of commitment shown by all involved protected the health of employees while maintaining the operational performance of the organization. The communication between management and employees as well as the transparency about business development was strongly intensified. Crisis scenarios were prepared in order to ensure a rapid change of course in the event of a significant decline in sales. However, contrary to expectations, demand remained strong. Particularly supported by applications in consumer electronics and logistics automation as well as China's fast recovery from the pandemic, Basler increased its forecast on May 26, 2020 and closed the first half-year even above the increased forecast with sales amounting to € 88.9 million and a pre-tax return rate of 14 %.

With the publication of the half-year results, for the first time, an outlook for the entire year was given. At that time, the management assumed a seasonal downswing in demand in applications for consumer electronics and thus a weaker second half-year. The outlook for the full year was for sales between € 155 million and € 165 million and a pre-tax return rate of 8 – 10 %. As expected, the third quarter was weaker than the first half-year. However, in the course of the fourth quarter, incoming orders increased and, with a slight time lag, sales also increased. Together with the publication of the third quarter results, the annual forecast was specified at the upper end of the previously communicated corridor. On December 8, 2020, it was increased once again and finally fulfilled at the upper end of the increased corridor. The Basler group generated sales of € 170.5 million and a pre-tax return rate of 12 %. Incoming orders even increased by 9 % from € 166.5 million to € 181.6 million. With these results, Basler again gained market shares in a very weak market environment and expanded its market leadership. With a sales growth of 5 %, the Basler business significantly developed above the market level of -7 % (source: VDMA Statistic Dec. 2020). This success is mainly based on the broad diversification of industries and regions as well as a crisis-proven operating management and highly motivated employees. The special challenges posed by the Corona pandemic were successfully mastered without any significant loss of productivity. The strategic investments made in recent years in the product portfolio and market access (especially China) had an increasingly positive effect in the crisis year 2020.

Basler closes the financial year 2020 with a high level of incoming orders in the fourth quarter and a positive book-to-bill ratio of 1.07 %. Thus, the company starts the new fiscal year with full order books.

2.3 PROFIT SITUATION

in € million	2020	2019	Change	in %
Sales revenues	170.5	162	8.5	5 %
Currency result	-0.1	-0.4	0.3	-75 %
Costs of service performed	-81.7	-79.5	-2.2	3 %
Gross result	**88.7**	**82.1**	**6.6**	**8 %**
Other operating income	1.1	0.8	0.3	38 %
Expenses	-69.7	-65.9	-3.8	6 %
Operative profit	**20.1**	**17**	**3.1**	**18 %**
Financial result	0.3	-0.1	0.4	>100 %
Earnings before tax	**20.4**	**16.9**	**3.5**	**21 %**
Taxes	-5.3	-4	-1.3	33 %
Group's annual surplus	**15.1**	**12.9**	**2.2**	**17 %**

LIQUID ASSETS 2020 € 47.9 million

FREE CASH FLOW 2020 € 14.0 million

With revenues in an amount of € 170.5 million, 2020 sales increased by € 8.5 million compared to the previous year. The material costs increased accordingly from € 79.5 million in 2019 to € 81.7 million. Compared to the previous year, the gross margin (gross result / sales) increased from 50.7 % to 52.0 %. Compared to the previous year, this was largely due to the absence of extraordinary effects resulting from M&A transactions, a higher utilization rate in production and above average successes in negotiations with key suppliers. The general decline in prices and especially the price pressure in the Chinese market was successfully overcompensated by these mentioned effects.

The personnel costs developed from € 65.6 million in 2019 to € 68.6 million in 2020. They include a general market-oriented salary increase as well as individual salary increases and the increase of the number of employees. The average number of employees increased moderately from 853 to 857 employees in 2020. After the strong increase of the previous years, in 2020 the focus was on the integration of the acquired companies and the productivity increase of the existing team. Furthermore, due to the corona pandemic, originally planned new hirings were shifted into the second half-year and partly to 2021. Compared to the previous year, the material expenses decreased by € 1.8 million to € 15.7 million. This significant decrease is mainly due to lower travel and event expenses because of corona restrictions. This saving represents a special effect. The level of material expenses is expected to successively increase again to the level before the corona pandemic in the upcoming years. Some cost types are expected to be sustainably lower. On the other hand, it can be assumed that the material costs for digitization will increase.

With a pre-tax result of € 20.4 million (previous year: € 16.9 million) and a pre-tax margin (pre-tax result / sales) of 12 % (previous year: 10.5 %), Basler closed the financial year at the upper end of the forecast and better than the previous year, despite the difficult market conditions.

The tax expense for financial year 2020 amounted to € 5.3 million corresponding to a tax ratio of 26.0 % (previous year: 23.7 %).

The after-tax result increased from € 12.9 million in 2019 to € 15.1 million and corresponds to an after-tax return of 8.9 %.

PRE-TAX MARGIN 2020 12 %

The order backlog amounted to € 32.4 million at the end of the fiscal year (previous year: € 27.7 million). The increase in incoming orders in the fourth quarter led to an above average order backlog at the turn of the year and ensures a good start to the coming fiscal year.

2.4 FINANCIAL SITUATION

The liquidity management of the group is aimed at meeting the demand for capital such that the organic growth is sustainably self-financed by a positive free cash flow. Temporary peak amounts for acquisitions are partially debt-financed and replaced by equity in the long term via positive cash flows. In doing so, maturity risks, ratings of the creditors as well as costs of equity and the costs of debt are appropriately balanced striving for independence from outside creditors. Furthermore, the dividend policy provides for a constant distribution ratio of 30 % of the earnings after tax, unless there are particular economic circumstances. In 2020, with great approval at the annual general meeting, the dividend for fiscal year 2019 was decreased to 20 % of the earnings before taxes due to major corona risks. As the markets were strongly affected by Covid-19, but Basler was able to develop positively against the market, the management is considering the payment of a special dividend for the 2020 business results.

In the financial year 2020, a positive cash flow of € 37.3 million (previous year: € 24.7 million) was generated from current business activity. In the reporting period, the cash flow from investing activities amounted to € -23.3 million (previous year: € -34.4 million).

The free cash flow calculated as the sum of cash flows from operational activity and investment summed up to € 14.0 million (previous year: € -9.6 million).

On the financing side, liabilities to banks in an amount of € 5.3 million were paid off in 2020. At the balance sheet date, unused credit lines with banks amounted to € 9.0 million.

Considering dividend payments and the taking up further KfW loans amounting to € 11 million, the total of the cash flow from financing activities amounted to € -1.3 million (previous year: € 13 million).

At the end of the financial year, liquid assets amounted to € 47.9 million (previous year: € 35.2 million). The liquidity was secure at all times.

2.5 ASSET SITUATION

in € million	2020	2019	Change	in %
Intangible assets	64.8	62.0	2.8	5 %
Tangible assets	12.1	12.3	-0.2	-2 %
Buildings and land in finance lease	17.2	18.4	-1.2	-7 %
Deferred tax claims	0.9	0.8	0.1	
Long-term assets	**95.0**	**93.5**	**1.5**	**2 %**
Inventories	20.0	20.9	-0.9	-4 %
Receivables from deliveries and services	19.5	19.4	0.1	1 %
Other short-term assets	7.7	12.2	-4.5	-37 %
Bank balances and cash balances	47.9	35.2	12.7	36 %
Short-term assets	**95.1**	**87.7**	**7.4**	**8 %**
Total assets	**190.1**	**181.2**	**8.8**	**5 %**
Equity	**114.9**	**103.0**	**11.9**	**12 %**
Long-term interest bearing bank liabilities	21.1	14.4	6.7	47 %
Liabilities from finance lease	11.4	13.8	-2.4	-17 %
Other long-term liabilities	1.7	3.4	-1.7	-50 %
Deferred taxes	9.7	9.4	0.3	3 %
Long-term liabilities	**43.9**	**41.0**	**2.9**	**7 %**
Current financial debt	4.1	5.3	-1.2	-23 %
Short-term provisions	5.6	5.1	0.5	10 %
Liabilities from finance lease	3.4	3.2	0.2	6 %
Current other financial debt	18.2	23.6	-5.4	-23 %
Current financial debt	**31.3**	**37.2**	**-5.9**	**-16 %**
Total liabilities	**190.1**	**181.2**	**8.9**	**5 %**

Compared to the previous year, the intangible assets increased to € 64.8 million (previous year: € 62.0 million) due to the capitalization less depreciation of own developments by € 2.8 million.

Investments in tangible assets amounted to € 2.7 million (previous year: € 5.1 million), much of which was attributable to other operating and office equipment, reconstructions in office spaces, preparation of the property for the planned expansion of the company building.

Inventories slightly decreased by € 0.9 million compared to the previous year's level. There are no devaluation risks.

The other short-term assets decreased to € 7.7 million (previous year: € 12.2 million), particularly from the repayment of loans which Basler AG had granted to the lessor as interim financing within the scope of the expansion of the company building.

Bank balances and cash in hand showed an increase of € 12.7 million compared to the previous year.

In comparison to the previous year, equity increased by € 11.9 million to € 114.9 million. This increase in equity is due to the annual surplus minus the distribution of a dividend of € 2.6 million.

The liabilities to banks increased by € 5.6 million to € 25.2 million due to drawdowns from KfW loans in the amount of € 11 million minus regular repayments. Other liabilities decreased to € 2.8 million (previous year: € 11.3 million) due to the payment of residual purchase prices from completed M&A transactions.

The other short-term liabilities decreased by 23 %. This is particularly due to the payment of residual purchase prices from completed M&A transactions.

At the reporting date, the sum of order commitments amounted to € 19.0 million (previous year: € 12.6 million). There have been no premature payment obligations in the elapsed fiscal year.

EQUITY RATIO 2020 60.4 %

2.6 FINANCIAL PERFORMANCE INDICATORS

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

Inter alia, productivity in the Basler group is measured based on the result per employee (EBITDA divided by FTEs). In the financial year 2020, despite adverse corona conditions, the result per employee increased from € 37.2 thousand in the previous year to € 42.8 thousand. After a strong disproportionate organizational growth in fiscal years 2018/19, the focus in 2020 was on increasing sales through increasing productivity respectively with the same organizational size. In addition, with the emerging of the corona pandemic, planned selective buildups were postponed until the end of the fiscal year and the following fiscal year. Due to a variety of measures, the corona pandemic did not have a significant impact on our employees' productivity. All employees worked vigorously on the implementation of the operating business and on future investments without reducing their working hours. The current size of the organization is prepared for sales in the amount of approximately € 180 million. Until the achievement of this sales level, the management will very selectively build up additional personnel capacities. Since a significant proportion of the organization is working on the future of the company, this is to be considered as anticyclical investment in the medium-term future of the company in order to take further steps within the transformation from a camera maker to a full-range vision provider company. Within the group-wide lean management system, we are continuously working on further increasing the efficiency of our processes.

The gross profit margin (gross result / sales) increased from 50.7 % in the previous year to 52.0 %. Compared to the previous year, no acquisition-related special effects occurred, the higher level of capacity utilization resulted in low overhead costs, and above-average savings were achieved in materials procurement. The consequences of a continuous price competition, particularly increasing in China, were overcompensated by the above mentioned measures and effects in 2020. The management seeks to maintain the gross margin in the range of 50 % in the long term, in order to push ahead the volume strategy sustainably with great innovative power. Above 50 %, priority will be given to gaining market share over optimizing the gross margin until further notice.

in € million	2020	2019
EBIT	**20.1**	**17.0**
Inventories	20.0	20.9
Receivables from deliveries and services	19.5	19.4
Liabilities from deliveries and services	-11.1	-10.6
Fixed assets	95.0	93.5
Capital employed	**123.4**	**123.2**
ROCE (EBIT/ Capital employed)	**16 %**	**14 %**

At the end of the financial year, the ROCE amounted to 16 % (previous year: 14 %). The increase is due to the rise in profits with capital employed remaining almost unchanged.

Despite considerable investments in the future, the management assumes an overall return of approximately 20 % in the upcoming years. However, this performance indicator will be considered to be subordinate to sales growth and pre-tax return rate in the corporate management. Furthermore, the management of the company strives to be financially independent, also in periods of weaker economic activity and therefore steers the company with relatively high financial resources.

The working capital (inventories plus receivables from deliveries and services minus liabilities from deliveries and services) amounted to € 28.4 million (previous year: € 29.7 million) at the end of the financial year. This reduction is particularly due to the increase of the liabilities from deliveries and services. For the upcoming years, the Basler group strives for a working capital level of around 17 - 19 % of sales. For achieving this target, an interdisciplinary team is working on measures for continuously optimizing the working capital.

The equity ratio (equity / balance sheet total) increased from 56.8 % in 2019 to 60.4 % at the end of the elapsed fiscal year.

2.7 OVERALL STATEMENT

After a very weak market environment in the previous year and an emerging recovery, the corona pandemic dampened the positive development of the computer vision market already at the beginning of the year. This led to a high one-digit decrease of the industry key figures for the second year in a row.

DIVIDEND 2020 **€ 0.58**

According to the VDMA (VDMA, Verein Deutscher Maschinen- und Anlagenbau, German Engineering Association) the German industry for industrial image processing components shrank by 7 %. In this difficult market environment, at a growth rate of 5 % Basler gained further market shares. In the course of the year, the management increased its forecast two times, and Basler reliably closed the financial year at the upper end of the corridor. The reason for a more positive development compared to the industry resulted in particular from a better presence in the regional markets of China and South-East Asia, a strong position in the electronics and logistics sectors, low dependence on the automotive industry, and solid operational resilience to crises. Basler maintained business operations without any significant restrictions and also continued to invest in the future with full power. The business developed in a relatively typical seasonality. The first half-year was stronger due to an investment cycle in semiconductors and electronics unaffected by Corona, as well as investments in logistics. The second half-year was characterized by a weaker third quarter and picking up incoming orders and sales in the fourth quarter. In total, the Basler group generated sales of € 170.5 million and incoming orders of € 181.6 million.

The gross margin increased, personnel costs developed roughly in proportion to sales and material costs sank by € 1.8 million particularly because of corona. Compared to the previous year, the pre-tax result as well as the pre-tax return rate increased to € 20.4 million and 12 %. Thus, the pre-tax return rate reached the long-term goal of 12 % providing for an even balance between short-term profitability and sustainable growth. The management endeavours to maintain a pre-tax return rate of at least 12 % upon recovery of the market and to return to a sales growth of an average of 15 %. Also in 2020, the management adhered to its investment path since, according to the company it is a temporary market weakness and not a structural change. Thanks to the consistent growth course, Basler developed further competitive advantages in the financial year 2020. As a result of the continuous expansion of the product portfolio and the sales and marketing organization, at the end of 2020, Basler has a broad product range and one of the best market accesses in its industry. The Basler brand has the leading brand awareness and stands for high reliability, ease of use and a very good price/performance ratio. The VSD study “Brand Awareness“ names Basler as one of the top 5 providers for vision technology regarding price/performance ratio, customer support, and functionality, and is in first place for quality. Highly motivated and continuously striving for achieving more, in the event of a positive market development, the Basler group plans to reach a sales level of € 250 million until 2023. Besides a further expansion of the strong market position in factory automation, adjacent markets like medical, traffic, logistics, and retail are to be opened further in order to make use of the technical opportunities of embedded vision technology and 3D camera technology. Moreover, Basler will continue to gradually develop from a camera supplier to a full provider of image processing components. Due to the progress made in the elapsed fiscal year as well as to the market and technology potentials, the management team feels assured in its strategic orientation and looks to the future with confidence and motivation.

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. Based on the solid business results in 2020 and the current outlook for the upcoming year, the proposal will be made to this year‘s shareholders‘ meeting in May 2021 to pay a dividend in the amount of € 0.45 (previous year: € 0.26) per share eligible for subscription (corresponds to € 4.5 million). This corresponds to the usual distribution ratio of 30 %. In addition, the management board considers the distribution of a special dividend in the amount of € 0.13 per share eligible for subscription corresponding to a further distribution of € 1.3 million. While the risks of the Corona pandemic have hit the industry, they have not materialized for the Basler group. Profitability was even significantly above expectations, partly due to Corona-related savings. The management board would like to let the shareholders participate in this paying a special dividend. Should the shareholders‘ meeting vote for the proposal, 38 % of the annual surplus would be distributed to the shareholders.

GROUPS SALES FORECAST 2021 € 190 - 210 million

3 SUPPLEMENTARY REPORT

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

4 FORECAST REPORT

After two years in a row characterized by below-average market development, the Basler Group assumes the market to stabilize and that there will be a gradual structural recovery after the end of the corona pandemic. Due to the continuing high level of uncertainty, it is currently unclear when this can be sustainably expected. However, the management board is fundamentally positive about the course of business in recent months. It assumes that the factory automation markets will recover from the second half-year on and that equipment investments in the semiconductor and electronics industries as well as in logistics will again develop well in the first half-year. Growth impulses are expected from the Asian region, in particular in the first half-year. The management board agrees with the assessments of industry associations and macroeconomists that the major economies will recover in 2021. In its annual outlook, the Berenberg Bank assumes real GDP growth of 4.1 % in 2021. The VDMA has not yet published a forecast for the computer vision market for 2021, as it wants to wait for the course of the first quarter for reasons of caution. The association of manufacturers of machinery and equipment for the early-cycle semiconductor industry, on the other hand, expects the economy to recover and the market to grow by 4.3 % in 2021 compared with 2020 (source: Market Study SEMI).

Considering the mentioned above market outlooks, the management sees good opportunities to get back to a double-digit growth rate in 2021. For financial year 2021, the management board plans to generate sales revenues within a corridor of € 190 to 210 million. Depending on the business development, the group strives for a pre-tax return margin between 12 % and 14 %.

PRE-TAX RETURN FORECAST 2021 12 - 14 %

5 OPPORTUNITIES AND RISKS REPORT

The growth strategy pursued by Basler 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 systematically record and evaluate opportunities and risks and to generate transparency within the executive team,
- to create scopes of action, however to avoid risks that are unacceptable or to reduce avoidable risks to an acceptable level,
- to agree within the executive team how the probability of occurrence of relevant risks can be limited and to derive corresponding measures.

Essential parts of the opportunities and risks management system are the risk strategy, the risk atlas, the risk matrix, and the measures for risk management. Again, in the elapsed fiscal year, the risk inventory was conducted. Here, risks were identified and quantified according to their occurrence probability and monetary amounts, and measures were defined in order to minimize risk. The sum 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. The risk management system is flanked by the internal control system (ICS), the compliance management, and the quality management system and finally by the annual external audit in the frame of the EN ISO 9001:2015.

The accumulated expected value of the top ten risks (without growth risks) amounts to € 14 million. The expected value is the estimated probability of occurrence multiplied by the possible impact. The active management of the probabilities of occurrence reduces the risks. The group's risk-bearing capacity is put at € 69.0 million.

5.1 INTERNAL ORGANIZATION

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

The company is organized by functions. Flat hierarchy and short decision-making processes are intended to maintain the flexibility and the exchange among employees despite increasing growth. In the frame of a comprehensive lean management initiative, the company is aligned to its main value streams and continuously works on increasing their efficiency. Furthermore, a strategy deployment process has been set up ensuring a breakdown of the company strategy to an operational level.

As a technology company, Basler is heavily depending on the knowledge and commitment of its employees. We continuously work on maintaining innovation fostering structures, processes, behavior patterns, and cultures – despite an increasing size of the company. We are striving for an organization that is able to further optimize the existing business and at the same time go to new technologies and markets in an agile and innovative manner.

Basler is not tariff-bound and does not refer to existing tariff agreements for remuneration matters. The German sites have a transparent remuneration system regulating the remuneration of employees. This system is based on job descriptions that are set up independently of individuals and evaluated by an external institute. Thus, a gender neutral and independence of individuals classification is achieved.

In times of the Corona pandemic, the organization and the culture were put to the test. Although pandemic risks were not previously recorded as a potential risk, the pandemic spread of Corona was successfully responded to. Office activities were completely transferred to home office within 14 days. Production processes were redesigned while maintaining special protection against infection, and the ability to deliver was maintained with only moderate increases in delivery times. Communication from management to the employees was changed to bi-weekly video messages and the transparency of business development was increased once again. This extreme situation demonstrated the employees‘ high level of identification with the company, their loyalty and their team spirit. The continuous nurturing and active further development of the corporate culture in recent years has been a key success factor in robustly weathering this unforeseen crisis. This experience confirms management‘s conviction to continue the course of the past years in terms of corporate culture and leadership, in order to make Basler strong and resilient in crisis situations in the future.

5.2 FINANCE

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 are stopped. Outstanding debts are subject to a three-stage default action. Default risks are countered through individual valuation allowances. In the fiscal year 2020, despite the Corona pandemic, individual value adjustments and write-offs on accounts receivables were posted in the amount of only € 9 thousand (previous year: € 6 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. At the reporting date, there are unused credit lines with banks in the amount of € 9 million.

As a medium-sized technology company with significant expenses for research and development and a positive rating, Basler gets low interest KfW loans.

As a special measure in the context of the Corona pandemic, approved credit lines in the amount of € 11 million were drawn spread over the year 2020. In addition, the dividend payout ratio was reduced from 30 % to 20 % for reasons of prudence.

Basler currently has a high equity ratio, a high cash balance and reports net assets. Basler management currently does not see a liquidity risk.

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. Overall, the risk situation in the supplier market for semiconductor and electronics components is assessed to be a medium risk despite further mergers and the risk of allocation and natural disasters. This risk is met by a professional supply chain management, increased inventories of critical components, a broad product portfolio, and a further expansion of market leadership and / or an improvement of the negotiation position.

Referring to the extraordinary situation of the Corona pandemic, risks occurred in the supply chains, particularly at the beginning of the year and at the turn of the year. Lockdowns and increased protection against infection led to an increase in delivery times, a reduction in delivery quantities and even a temporary interruption of deliveries. However, the Basler group's supply chain management system was able to cushion this stress situation without any significant impact on its customers.

Even though Basler's supply chain management system has ensured supply capability up to the finalization of this report, the special pandemic situation creates a significantly increased risk in the procurement markets and in the production and supply chain. Separate production plants and value chains in Ahrensburg and Singapore as well as increased finished goods inventories dampen the risk.

5.4 SALES MARKET

There is a risk of a further delay of the expected market growth in the short term due to macroeconomic, geopolitical and especially the current Corona pandemic. However, in the medium and long term it can be assumed that the computer vision market will develop positively driven by increasing automation and new application fields. The forecasts coming from associations and market research institutes assume a sustainable growth in a single digit percentage range for applications in industrial mass production and a double digit percentage growth in newer sales markets, like traffic, logistics and medical. Since Basler continuously expands its product portfolio and pushes the diversification of possible applications, the business model is estimated to be scalable and future-proof.

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 Basler's focusing on the volume segments of the market for image processing components in conjunction with active work on new application fields, the share of sales with customers outside industrial mass production increases in the long run, and thus improves the sales risk structure.

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 near future. However, temporarily there will be fluctuations in demand in individual target markets. This applies in particular to capital goods markets in the semiconductor and electronics industry.

The stronger dynamic in the Asian markets tends to increase the volatility of the business of the Basler group and requires a higher adaptability from the structure and process organization. Furthermore, in the upcoming years, further localization will be necessary in order to get closer to the main sales markets. Due to the relatively high China sales share, the trade conflict between China and the USA presents an ongoing risk.

The intensity of competition in the industrial camera market further increased in 2020. In the past years, the competitive landscape particularly changed due to takeovers and aggressive investments of Chinese competitors from the video surveillance industry. Also the distribution landscape gradually becomes part of the consolidation trend. Regional distributors are taken over by new entrants or larger acting distributors or manufacturers. Compared to the competitors, the Basler group is ahead regarding product portfolio, market access, and brand recognition. Basler strives for gradually expanding its market position relative to the competition and for transferring from a camera maker to a full range provider. The competitive environment is still highly fragmented and characterized by many small niche suppliers. The top five competitors of Basler are: Teledyne DALSA (Canada), FLIR (USA), TKH Group/ Allied Vision (Germany), Toshiba-Teli (Japan), and IDS-Imaging (Germany). At the beginning of 2021, Teledyne DALSA announced an acquisition of FLIR. If successfully implemented, Teledyne DALSA would expand its product range towards mainstream technologies and roughly catch up with Basler in terms of sales of image processing components. Overall, this would create the world‘s largest vision company, but with a substantial focus on sensors/ semiconductors for high-end applications in research and military technology. The Chinese competitors HIK Vision and Dahua, which entered the computer vision market a few years ago, are currently still at a lower sales level with image processing components than parts of the established competition, but they are growing disproportionately fast and are considered by the management of the Basler Group to be very serious competitors due to their financial strength, competence and aggressive approach, especially in China.

The risk of market price and margin erosion is countered through robust 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 reached by the volume strategy. There are increasingly better opportunities for differentiation that arise from the positioning as a full range provider due to well-coordinated single components and an additional consultancy service. Additionally, the direct market access in important sales regions (USA, China, Germany) leads to relative competitive advantages and a strengthening of the gross revenues.

Given the current shareholder structure with the Norbert Basler Holding GmbH as majority shareholder, 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 494,736 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 manageable. Possible first row Brexit effects on Basler’s revenues are estimated to be low due to the limited sales as well as to alternative supply chains. The risks arising from the trade conflict between the USA and China are much higher due to the size of these sales and procurement markets. At short notice, the uncertainty may lead to hesitant behavior in equipment investments and thus negatively impact the demand for image processing components for these equipment goods. Increased customs tariffs may motivate customers to change to local suppliers, if any exist, in the long run. Basler further minimized this risk with a second production site in Singapore as well as an own sales company in China and the USA. Furthermore, there are risks in using American or Chinese technology components by companies currently or potentially affected by trade restrictions. Currently, Basler is not affected by this.

Legal risks are mitigated by appropriate insurances. 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. Within the context of the risk management system and sensitive information, furthermore, we worked on the subject “Business damage due to own employees“. Currently, there are no indications for criminal activities or gross negligence.

Furthermore, there is a risk of patent infringements. Basler counters this with a multistage testing procedure in the development process. The review is carried out by the legal department.

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 targeted product development. The implemented processes and planning instruments in the product development are continuously reviewed and adjusted so that development processes can be concluded on schedule and according to budget. In the financial year 2020, two new product platforms were concluded and first products have already been developed. Thus, the increased technological risks of a platform development were successfully managed. In the 3D ToF and embedded vision, Basler currently is one of the pioneers working in a technological limit. Insofar, these developments are linked with higher technological and market risks.

In the design-in business the continuous development and the winning of customer projects is a major precondition for a long-term positive sales development. To protect a sustainable sales growth, Basler started a multi-year program for increasing the efficiency of sales processes in 2019. In 2020, important milestones were achieved within this process. The pipeline with an increasing scope of new projects supports the long-term striven for growth of 15 % per year.

Due to the ISO certification and the lean management approach, the production corresponds to modern standards and is oriented to manage variations of incoming orders, as well as being able to implement an appropriate capacity utilization of employees and machines. In 2020, the maximum machine capacity amounted to approximately 900,000 units (calculation based on a three-shift-operation). With a current output quantity of about 400,000 units, Basler is very well prepared for the demand of the upcoming years. Due to historical experiences and a certain intransparency as well as a high volatility, particularly in the Asian markets, the management consciously accepts some idle costs in order to secure deliverability.

The productive recruitment and initial training of new employees are a huge challenge in view of the current labor market situation and therefore represent a growth limiting risk. This risk is successfully countered through professional personnel marketing, a standardized onboarding, an open company culture, as well as possibilities to reconcile working and family life, and the personnel fluctuation is minimized.

The successful integration of the acquired companies represents an operational challenge for Basler. They are accompanied by dedicated project and change management. The post-merger integration processes of Silicon Software GmbH and Basler China were successfully brought forward in 2020, despite limited travel options.

5.7 OVERALL STATEMENT

As manufacturer of image processing components for the investment goods industry the management board assesses the corporate strategy risk still to be low. This assessment is based on the fact that comprehensive substituting technologies for computer vision are not in sight and machine viewing becomes increasingly important in the industry/factory automation as well as in all other areas, as for example in traffic, medical, logistics or for system providers for the retail trade. Due to Basler image processing components being typically integrated in machines and equipment during the complete life cycle of the machine connected with a high barrier of change for the customer, business is quite stable and predictable, even though it should be mentioned that the predictability becomes weaker with an increasing Asian project business.

Basler's growth strategy is based on an expansion of the product portfolio as well as on opening new sales markets and application fields. By doing so, Basler strives for an over average development of the company compared to the market. Diversification into new fields of application is steadily reducing the already low level of dependence on individual vertical markets.

The Asian sales market – particularly China – will most likely continue to show the highest growth rates in the medium term. Due to its good market access, particularly due to the establishment of Basler China, the takeover of the sales organization of the former distributor, and the alignment of the product portfolio, the Basler group is very well positioned to benefit from this trend. On the one hand, there is the opportunity of disproportionate growth rates, and on the other hand there is the risk of an increasing reliance on relatively competitive and cyclical Asian markets. It is to be expected that financially strong Chinese competitors and the ongoing consolidation of Western competitors will continue to increase the competition intensity in the future. The management of Basler meets this tension by a balanced investment policy and by ensuring a sustainable and profitable growth for the company.

The risk of a further economic slowdown as a result of the corona pandemic temporarily persists. The management board meets this risk by a liquidity policy that is based on a solid cash balance and a high equity ratio. Furthermore, it strives for a positive free cash flow and an even balance between investments in growth that are effective in the long run, and mainly personnel expenses and short-term profitability.

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 the Basler group 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 or by the ERP system Yonyou in China that include 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 or with other ERP systems, 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 and are governed by appropriate computer based workflows. The completeness and correctness of accounting data are regularly reviewed by sampling inspections, plausibility checks and by manual control supported by the software used.

Within its activity, the supervisory board of Basler, and particularly the audit committee, 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

Because of 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 CNY, USD and JPY occurred. Foreign currency balances are always exchanged into Euro. Furthermore, 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.

Derivative transactions are not used for speculative purposes, but merely serve to minimize foreign currency risks. As of the balance sheet date, there were no derivative transactions in foreign currencies.

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

8 REPORT ACCORDING TO § 315a OF THE GERMAN COMMERCIAL CODE, HGB

The management board of Basler AG 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. Since January 1, 2021, Alexander Temme is responsible for sales, market communications, and the subsidiaries (until December 31, 2020, John P. Jennings). Arndt Bake is responsible for innovation, digitization, new business, marketing and Hardy Mehl is responsible for production, purchasing and logistics, finance, legal, investor relations, IT and facility.

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 chairman.”

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 € 10.5 million is divided into 10.5 million of no-par-value bearer shares.

On December 31, 2020, Norbert Basler Holding GmbH was holding 52.67 % of the voting rights in Basler AG, which corresponds to 5,530,152 shares.

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 26, 2025 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 share-holders 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 € 10,500,000.00 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 amount.”

The management board is in addition authorized to buy own shares not exceeding 10 % of the current share capital until May 26, 2025. 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 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 § 315 Sec. 4 German Code of Commercial Law do not exist.

9 GROUP DECLARATION REGARDING CORPORATE GOVERNANCE (§ 315d OF THE GERMAN COMMERCIAL CODE, HGB), CORPORATE GOVERNANCE REPORT

You can find on our website (www.baslerweb.com/Investors/Corporate Governance) the group declaration of compliance with the Corporate Governance Code, the corporate governance report, 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 (§ 315a ABS. 2 HGB)

The following statements regarding the remuneration of the bodies of Basler AG are statements for the notes as stipulated by § 315a Abs. 2 HGB (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.

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 intends 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 long-term 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

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, comparable 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 Group 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.

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

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 (25 % of the agreed 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 from -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 a 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.

In order to create a special performance incentive for the management board and to motivate its members to work in the long run on increasing the value of the company, the supervisory board decided to convert a part of the bonus into shares. From 2019 up to and including 2020, an individually fixed percentage part of the respective future claim for variable remuneration of above 100 % of target achievement will be granted in shares. For 2020, part of the variable compensation will be paid in shares into a notional share portfolio. One third of the portfolio will be effectively delivered annually and transferred to the respective management board member.

In 2020, the supervisory board adopted a new share plan for the years 2021 to 2024 inclusive. It will be extended for a further financial year in each case unless the supervisory board resolves to terminate it before the end of the respective financial year. The new share plan provides that 50 % of the variable compensation above 100 % target achievement is granted in shares and placed in the bonus bank. The actual delivery of the shares is made in the same way as the payment in cash, with one-third of the shares being taken from the bonus pot or the virtual share deposit.

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. They are limited to a maximum of 50 % of the annual target salary per year. Thus, in the event of extraordinary results, management board compensation is limited to a maximum of 225 % (175 % + 50 %) of the target salary.

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 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. The chairmanship and deputy chairmanship of the supervisory board and the chairmanship of the audit committee are taken into account with appropriate supplements. In accordance with the recommendation of the GCGC, no performance-related compensation is provided for the members of the supervisory board. Additional compensation is paid for membership of the nomination and audit committees. The total compensation can be found in the Notes.

11 NON-FINANCIAL STATEMENT (§§ 315b TO 315c HGB)

About this Statement

Pursuant to the law for "strengthening the non-financial reporting" in the management report and the group management report (CSR Directive Implementation Law), the Basler group (hereinafter called "group" or "Basler AG") is obliged to set up a non-financial statement for financial year 2019. The present summary of the non-financial statement meets this reporting requirements according to §§ 315b and 315c i.c.w. 289c to 289e HGB (German Commercial Code).

The information given here generally applies to the entire group. The group includes the scope of consolidation described in the annual report (please see group notes (IFRS) in the 2020 Annual Report, chapter "Basics of Consolidation"). Concepts only applying to individual areas or locations are marked as such.

For the reporting, Basler AG followed the guidelines of the Global Reporting Initiative (GRI Standards) that was considered as framework for identifying essential topics pursuant to "GRI 101: Basics" and for the description of the management approaches pursuant to "GRI 103: Management Approach".

The further development of uniform group-wide ESG standards was only recently decided. In the near future, the Basler Group will select a framework that is a perfect fit for the future sustainability strategy and will start further activities in 2021 based on this standard.

The identification of essential non-financial topics according to § 289c paragraph 3 HGB (German Commercial Code) was made in a multi-step process with the participation of members of the management board and specialist departments. The development of the overall concept included a materiality analysis that was prepared by a small project team with the participation of the management. Subsequently, the departments became involved and the topics were elaborated in detail by the respective responsible departments.

Topics that are relevant for this statement are of great importance for the business activity, the course of business, and the situation of Basler AG, as well as those that have significant impacts on non-financial aspects. Based on these requirements the following statement contents were selected:

Non-financial aspects	Issues defined essential pursuant to § 289c, para. 3, HGB (German Commercial Code)
Employee matters	Safety, staff retention and qualification, diversity & equal opportunities
Social issues	Social responsibility
Respect of human rights Combat corruption and bribery	Protection of human rights in the company Combat corruption and bribery in the company and in the supply chain
Environmental issues	Operational environmental management

In accordance with Section 289 c (3) of the German Commercial Code (HGB), the non-financial report must include material risks that are very likely to have a serious negative impact on the group. Basler has implemented an internal risk management system for the systematic recording of risks. The results of Basler's risk management are described separately in the chapter "Opportunities and risks report" in the group management report.

Business Model

Decisive factors for the more than 30-year success story are a value-oriented corporate culture, the courage to take risks, the willingness to regard constant change as normal, and the passion to drive customer-oriented innovations and thus lead the company sustainably into the future. Reliability and trustworthiness are key brand values for which Basler AG stands with customers, employees, suppliers, partners and other stakeholders.

The company's mission is to develop computer vision technologies that are used in applications to enhance the quality of life. For example, image processing components from Basler are used in production processes to minimize waste, in semiconductor and electronics production, in medical technology for the early detection of cancer, in intralogistics for faster order processing in web stores, in recycling of materials or in food inspection.

Further explanations of Basler AG's business model can be found in section 1.1 of the management report.

Employee Matters

Qualified and motivated employees are the basis for Basler's success. Therefore, the management of Basler attaches particular importance to offer an attractive working environment to its employees including suitable training and education for demanding activities. The basis for this is a safe work environment in the administration and commercial area.

Work Safety

Aim:

Basler AG ensures the safety of its employees.

Key Measures & Due Diligence Processes:

In order to ensure the well-being of the employees, legal work safety requirements are observed. They are recorded in a safety manual that is accessible to all employees in the intranet. Furthermore, an annual work safety training takes place in the commercial area. Due to Basler AG's production structure that consists of various machines and partly requires clean-room conditions, operating procedures for air pollution control and sound minimization are key safety measures. These requirements are met by using air circulation systems in the shop floors. Additionally, legally prescribed fire protection measures are taken in the form of a central fire alarm system, fire protection walls, smoke ventilation systems, and sprinkler systems.

For identifying potential dangers and need for action as well as deriving measures, an external agency for work safety regularly conducts inspections of the business premises as well as the building. These inspections include inter alia a review of the storage of dangerous materials, emissions and fine dust in buildings as well as further dangers for the employees' health. Regular measurements of the room air in the production area are made for monitoring the air quality. To avoid an increased dust loading additional measurements and cleaning measures are carried out.

In order to raise employee awareness of how to avoid hazards and to ensure that this awareness is maintained in the long term, initial briefings and regular instruction on occupational safety, health and fire protection are carried out. Some of the employees are specially trained in first aid and as safety officers or fire protection and evacuation assistants and receive regular training.

Furthermore, Basler AG has a cooperation with the Fürstenberg Institute which supports the company in the health management focusing on the prevention of stress factors.

Free of charge fruits and mineral water are available for the employees. Basler AG subsidizes lunch for all employees in the company bistro in Ahrensburg.

In 2020, the Corona pandemic also posed major challenges for the Basler Group in terms of occupational safety, among other things. The health of employees was the top priority at all times. A variety of measures were successfully implemented to protect the health of employees while at the same time fully maintaining business operations. In addition to strict hygiene regulations, production and office workplaces were strictly separated. For the majority of office activities, employees were enabled to work from home within two weeks of the decision to act due to Covid–19.

Results:

By the implementation of these measures and processes, Basler AG achieves a high safety level for its employees. The illness rate of Basler AG was 4.72 % in 2020 (previous year: 6.06 %).

Furthermore, in the elapsed fiscal year, only one Corona illness case became known at Basler.

Retention and Qualification of Employees

Aim:

The recruitment and retaining of qualified managers and specialists for a successful implementation of the company's growth strategy and the continuous development of employees.

Key Measures & Due Diligence Processes:

The satisfaction of the employees has a great influence on the efficiency, the period of employment and thus on the success of the company. For this, a good reconciliation of work and family life is of major importance. Therefore, Basler AG fosters the reconciliation of the demands of work and family life. In addition to various part-time models and flexible working time and places, Basler AG offers child care services for emergencies and during special working hours. This may be made use of in the company childcare room or at home. In 2011, Basler AG was audited by the Hertie Foundation within the "Work and Family" initiative and certified as "family-friendly company". Regular audits confirm a very good implementation and cultural embedding of the reconciliation of work and family at Basler AG. Furthermore, the company offers the option of sabbaticals to its employees.

Basler gives special attention to own in-house trainings of young people, in order to find suitable junior staff, but also in order to confirm the social commitment in the Ahrensburg region. In 2020, the number of trainees amounted to 24 (previous year: 23).

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 (except for the newly acquired companies Basler China and Silicon Software) in which employee and manager agree on development objectives. The progress is measured regularly.

Results:

Due to the measures that were taken, Basler AG ensured an appropriate qualification of its employees and an attractive working environment. Additionally, new employees were hired. The employees' satisfaction is reflected in a low fluctuation rate of 2.07 % (previous year: 1.13 %).

In 2020, the average number of employees of the group was 857 (previous year: 853), 37.67 % (previous year: 36.85 %) of them are female. Converted to the number of equivalents of full-time employment the average number of employees was 808 (previous year: 806).

The expenses for training of the Basler group amounted to € 394 thousand in financial year 2020 (previous year: € 680 thousand). This amount was temporarily negatively impacted by the Corona pandemic.

Diversity and Equal Opportunities

Aim:

In order to offer an attractive and effective working environment, diversity and equal opportunities are to be supported.

In March 2018 (before the acquisitions of Silicon Software and Basler China), the management board and the supervisory board decided that until the end of 2021 at the latest a female quota of 30 % should be achieved in executive functions as well as on head of department level at Basler AG.

Key Measures & Due Diligence Processes:

The company's staff is characterized by a variety of home countries and cultures. In order to promote the integration of employees of different nationalities and generations, language classes are offered, and in video conferences and during visits in the subsidiaries an intensive exchange takes place. Furthermore, projects are carried out with international participants additionally supporting the integration in social events. The majority of the communication of the company is in German and English language.

In the context of implementing the law for equal participation of women and men in executive positions in the private industry and public services, the supervisory board should set objectives for reaching the gender quota in the supervisory board and the management board. In its meeting in March 2018, the supervisory board decided that, until further notice, an increase in the quota of women on the Supervisory Board and the Executive Board will be strived for but does not have to be achieved and that no extraordinary measures will be taken to increase the quota of women.

The company offers a special development program (High Potential Program) to qualify talented employees for management positions. In the 2020 program run, the focus of the internationally launched program was placed on promoting women in management positions.

With Prof. Dr. Mirja Steinkamp as well as Dorothea Brandes the female representation in the supervisory board of Basler AG is currently more than 30 %. The management board currently exists of four male members.

At the group's headquarters in Ahrensburg, great importance is attached to the issue of work and integration. There is a works council and a representative body for people with disabilities, and the barrier-free expansion of the company is constantly being driven forward.

Results:

Due to integration measures and high internationality, the Basler Group has a great diversity within the global workforce, whereby the company strives for a continuous increase of depth of value added in the foreign subsidiaries and for transforming from an international company to a global one. By using digital tools, the international collaboration and thus the diversity in thought and action could be further increased despite of Covid-19.

The first management level below the management board is the divisional management or the executives, and below that the department management. On December 31, 2020, 27.27 % (previous year: 33.33 %) of the executives and 20.00 % (previous year: 21.05 %) of the department managers were female. No targets have yet been defined for the Group. Efforts will be made in the coming fiscal year to increase this. The targets for promoting the participation of women in management positions had not yet been achieved by the end of the reporting period. This development is due to the M&A transactions of smaller companies in the past two years, in which predominantly men hold executive positions. The opportunities within the scope of organic growth over the short period were not sufficient to compensate for this effect. In addition, new hires were curbed in 2020 due to the Corona pandemic and management focus was placed on the health and stability of the organization.

The special promotion program (high potential program) of Basler Group could also be performed in the Covid-19 characterized year 2020. It is planned to give half of the places to women and to focus the contents on different gender roles in leading positions. The aim is to identify and promote executives in order to significantly increase female proportion in leadership positions. In the past year, four employees were selected for the high potential program, two of them were female and two male.

The winner of the annual innovation competition was, for the first time, a female employee from the Ahrensburg branch. Across the company, 20 employees had applied, three of them were female.

Social Concerns

Social Responsibility

Basler AG bears social responsibility. This is particularly valid for the headquarters in Ahrensburg where the majority of the employees reside.

Aim:

Basler AG's aim is to promote the local economic and social development considering interests of local stakeholder groups.

Key Measures & Due Diligence Processes:

As one of the biggest private employers in Ahrensburg, the group plays an important role for the local economy and society. The group fulfills this role in different external and internal areas.

Thus, the headquarters in Ahrensburg offers workshops for schools in order to arouse interest for the different occupational areas within the company and to attract attention at an early stage as a local employer. Every year, Basler AG participates in the Girls' Day, arranges hackathon for young computer programmers, as well as social projects; for example, "Wi mook dat" (We do it) or "Children help children" (Kinder helfen Kindern) by participating in the "Hamburger Commercial Bank Run" in summer 2019.

Dr. Dietmar Ley, CEO of the company, is a voluntary member of the university council of the "Hochschule für angewandte Wissenschaften" (University for Applied Sciences) in Hamburg as well as member of the board of the professional association Robotics and Automation of the VDMA (Verein Deutscher Maschinen- und Anlagenbau, German Engineering Association).

Furthermore, Dr. Klaus-Henning Noffz is chairman of the board of the technical department for industrial image processing of the VDMA.

Result:

Basler AG's commitment fosters the local and national economy and society. Special attention is given to new talents.

In 2020, all these actions were also firmly scheduled, but many of them unfortunately had to be cancelled due to Corona.

Respect of Human Rights & Combat of Corruption and Bribery

Aim:

The aim of this concept is to avoid human rights violation as well as corruption and bribery in Basler AG's business relations.

Key Measures & Due Diligence Processes:

The business activities' compliance with legal requirements and human rights, as well as the rejection of corruption and bribery are self-evident for Basler AG. Based on this principle, the company compiled a "Code of Conduct" that was implemented and trained in the headquarters and will be further rolled out in the upcoming financial year:

Basler AG and the companies affiliated to it (the "Basler Group") take part in the fair competition on the basis of our corporate values. We attach great importance to integrity, trust as well as the respectful and considerate interaction with each other, both internally and externally. We assume responsibility by giving due consideration to the consequences of entrepreneurial decisions and activities under economic, technological as well as social and ecological aspects and by balancing the interests of all parties involved in a reasonable way. The Basler group therefore respects the applicable law in the course of its business activities, when implementing its strategy and when attaining its targets. We expect the same from our employees and business partners. Our corporate culture will also be sustained and supported by the responsible and ethical conduct of each employee.

Unlawful behavior can cause considerable economic damage. Even the suspicion of a legal infringement can affect the Basler Group's market position. Hence, the consequences of one's own actions must also be assessed in the light of, what impact they have on the reputation of the Basler Group as a trustworthy business partner as well as on the integrity of all employees and the management.

Any action must therefore be based on a clear understanding of the legal regulations, of the internal guidelines and of a common moral concept. All bodies, executives and employees of the Basler Group are bound to comply with this Code of Conduct, with the company's bodies and officers having a particular role model function. At the same time, they need to enforce the compliance with the Code of Conduct by the employees and to support them in this respect.

This Code of Conduct provides and describes a framework of how the above principles can be implemented in the daily work. The rules of the Code of Conduct will make it easier to comply with the legal provisions and the internal regulations. However, these rules do not represent a complete collection of the *duties arising from, and enshrined in, the legal system, in which we work and live. The employees are therefore bound to seek competent advice in cases of doubt, for which the company's executive staff and the relevant departments are available.*

(Extract from the Code of Conduct of Basler AG)

The Basler Code of Conduct gives handling instructions for the following subjects:

1. Compliance with the law
2. Integrity and company management (ensuring health and work safety, harassment, discrimination, fair treatment of each other, freedom of opinion, protection of privacy, data protection)
3. Conduct in competition (corruption, bribery, invitations, presents, competition and cartel law, trade controls, foreign trade law, insider trade)
4. Working conditions
5. Environmental protection
6. Protection of company assets, trade and business secrets

Result:

In 2020, the planned trainings in the foreign subsidiaries on the "Code of Conduct" could not take place and had to be postponed due to Covid-19.

For the financial year 2020, no cases of corruption and bribery or violations of human rights emerged at Basler AG.

Environmental Concerns

Corporate Environment Management

Basler AG recognizes its responsibility towards society and future generations and takes measures in order to reduce the emission of greenhouse gases and to deal responsibly with resources. More detailed information can be seen in the Basler AG Environmental Statement.

Aim:

Basler AG wants to make an active contribution to the protection of the environment and continuously develop it further.

Key Measures & Due Diligence Processes and Results:

A fundamental and continuous measure is to sensitize the employees for acting in an environmentally conscious manner at work and in their everyday life.

The operation of production facilities and administrative buildings requires energy. In addition to costs, this also causes climate-damaging emissions in the form of CO_2 and other climate gases. Even though the manufacture of cameras is relatively less energy-intensive than other sectors, Basler will focus on reducing the company's carbon footprint in the new ESG strategy due to the overall societal relevance.

Basler AG purchases its electricity from the public utility in Ahrensburg which is 100 % from renewable energy sources. A continuous maintenance of our technical equipment as well as the use of latest technologies and environmental standards ensure the highest possible energy efficiency; for example, the conversion of existing lights to LED. Furthermore, the extension of the company building, which is currently being implemented, will be carried out according to the latest technical standards.

In its manufacturing process, Basler only uses hazardous substances (for example soldering paste) if this is necessary. Before using these substances, a substitution check is conducted, meaning that it is verified whether there is a more sustainable alternative.

Basler AG's employees in Germany separate waste that is generated in the office premises and the production areas. Metal scrap, boards, and plastics are collected in separately marked waste containers and discarded by certified specialist companies.

Thanks to latest video conference technology, the communication with our subsidiaries or customers and suppliers is very efficient and, at the same time, unnecessary business trips can be avoided.

Result:

Basler AG fulfills legal requirements regarding emissions, energy consumption and dangerous goods and converts to newest technologies where possible. Furthermore, in 2020 the foundation was laid for a company-wide ESG strategy focusing on the long-term reduction of the carbon footprint. This will be launched in 2021 and be successively explained in more detail in upcoming reports.

In 2020, the Basler Group once again proved that the company's success can also be ensured with less travel and the mapping of many meetings via digital tools, even if this low level will certainly not continue in the long term after the Corona crisis.

12 DECLARATION OF THE LEGAL REPRESENTATIVES

Pursuant to § 312, paragraph 3, sentence 3 Aktiengesetz (AktG, German Stock Corporation Act) a report on relationships with affiliated companies has been established. This report concludes with the following statement by the management board: "We hereby declare that with regard to the transactions indicated in the report on relationships to affiliated companies and persons, in the circumstances known at the time at which the legal transactions were entered into, Basler AG, Ahrensburg, received reasonable consideration for every legal transaction, and has not been placed at a disadvantage. Other measures within the meaning of § 312 Aktiengesetz (AktG, German Stock Corporation Act) were neither taken nor omitted."

Ahrensburg, March 25, 2021

The Management Board

Dr. Dietmar Ley	Arndt Bake	Hardy Mehl	Alexander Temme
CEO	CMO	CFO/COO	CCO

CONSOLIDATED PROFIT AND LOSS STATEMENT

Group´s annual balance sheet according to IFRS for the fiscal year from January 1, 2020 to December 31, 2020

in € k	Notes	01/01/ - 12/31/2020	01/01/ - 12/31/2019
Sales revenues	4, 24	170,459	161,961
Currency earnings	3.1	-51	-425
Cost of sales		-81,738	-79,519
Gross profit on sales		**88,670**	**82,017**
Other operating income	5	1,133	831
Sales and marketing costs		-30,565	-31,540
General administration costs		-17,391	-15,816
Research and development	6		
Full costs		*-23,705*	*-23,104*
Capitalisation of intangible assets		*10,497*	*12,312*
Depreciations intangible		*-8,455*	*-7,129*
Research and development		-21,663	-17,921
Other expenses		-121	-551
Operating result		**20,063**	**17,020**
Financial income	7	1,120	956
Financial expenses	7	-769	-1,059
Financial result		**351**	**-103**
Earnings before tax		**20,414**	**16,917**
Income tax	8	-5,305	-4,045
Group´s year surplus		**15,109**	**12,872**
of which are allocated to			
shareholders of the parent company		15,109	12,872
non-controlling shareholders		0	0
Average number of shares	9.4	10,005,420	9,942,657
Earnings per share diluted = undiluted (€)	9.4	1.51	1.29

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Group´s annual balance sheet according to IFRS for the fiscal year from January 1, 2020 to December 31, 2020

in € k	Notes	01/01/ - 12/31/2020	01/01/ - 12/31/2019
Group's year surplus		15,109	12,872
Result from differences due to currency conversion, directly recorded in equity (to be reclassified to the consolidated income statement in the future under certain conditions)	18.3	-759	46
Adjustment Finance Lease w/o income effect / IFRS 15 (not to be reclassified subsequently to the consolidated income statement)	3.12	215	-1,180
Total other result		**-544**	**-1,134**
Total result		**14,565**	**11,738**
of which are allocated to			
shareholders of the parent company		14,565	11,738
non-controlling shareholders		0	0

CONSOLIDATED CASH FLOW STATEMENT

Group´s annual balance sheet according to IFRS for the fiscal year from January 1, 2020 to December 31, 2020

in € k	Notes	01/01/ - 12/31/2020	01/01/ - 12/31/2019
Operating activities			
Group's year surplus		15,109	12,872
Increase (+) / decrease (-) in deferred taxes	11	326	644
Payout / incoming payments for interest		844	1,014
Depreciation of fixed assets	9.1	14,508	12,944
Change in capital resources without affecting payment	18.3	-759	46
Increase (+) / decrease (-) in accruals	20	1,128	-53
Profit (-) / loss (+) from asset disposals		-4	-45
Increase (-) / decrease (+) in reserves	12	911	88
Increase (+) / decrease (-) in advances from demand	13	142	520
Increase (-) / decrease (+) in accounts receivable	13	-83	-1,141
Increase (-) / decrease (+) in other assets		4,565	-7,833
Increase (+) / decrease (-) in accounts payable		503	3,197
Increase (+) / decrease (-) in other liabilities		128	2,492
Net cash provided by operating activities		**37,318**	**24,745**
Investing activities			
Payout for investments in fixed assets		-14,993	-19,982
Incoming payments for asset disposals		183	135
Expenses for acquisitions less cash acquired		-8,492	-14,503
Net cash provided by investing activities		**-23,302**	**-34,350**

in € k	Notes	01/01/ - 12/31/2020	01/01/ - 12/31/2019
Financing activities			
Payout for amortisation of bank loans		-5,287	-1,425
Payout for amortisation of finance lease		-3,412	-2,082
Incoming payment for borrowings from banks		11,040	1,755
Interest payout		-844	-1,014
Incoming payment for sale of own shares		0	20,822
Payout for own shares*		-228	0
Dividends paid	18.4	-2,602	-5,104
Net cash provided by financing activities		**-1,333**	**12,952**
Change in liquid funds		**12,683**	**3,347**
Funds at the beginning of the fiscal year		35,177	31,830
Funds at the end of the fiscal year		**47,860**	**35,177**
Composition of liquid funds at the end of the fiscal year			
Cash in bank and cash in hand	16	47,860	35,177
Payout for taxes		-3,438	-5,983

* € -36 thousand : Repurchase of own shares within the scope of the share buyback program amounting to € -285 thousand and sale of own shares within the scope of the earn-out components amounting to € 249 thousand

GROUP BALANCE SHEET

Group´s annual balance sheet according to IFRS for the fiscal year from January 1, 2020 to December 31, 2020

in € k	Notes	12/31/2020	12/31/2019
Assets			
A. Long-term assets			
I. Intangible assets	10	37,346	34,506
II. Goodwill	3.10, 10	27,474	27,474
III. Fixed assets	10	12,125	12,601
IV. Buildings and land in finance lease	3.9, 17	17,151	18,041
V. Other financial assets		5	5
VI. Deferred tax assets	11	879	846
		94,980	**93,473**
B. Short-term assets			
I. Inventories	12	20,034	20,945
II. Receivables from deliveries and services	13	19,471	19,388
III. Other short-term financial assets	14	2,198	4,578
IV. Other short-term assets	14	1,413	1,625
V. Claim for tax refunds	15	4,176	6,025
VI. Cash in bank and cash in hand	16	47,860	35,177
		95,152	**87,738**
		190,132	**181,211**

in € k	Notes	12/31/2020	12/31/2019
Liabilities			
A. Equity	18		
I. Subscribed capital		10,005	10,008
II. Capital reserves		22,590	22,398
III. Retained earnings		87,091	74,809
IV. Other components of equity		-4,778	-4,234
		114,908	**102,981**
B. Long-term debt			
I. Long-term liabilities			
1. Long-term liabilities to banks	19	21,121	14,362
2. Other financial liabilities		638	2,634
3. Liabilities from finance lease	17	11,366	13,743
II. Non-current provisions	20	1,080	880
III. Deferred tax liabilities	11	9,710	9,351
		43,915	**40,970**
C. Short-term debt			
I. Other financial liabilities	19	4,110	5,282
II. Short-term accrual liabilities	20	5,644	5,131
III. Short-term other liabilities			
1. Liabilities from deliveries and services		11,072	10,588
2. Other short-term financial liabilities		4,394	10,844
3. Liabilities from finance lease	17	3,437	3,178
IV. Current tax liabilities		2,652	2,237
		31,309	**37,260**
		190,132	**181,211**

DEVELOPMENT OF FIXED ASSETS FOR FISCAL YEAR 2020

Consolidated financial statement according to IFRS for fiscal year 2020 starting from January 1, 2020 to December 31, 2020

	Acquisition and production costs					
in T€	As at 01/01/2020	Additions	Transfers	Disposals	Foreign exchange differentials	As at 12/31/2020
Intangible assets						
Software, trademark rights, patents, and licenses	9,480	1,626	637	-923	-16	10,804
Finished own developments	54,633	294	21,699	-1	0	76,625
Own developments in process	17,732	10,335	-21,699	0	0	6,368
Payments for third-party developments	453	0	-453	0	0	0
Total intangible assets	**82,298**	**12,255**	**184**	**-924**	**-16**	**93,797**
Goodwill						
Goodwill	27,474	0	-7	0	0	27,467
Total Goodwill	**27,474**	**0**	**-7**	**0**	**0**	**27,467**
Tangible Assets						
Land and buildings on third-party land	5,551	777	-118	-117	-9	6,084
Technical equipment and machinery	12,752	662	305	-938	-21	12,760
Other furniture, fixtures, and equipment	9,110	817	163	-321	-18	9,751
Assets under construction	389	481	-645	0	-2	223
Total tangible assets	**27,802**	**2,737**	**-295**	**-1,376**	**-50**	**28,818**
Buildings and Land under finance leases						
Land of finance lease	2,278	0	0	0	0	2,278
Buildings of finance lease	30,399	1,294	118	-313	-142	31,356
Total Buildings and Land under finance leases	**32,677**	**1,294**	**118**	**-313**	**-142**	**33,634**
Other financial assets	18	0	0	0	0	18
Total other financial assets	**18**	**0**	**0**	**0**	**0**	**18**
Total assets	**170,269**	**16,286**	**0**	**-2,613**	**-208**	**183,734**

Depreciation							Net book value	
As at 01/01/2020	Additions	Unscheduled depreciations	Disposals	Transfer	Foreign exchange differentials	As at 12/31/2020	As at 12/31/2020	Previous year
6,884	1,115	0	-913	8	-6	7,088	3,716	2,596
40,908	7,115	1,340	0	0	0	49,363	27,262	13,725
0	0	0	0	0	0	0	6,368	17,732
0	0	0	0	0	0	0	0	453
47,792	**8,230**	**1,340**	**-913**	**8**	**-6**	**56,451**	**37,346**	**34,506**
0	0	0	0	-8	1	-7	27,474	27,474
0	**0**	**0**	**0**	**-8**	**1**	**-7**	**27,474**	**27,474**
1,737	382	41	-117	-26	-6	2,011	4,073	3,814
8,237	1,524	3	-930	0	-14	8,820	3,940	4,515
5,227	948	6	-310	0	-9	5,862	3,889	3,883
0	0	0	0	0	0	0	223	389
15,201	**2,854**	**50**	**-1,357**	**-26**	**-29**	**16,693**	**12,125**	**12,601**
0	0	0	0	0	0	0	2,278	2,278
14,635	2,034	0	-164	26	-48	16,483	14,873	15,764
14,635	**2,034**	**0**	**-164**	**26**	**-48**	**16,483**	**17,151**	**18,042**
13	0	0	0	0	0	13	5	5
13	**0**	**0**	**0**	**0**	**0**	**13**	**5**	**5**
77,641	**13,118**	**1,390**	**-2,434**	**0**	**-82**	**89,633**	**94,101**	**92,628**

DEVELOPMENT OF FIXED ASSETS FOR FISCAL YEAR 2019

Consolidated financial statement according to IFRS for fiscal year 2019 starting from January 1, 2019 to December 31, 2019

	Acquisition and production costs					
in T€	As at 01/01/2019	Additions	Transfers	Disposals	Foreign exchange differentials	As at 12/31/2019
Intangible assets						
Software, trademark rights, patents, and licenses	12,741	1,643	-4,815	-83	-6	9,480
Finished own developments	45,101	0	9,595	-63	0	54,633
Own developments in process	9,950	12,459	-4,677	0	0	17,732
Payments for third-party developments	0	556	-103	0	0	453
Total intangible assets	**67,792**	**14,658**	**0**	**-146**	**-6**	**82,298**
Goodwill						
Goodwill	12,740	14,734	0	0	0	27,474
Total Goodwill	**12,740**	**14,734**	**0**	**0**	**0**	**27,474**
Tangible Assets						
Land and buildings on third-party land	3,771	1,784	0	-7	3	5,551
Technical equipment and machinery	11,413	1,284	196	-142	1	12,752
Other furniture, fixtures, and equipment	8,096	1,435	173	-602	8	9,110
Assets under construction	173	585	-369	0	0	389
Total tangible assets	**23,453**	**5,088**	**0**	**-751**	**12**	**27,802**
Buildings and Land under finance leases						
Land of finance lease	2,278	0	0	0	0	2,278
Buildings of finance lease	22,480	7,934	0	-15	0	30,399
Total Buildings and Land under finance leases	**24,758**	**7,934**	**0**	**-15**	**0**	**32,677**
Other financial assets	18	0	0	0	0	18
Total other financial assets	**18**	**0**	**0**	**0**	**0**	**18**
Total assets	**128,761**	**42,414**	**0**	**-912**	**6**	**170,269**

Depreciation							Net book value	
As at 01/01/2019	Additions	Unscheduled depreciations	Disposals	Transfer	Foreign exchange differentials	As at 12/31/2019	As at 12/31/2019	Previous year
6,228	1,100	0	-443	0	-1	6,884	2,596	6,513
33,263	6,889	240	316	200	0	40,908	13,725	11,838
200	0	0	0	-200	0	0	17,732	9,750
0	0	0	0	0	0	0	453	0
39,691	**7,989**	**240**	**-127**	**0**	**-1**	**47,792**	**34,506**	**28,101**
0	0	0	0	0	0	0	27,474	12,740
0	**0**	**0**	**0**	**0**	**0**	**0**	**27,474**	**12,740**
1,343	399	0	-8	0	3	1,737	3,814	2,428
6,805	1,515	56	-141	0	2	8,237	4,515	4,608
4,744	898	0	-417	0	2	5,227	3,883	3,352
0	0	0	0	0	0	0	389	173
12,892	**2,812**	**56**	**-566**	**0**	**7**	**15,201**	**12,601**	**10,561**
0	0	0	0	0	0	0	2,278	2,278
12,787	1,848	0	0	0	0	14,635	15,764	9,693
12,787	**1,848**	**0**	**0**	**0**	**0**	**14,635**	**18,042**	**11,971**
13	0	0	0	0	0	13	5	5
13	**0**	**0**	**0**	**0**	**0**	**13**	**5**	**5**
65,383	**12,649**	**296**	**-693**	**0**	**6**	**77,641**	**92,628**	**63,378**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group´s annual balance sheet according to IFRS for the fiscal year from January 1, 2020 to December 31, 2020

					Other components of equity			
in k €	Notes	Subscribed capital	Capital reserve	Retained earnings	Differences due to currency conversion	Adjustment not affecting net income Finance lease / IFRS15	Sum of other components of equity	Total
Shareholders´ equity as of 01/01/2019		**3,206**	**5,286**	**70,133**	**492**	**-3,592**	**-3,100**	**75,525**
Total result				12,872	46	-1,180	-1,134	11,738
Share salesback	3.5	130	16,784	3,908				20,822
Capital increase company fund	3.5	6,672	328	-7,000				0
Dividend outpayment*	18.4			-5,104				-5,104
Shareholders´equity as of 12/31/2019		**10,008**	**22,398**	**74,809**	**538**	**-4,772**	**-4,234**	**102,981**
Total result				15,109	-759	215	-544	14,565
Share salesback / Share buyback		-3	192	-225				-36
Dividend outpayment**	3.5			-2,602				-2,602
Shareholders´equity as of 12/31/2020	18.4	**10,005**	**22,590**	**87,091**	**-221**	**-4,557**	**-4,778**	**114,908**

* 0,51 € per share

** 0,26 € per share

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 at 22926 Ahrensburg (Germany), An der Strusbek 60-62 (local court Lübeck HRB 4090AH). It maintains subsidiaries in Singapore, Taiwan, the USA, China, Japan, South Korea, Canada, and Germany as well as sales and service offices in Finland, Poland, the Netherlands, France, Malaysia, and UK. Development and manufacturing are carried out in the German headquarters. In July 2014, a second production line was opened in the Singapore subsidiary.

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 throughout.

Unless stated otherwise, all amounts are shown in thousands of € (€ thousand). The financial year corresponds to the calendar year. The consolidated financial statements are prepared on a going concern basis.

2.2 STANDARDS WITH NO EFFECT ON THE CONSOLIDATED FINANCIAL STATEMENTS

The amendments to the references to the framework in various IFRS standards to be applied from January 1, 2020, as well as the amendments to IAS 1, IAS 8, IFRS 9, IAS 39, IFRS 7 and IFRS 3 currently have no impact on the consolidated financial statements of Basler AG.

2.3 APPROVED BUT NOT YET ADOPTED STANDARDS

The following IFRS incorporated into EU law were issued on December 31, 2020, their application is, however, only mandatory in future reporting periods if no use is made of the right for an earlier application:

Amendment/Standard	Date of Publication	Date of Incorporation into EU Law	Date of Application (EU)
Amendment IFRS 16: Covid-19-related rental concession	May 28, 2020	October 9, 2020	June 1, 2020
Amendment IFRS 4 Insurance contracts: Extension of the temporary exemption from the application of IFRS 9	June 25, 2020	December 15, 2020	January 1, 2021

Following standards as well as interpretations and amendments to existing standards that have also been issued by the IASB are not yet obligatory for the consolidated financial statements as of December 31, 2020. The application of these standards presumes that they will be taken over by the EU within the scope of the IFRS endorsement procedure:

Amendment / Standard	Date of Publication	Date of Incorporation into EU Law	Date of Application (EU)
IRFS 17 Insurance contracts as well as amendments of IFRS 17 Insurance contracts	May 18, 2017/ June 25, 2020	open	January 1, 2023
Amendment IAS 1 Presentation of financial statements: Classification of liabilities as non-current or current plus amendments to IAS 1- Deferral of the date of initial application	January 23, 2020/July 15, 2020	open	January 1, 2023
Annual Improvements, Cycle 2018-2020	May 14, 2020	open	January 1, 2022
Amendments • IFRS 3 Business mergers: Cross-references to the framework concept • IAS 16 Tangible assets: Revenue before intended use • IAS 37 Provisions, contingent liabilities and contingent assets, Onerous contracts - costs of fulfilling contracts	May 14, 2020	H2/2021	January 1, 2022
Amendments IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Reform of reference interest rates Phase 2	August 27, 2020	Q4/2020	January 1, 2021

The new standards are not expected to have any material impact on the Basler group.

2.4 USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions about the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and about the reported amounts of revenues and expenses during the reporting period. The actual results can deviate from these assessed values. Significant estimation uncertainties arise in the valuation of tangible assets with regard to useful lives and in the valuation of internally generated intangible assets with regard to useful lives and expected sales. Furthermore, there are uncertainties regarding deferred taxes on loss carryforwards, provisions and assumptions for impairment tests. The carrying amounts of tangible assets and intangible assets result from the development of non-current assets. The management board is of the opinion that the carrying amount of internally generated intangible assets will be entirely realized despite possibly low sales.

3. ACCOUNTING AND VALUATION METHODS

3.1 FOUNDATIONS FOR CONSOLIDATION

All major subsidiaries that are directly or indirectly controlled by Basler AG as provided by IFRS 10 are included in the group's annual balance sheet. For a list of subsidiaries and investments, see note IV, 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 intercompany transactions, balances and intercompany profits are eliminated in full on 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.

Income 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 decreased by € 759 thousand (previous year: increased by € 46 thousand).

Business transactions made in foreign currencies in the individual financial statements are converted at the exchange rates applicable on the reporting dates of the transactions. In fiscal year 2020, profits amounting to € 2,011 thousand (previous year: € 1,427 thousand) and expenses amounting to € 2,062 thousand (previous year: € 1,852 thousand) occurred. The currency result is shown as currency result in the gross result of sales.

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

	Applicable Exchange Rate as of		Average Exchange Rates	
	12/31/2020	12/31/2019	2020	2019
US dollar	1,123	1,123	1,142	1,120
New Taiwan dollar	34,523	33,650	33,594	34,593
Chinese Yuan	8,023	7,821	7,875	7,736

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

Consolidation Principles

Capital consolidation is performed in accordance with the provisions of IFRS 3, whereby all assets and liabilities of the subsidiaries are recognized at fair value. The pro rata equity thus determined is compared with the carrying amount of the investment. Any remaining positive differences are capitalized as company value and are subject to an annual impairment test in accordance with IAS 36.

All intercompany balances, income and expenses, and unrealized gains and losses on intercompany transactions are eliminated in full. Deferred taxes are recognized on consolidation transactions recognized in profit or loss in accordance with IAS 12.

3.2 EARNINGS REALIZATION

Revenues 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 valueadded 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 delivery of the goods and products.

Interest Income

Interest income is recognized when interest is earned on non-current liabilities (using the effective interest method). Interest income is recognized in the consolidated statement of income as part of financial income.

3.3 TAXATION

Current Income Taxes

Current tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The calculation of the amount is based on the tax rates and tax laws applicable at the balance sheet date. Current tax assets and liabilities are offset if the group has a legally enforceable right to set off current tax assets against current tax liabilities and these relate to income taxes levied by the same taxation authority on the same taxable entity.

Current taxes relating to items recognized directly in equity are recognized in equity and not in the income statement.

Deferred Taxes

Deferred taxes are recognized using the liability method on temporary differences at the balance sheet date between the carrying amount of an asset or liability in the balance sheet and its tax base.

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, and

- 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 law nor on the taxable result, and

- 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 deferred tax liabilities are offset against each other if the group has a claim against 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 retained earnings.

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.

IFRS 9 specifies the requirements for the recognition and valuation of financial assets, financial liabilities, as well as some contracts for acquiring or selling of non-financial contracts. There were no impairments on financial assets identified in the fiscal year 2020. These would have to be shown as separate positions in the comprehensive income statement. As in previous years, Basler AG holds a stake in the "Beruf und Familie im HanseBelt gGmbH", Bad Oldesloe. Due to the holding of 20 % of equity amounting to € 5 thousand, this stake is classified as non-material.

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, individual value adjustments in the full amount of the receivable will be made. Due to low loss of receivables (2016 – 2020 a total of groupwide € 12 thousand at a sales level of € 730,163 thousand) no value adjustments were made according to IFRS 9.

IFRS 9 contains three basic categories for the classification of financial assets:

- valued at amortized costs,
- valued at fair value with changes in value on other comprehensive income (FVOCI), as well as
- valued at fair value with changes in value in the profit or loss (FVTPL).

Please see point 21.

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

On principle, tangible assets are valued 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 and 14
Other equipment, operational and office equipment	3
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.

The useful lives for assets that are accounted for under IFRS 16 vary depending on the respectively expected contractual useful lives of the leased asset. The night-of-use asset is amortized on a straight-line basis over the shorter of the lease term and the useful life of the identified asset. For details see 3.12.

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 expenses 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,

- 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 production cost model, i.e. using production costs minus accumulated amortizations and accumulated impairment expenses. 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 straightline 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 6
Software, product developments re-ceived against payment	3 to 7

The amortization expenses of capitalized development costs are included in "Research and development" in the consolidated statement of income, while that of software and purchased product developments is included in "Sales and marketing expenses" and "General and administration 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.

According to IFRS 3 and/or IAS 38, business or company values are not written off on a scheduled basis. Instead, once a year and in case of indications for a value reduction they are subject to an impairment test according to IAS 36 and, if necessary, devaluated to their recoverable amount. For doing so, the fair value less costs to sell (FVLCS) is used as a basis.

According to IAS 36.80 the goodwill is attributable to the CGU (Cash Generating Unit) which presumably will benefit from the synergy effects of the merger. The CGU in question shall not be bigger than an operating segment. Viewed downwards within the company hierarchy, the lowest intragroup reporting level is mentioned where the goodwill is systematically monitored. At Basler this is the group including its total business. Thus, the goodwill is tested on corporate level.

If impairment is identified, first of all a possibly existing goodwill of the cash generating unit in question is value adjusted. Afterwards, a residual amount is allocated pro rata to the other assets of the respective cash generating unit on the basis of the residual book value of each individual asset at the balance sheet date. If the reason for an impairment recorded in the previous year no longer applies, with the exception of goodwill, assets are written up to their scheduled carrying amount.

The growth rates underlying the discounted cash flow calculation for external sales in the detailed planning period 2021 - 2024 amount to 15 % (previous year: 15 %), the earnings before taxes (EBT) amount to 22 to 38 % (previous year: 21 to 50 %). A growth rate of 1 % is taken into account for the cash flows after the planning period. Discounting was carried out on the basis of a uniform risk-equivalent capitalization rate (weighted average cost of capital, WACC) of 10.0 % (previous year: 10.5 %) which is based on market data and considers company-specific risk factors. Sensitivity analyses have determined that there is no need to recognize an impairment loss on goodwill even if the key assumptions differ within a realistic range. In quantifying the sensitivity analysis, a reduction in future EBT result of 10 % was assumed, as a change of up to this amount is reasonably possible. Based on past experience, no major changes are likely. The impairment tests carried out did not reveal any indications of a need for impairment.

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

In principle, all leases and the associated contractual rights and obligations are now to be accounted for under IFRS 16 in the lessee's balance sheet. Thus, the differentiation between finance and operating leases so far shown under IAS 17 no longer applies.

On January 1, 2019, IFRS 16 was initially applied. The initial application was effected as of January 1, 2019, according to the modified retrospective conversion method. As mentioned in the 2018 annual report, within the initial application, all property leases were shown as economic ownership, covering 98 % of the total leases. A lease exists if a corresponding contract allows the use of an identified asset against payment of a fee for a specified period of time.

For these leases, future lease payment obligations liabilities are passivated. Simultaneously, rights of use for the underlying assets are activated. These correspond to the cash value of future lease payments plus initial direct costs, advance payments, and reinstatement costs as well as minus incentive payments received.

The subsequent accounting is made according to the effective interest method. The applicable interest rate was determined in a country specific manner. During the term of the lease, leasing liabilities are updated in a financial mathematic way, similar to the previously applicable regulation according to IAS 17 for finance leases. The right of use is amortized according to plan.

As lessee, Basler accounts for according to the right-of-use-model pursuant to IFRS 16.22 leases, regardless of economic ownership of the leasing object in question at the beginning of the term. Rights of use and liabilities are shown separately in the balance sheet. If events or changed circumstances suggest an impairment, an impairment test will be carried out according to IAS 36.

3.13 BORROWING COSTS

Borrowing costs are capitalized on qualifying assets according to IAS 23. They are added to the production costs of the assets until the date when the assets are essentially ready for their intended use or for sale.

Achieved earnings from temporary investment of specially raised borrowed capital until its disbursement for qualifying assets are deducted from the borrowing costs that can be capitalized. All other borrowing costs are recognized as income in the period where they accrue.

3.14 FINANCIAL DEBT

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

3.15 PROVISIONS

Provisions are recognized when Basler has a present (legal or constructive) obligation due to a past event, when settlement of the obligation is expected to result in an outflow of resources of economic benefit, and when the amount of the obligation can reliably be estimated. If the group expects to receive a reimbursement of at least part of a provision from an identifiable third party (e.g. in the case of an insurance policy) the reimbursement is recognized as a separate asset provided the influx of the reimbursement is virtually certain. The expense from recognizing the provision is recorded in the income statement less reimbursement.

If the interest effect resulting from a discounting is material, provisions are discounted at a pretax interest 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 financial 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 as follows:

- 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 nonobservable parameters for the asset or the debt.

3.17 IMPAIRMENT OF ASSETS

The book values of tangible and 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 is determined at the level of the cash-generating unit (CGU) to which the respective asset is allocated. At Basler AG, the allocation is made at the level of product 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 the higher amount of the fair value less costs 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 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 that cannot be used yet the impairment test will be made at the level of product families as CGU (cash generating unit). 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 group assumes a sales growth in the lower double-digit percentage range for 2020 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 10.0 % (previous year: 10.5 %). The increase compared to the previous year mainly results from uncertainties of the macroeconomic overall situation including a market risk premium. The discount rate 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 13.0 % and/or an expected decline of the planned sales revenues by 3.8 % would lead to a devaluation of certain intangible assets.

If there are indications of a devaluation of fixed assets in the course of the financial year, these will be examined and its value adjusted, if necessary.

II. ITEMS OF THE ANNUAL FINANCIAL STATEMENTS

NOTES TO THE PROFIT AND LOSS STATEMENT

4. SALES REVENUES

The sales revenues originate almost exclusively from camera and frame grabber business. We refer to the classification shown under point 24.

Pursuant to IFRS 15 revenues are recorded upon obtaining control of the goods or services by the customer. The determination of whether the transfer of control is depending on the point of time or the period of time requires discretionary decisions. Sales are measured based on a consideration determined in a contract with a customer. The following table provides information about receivables and liabilities resulting from contracts with customers:

in € k	2020	2019
Accounts receivable	19,490	18,993
Contractual liabilities	-248	-395
Contractual receivables	229	0

The contractual obligations relate to the extended warranty that is a separate service obligation (service-type-warranty) and that has to be cut off over the warranty period of three years.

In the financial year 2020, € 65 thousand (previous year: € 71 thousand) were cut off as contractual liabilities in sales. Upon fulfillment of the contractual liabilities, revenue is recognized in the corresponding amount.

The contract receivables relate to period-related services from customer contracts that have not yet been billed.

In the 2020 financial year, € 229 thousand (previous year: € 0 thousand) were deferred as contract receivables in revenue.

5. OTHER OPERATIONAL PROFIT

The other operational profits include the following:

in € k	2020	2019
Rental Income	3	12
Subsidies for research and development	170	25
Income from the release of provisions	233	113
Others	727*	681
	1,133	**831**

*) including € 238 thousand Corona grants Asia

6. RESEARCH AND DEVELOPMENT

The expenses include the following:

In € k	2020	2019
Full costs for research and development	23,705	23,104
Capitalization of own development costs	-10,497	-12,312
Depreciations on capitalized developments	8,455	7,129
	21,663	**17,921**

7. FINANCIAL RESULT

In € k	2020	2019
Non-period income from adjustment Earn Out	922	752
Market price valuation of derivative financial instruments	78	182
Other interest income	119	88
Interest income discounting	1	-64
Financial income	**1,120**	**956**
Interest expences for finance lease	-397	-441
Interest expences on bank loans	-354	-428
Non-period expense from adjustment Earn Out	-49	-210
Interest expense from derivative financial instruments	-81	-149
Other interest expense	-19	21
Capitalization of interests pursuant to IAS23	132	148
Financial expenses	**-769**	**-1,059**
	351	**-103**

In 2020, the average financing cost rate considered in accordance with IAS 23 was 1.04 % (previous year: 1.23 %).

8. INCOME TAXES

Both current taxes (paid or owed) on income and deferred taxes are reported as income taxes.

Any income obtained is stated as a negative amount.

in € k	2020	2019
Current taxes from consolidated companies	4,658	2,953
Deferred taxes from consolidated companies	342	1,029
Other taxes	305	63
Tax expense	**5,305**	**4,045**

Determination deferred tax expenses:

in € k	2020	2019
Deferred tax expenses or income from losses carried forward (continuously)	-816	-318
Deferred tax expenses or income from temporary differences	1,158	1,347
Deferred tax expense	**342**	**1,029**

The following is a breakdown of the effective tax burden which includes the German corporate income tax rate including the solidarity surcharge of 15.83 % (previous year: 15.83 %), and the applicable trade income tax rate of 13.37 % (previous year: 13.37 %), amounting to a total tax rate of 29.20 % (previous year: 29.20 %):

Tax reconciliation (in € k)	2020	2019
Net profit / loss for the year before income taxes	20,414	16,917
Applicable tax rate	29.20 %	29.20 %
Expected tax expense / income	5,961	4,940
Reconciliation:		
Effect from deviating tax rates	-1,542	-885
Tax effect from non-deductible expenses and tax-free earnings	-120	920
Effect from intragroup sales	-112	777
Effects of previous years due to an external audit	0	-1,459
Foreign withholding tax	830	
Others	288	-248
Actual tax expense / income	5,305	4,045
Group tax rate	25.99 %	23.91 %

As per December 31, the following tax loss carry forwards existed:

in € k	2020	2019
Germany, corporate income tax	4,197	1,252
Germany, trade income tax	3,509	893

The tax loss carry forwards in Germany apply for an indeterminate period. Due to the statutory situation, out of the total loss carryforward, a maximum of € 1,000 thousand plus 60 % of the excess tax profit can be utilized per year.

9. ADDITIONAL INFORMATION

9.1 SCHEDULED AND UNSCHEDULED DEPRECIATIONS

In fiscal year 2020, unscheduled value adjustments were made on capitalized product developments in an amount of € 1.340 thousand (previous year: € 240 thousand). The depreciations included discontinued products or products that are not expected to have sufficient economic benefit.

The unscheduled depreciations on the capitalized developments were recorded with the other expense.

The scheduled and unscheduled depreciations are included in the following areas:

in € k	2020	2019
Cost of Sales	1,604	1,804
Research and Development	8,455	7,129
Sales and Marketing Costs	1,339	1,151
General Administration Costs	2,454	2,233
Other Expenses	657	627
	14,508	**12,944**

9.2 PERSONNEL EXPENDITURES

in € k	2020	2019
Wages and salaries	58,385	55,308
Social security contributions	10,232	10,319
	68,617	**65,627**

The expenses for the contribution-based pension schemes amounted to € 4,741 thousand (previous year: € 4,400 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.

9.3 COST OF MATERIALS

in € k	2020	2019
Expenses for raw, auxiliary, and operating supply items as well as purchased goods	61,094	60,630
Expenses for purchased services	1,421	579
	62,515	**61,209**

In the year 2020, costs for warranty services amounted to € 688 thousand (previous year: € 614 thousand).

9.4 RECONCILIATION FOR RESULT PER SHARE

	2020	2019
Earnings (diluted = undiluted) in € thousand	15,109	12,872
Weighted average number of ordinary shares	10,005,420	9,942,657
Result per share (diluted = undiluted) (in €)	**1.51**	**1.29**

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. On December 31, 2020, Basler AG's share capital amounted to € 10.5 million divided into 10.5 million no-par value bearer shares at € 1.00 each.

	Number of Shares
Shares in circulation on January 1, 2020	10,007,757
Sales	5.066
Purchases	-7.559
Shares in circulation on December 31, 2020	10.005.264

III. NOTES TO THE BALANCE SHEET

10. DEVELOPMENT OF FIXED ASSETS

On December 31, 2020, the purchase commitments for tangible assets amounted to € 1,801 thousand (previous year: € 679 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 (in € k)	Book value 12/31/2020 (Previous Year)	Useful Lives in years (Previous Year)
New camera platforms Mainstream/Upper Mainstream	13,434 (8,968)	5 (5)
Development of camera modules for use with embedded processors	4,514 (1,378)	3 (3)
Camera development and improvement of 3D ToF technology	2,770 (2,540)	3 (3)

The item "Goodwill" as of December 31, 2020 relates to goodwill arising on the initial consolidation of consolidated subsidiaries

11. DEFERRED TAXES

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

Deferred Tax Assets (in € k)	12/31/2020	12/31/2019
Inventories	67	893
Finance Lease	25	0
Loss carried forward	1,133	318
Sales Realization	6	115
Financial Instruments	0	48
Holding	45	45
Others	898	44
Offsetting	-1,295	-617
	879	**846**

Deferred Tax Liabilities (in € k)	12/31/2020	12/31/2019
Capitalized Developments	8,743	7,979
PPA Capitalized Developments	935	1,168
Finance Lease	728	356
Tangible Assets	84	218
Holding	405	150
PPA KD-Order Volume	0	59
Other	110	38
Offsetting	-1,295	-617
	9,710	**9,351**

12. INVENTORIES

The inventories include the following:

in € k	12/31/2020	12/31/2019
Finished Products	8,935	9,927
Semi-finished Products	1,472	1,556
Raw materials, suppliers, and operating materials	6,988	6,592
Merchandise	2,639	2,870
	20,034	**20,945**

As of December 31, 2020, inventories were subject to range deductions amounting to € 1,396 thousand (previous year: € 955 thousand).

13. RECEIVABLES FROM DELIVERIES AND SERVICES AS WELL AS PRODUCTION ORDERS

Of the receivables from deliveries and services in the amount of € 19,471 thousand (previous year: € 19,388 thousand) € 19,471 thousand (previous year: € 19,388 thousand) are due within one year.

The receivables from deliveries and services are adjusted in the amount of € 6.7 thousand (previous year: € 2 thousand). Value adjustments are performed as far as the collectability of a receivable is in danger e.g. due to insolvency. The necessary value adjustments have been below € 10 thousand over the last years. There were no material bad debts in the past years due to credit management. Thus, for reasons of materiality, a value adjustment according to the lifetime expected loss was not carried out.

The age of the receivables from deliveries and services after their individual value adjustment is as follows:

in € k	Book Value as of 12/31	Of which not overdue as of 12/31	Of which past due up to 60 days	Of which more than 61 days past due
2020	19,471	14,655	2,864	1,952
2019	19,388	15,290	1,463	2,635

Despite the Corona pandemic, no deterioration in customer payment behavior was observed. Accordingly, there were no specific valuation allowances in 2020 or previous years. The total of advance payments received amounts to € 1,129 thousand (previous year: € 986 thousand). 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

in € k	12/31/2020	12/31/2019
Derivative Financial Instruments	765	0
Other current assets	1,434	0
Loans to third party	1,320	4,578
Other short-term financial assets	**2,198**	**4,578**
Accrued expenses	1,320	1,245
Advance payments made	93	380
Other short-term assets	**1,413**	**1,625**
Total	**3,611**	**6,203**

The fair values do not significantly differ 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 € 463 thousand (previous year: € 1.073 thousand) and the reclaim of taxes paid in advance on income and profit amounting to € 3,713 thousand (previous year: € 4.952 thousand).

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

16. CASH AND CASH EQUIVALENTS

Liquid assets include bank deposits and cash balances in the amount of € 47,860 thousand (previous year: € 35,177 thousand).

17. LEASE

At the balance sheet date December 31, 2020, the rights of use in an amount of € 17,151 thousand are off-set by lease liabilities with a present value of € 14,803 thousand. The short-term portion of the lease liability amounts to € 3,437 thousand. The short-term lease payments mainly include payments for software amounting to approximately € 1.7 million (previous year: € 1.2 million) and for low-value leasing amounting to € 0.4 million (previous year: € 0.3 million).

The payment obligations have the following maturity structure:

in € k	Minimum lease payments		Interest portion included		Cash values	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
With a residual term of up to one year	3,679	3,450	245	272	3,433	3,178
With a residual term of more than one year and up to two years	3,555	3,373	174	216	3,379	3,157
With a residual term of more than two years and up to three years	2,875	3,259	124	159	2,750	3,100
With a residual term of more than three years and up to four years	2,542	2,787	274	118	2,266	2,669
With a residual term of more than four years and up to five years	749	2,507	68	385	680	2,122
With a residual term of more than five years	2,384	2,845	116	150	2,268	2,695
Total	**15,783**	**18,221**	**1,002**	**1,300**	**14,776**	**16,921**

After expiration of the basic rental period there are customary extension options whose exercise is more than likely. On principle, leases with a value less than € 12 thousand are not classified as a finance lease in the context of the simplified application, these did not exist on the reporting date.

When valuing the present value the following interest rates were used.

Country	Interest rate (prev. Year)
Germany	2.7 (2.7)
USA	4.5 (4.5)
Singapore	4.0 (2.7)
China	5.3 (5.3)

Country	Interest rate (prev. Year)
Taiwan	3.0 (3.0)
Japan	3.0 (2.7)
Korea	3.0 (3.0)

The interest rates come from the respective lease and / or from calculations made by resident financial institutes, thus considering any country risks as well as contract period of the respective lease.

18 EQUITY

18.1 SUBSCRIBED CAPITAL

The paid-up share capital of the company amounts to € 10,500 thousand (previous year: € 10,500 thousand) and is divided into 10,500,000 (previous year: 10,500,000) issued no-par-value shares. The shares are in bearer form.

On the reporting date, Basler AG holds 494,736 own shares (previous year: 492.243).

On May 16, 2019, the annual general meeting of Basler AG decided to increase the corporate's share capital from € 3,500 thousand by € 7,000 thousand to € 10,500 thousand in accordance with the provisions on capital increases from company funds (Secs. 207 et seq. AktG). The capital increase was carried out by converting retained earnings in the amount of € 7,000 thousand.

In order to enable the company to continue to adjust its equity resources quickly and flexibly in line with requirements in the future, a resolution was passed on the creation of new, increased authorized capital.

18.2 AUTHORIZED CAPITAL

On May 26, 2020, the annual general meeting of Basler AG authorized the management board, with the approval of the supervisory board, to increase the company's share capital by up to € 5,250 thousand by issuing a total of up to 5,250,000 new no-par value ordinary bearer shares on one or more occasions until May 25, 2025 in return for cash contributions and/or contributions in kind (Authorized Capital 2020). Shareholders are generally entitled to a subscription right. The management board is authorized, with the approval of the supervisory board, to exclude shareholders' subscription rights on one or more occasions. The new shares may also be underwritten by one or more banks with the obligation to offer them to shareholders for subscription.

18.3 COMPONENTS OF THE RESIDUAL TOTAL INCOME

The pre-tax and after-tax results of the components are as follows:

in € k	12/31/2020			12/31/2019		
	Before taxes	Taxes	Net	Before taxes	Taxes	Net
Currency conversion of foreign subsidiaries	-759	0	-759	46	0	46
Total	-759	0	-759	46	0	46

Due to high exchange rate fluctuations in USD and CNY, the currency translation of foreign subsidiaries increased

18.4 DIVIDEND PAYMENT

On May 29, 2020, a dividend was paid amounting to € 0.26 per share (total dividend: € 2,602 thousand).

19. FINANCIAL LIABILITIES

€ 21,121 thousand of the financial liabilities are related to long term interest bearing bank liabilities (previous year: € 14,362 thousand). Furthermore, derivative financial liabilities of € 0 thousand (previous year: € 166 thousand), and the short-term repayment portion of the financial liabilities of € 4,110 thousand (previous year: € 5.116 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.

A transition of the liabilities movements to the cash flow from financing activities according to IAS 7 is shown separately.

20. PROVISIONS

In € k	01/01/ 2020	All-oca-tion	Utiliza-tions	Liqui-dations	In-ter-ests	Cur-rency Diffe-rences	12/31/ 2020
Long-term provisions							
Personnel costs	880	201	0	0	-1	0	1,080
Long-term provisions	**880**	**201**	**0**	**0**	**-1**	**0**	**1,080**
Short-term provisions							
Personnel costs	3,854	9,242	-8,521	0	0	-62	4,513
Commissions	0	29	0	0	0	0	29
Warranty	684	7	-38	-174	0	0	479
Legal and con-sultancy costs	154	108	-107	-4	0	-3	148
Other	439	503	-410	-55	0	-3	474
Short-term provisions	**5,131**	**9,889**	**-9,076**	**-233**	**0**	**-68**	**5,643**
Total	**6,011**	**10,090**	**-9,076**	**-233**	**-1**	**-68**	**6,723**

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.

USD	12/31/2020	12/31/2019
Nominal value € k	765	0
Foreign currency amount in USD thousand	6,134	0
Fair value in € thousand		
- Positive	306	0
- Negative	0	0

No valuation units were formed.

	12/31/2020	12/31/2019
Nominal value € k	0	3,030
Fair value in € k		
- Positive	0	0
- Negative	0	166

According to IFRS 7, the financial instruments are divided into the following valuation classes.

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

The book values of the financial instruments as of December 31, 2020 (previous year), are as follows:

In € k	Original Category of Measurement according to IAS 39	New Valuation Category according to IFRS 9	Book Value	Amortized Costs	Market Value, affecting Net Income	Fair Value
Assets						
Remaining financial assets	AfS	FVTPL	5 (5)	5 (5)		
Long-term financial assets		**Amortized costs**	**5 (5)**			**5 (5)**
Receivables from deliveries and services	LaR		19,471 (19,388)	19,471 (19,388)		
Short-term financial assets			**19,471 (19,388)**			**19,471 (19,388)**
Short-term derivative assets	FVTPL	FVTPL	765 (0)		765 (0)	
Remaining other short-term financial assets	LaR	Amortized costs	1,434 (4,578)	1,434 (4,578)		
Other short-term financial assets			**2,199 (4,578)**			**2,199 (4,578)**
Liquid assets	LaR	Amortized costs	47,860 (35,177)	47,860 (35,177)		
Cash and cash equivalents			47,860 (35,177)			**47,860 (35,177)**
			69,535 (59,148)			
Liabilities						
Liabilities to credit institutions	FLAC	Other financial liabilities	21,121 (14,362)	21,121 (14,362)		
Liabilities from finance lease	FLAC	Fair value	11,366 (13,743)	11,366 (13,743)		
Long-term financial liabilities			**32,487 (28,204)**			**32,487 (28,204)**
Other financial liabilities	FLAC	Other financial liabilities	4,110 (5,116)	4,110 (5,116)		
Short-term derivative liabilities	FVTPL		0 (166)		0 (166)	
Liabilities from deliveries and services	FLAC	Fair value	11,072 (10,588)	11,072 (10,588)		
Liabilities from finance lease	FLAC	Other financial liabilities	3,437 (3,178)	3,437 (3,178)		
Remaining other short-term financial liabilities	FLAC	Fair value	3,266 (9,209)	3,266 (9,209)		
Short-term liabilities			**21,885 (28,255)**			**21,885 (28,255)**
			54,372 (56,459)			

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

12/31/2020 (12/31/2019) (in € k)	Level 1	Level 2	Level 3	Total
Financial assets of "Market value affecting profit and loss" category				
Short-term derivative assets	0 (0)	765 (0)	0 (0)	765 (0)
Total	**0 (0)**	**765 (0)**	**0 (0)**	**765 (0)**
Financial liabilities of "Market value affecting profit and loss" category				
Short-term derivative liabilities	0 (0)	0 (166)	0 (0)	0 (166)
Total	**0 (0)**	**0 (166)**	**0 (0)**	**0 (166)**

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 a good approach to the fair value.

Please refer to chapter 7 and 13 for the recording of impairments and net profits / losses of the stated financial assets and financial liabilities.

IV. ADDITIONAL INFORMATION

22. TYPE 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 chapter 13, 14, and 15 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.

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 % each as of the balance sheet date would result in the following effects on profit (in € thousand):

	Exchange rate +10 %	Exchange rate -10 %
USD	361	-361
JPY	55	-55
SGD	26	-26
CNY	1,058	-1,058
	1,500	**-1,500**

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.

	12/31/2020	12/31/2019
Liquid assets	47,860	35,177
Unused credit lines	9,600	20,800
Total	**57,460**	**55,977**

This strategy was not changed compared to the previous year.

On the reporting date, Basler had access to credit lines amounting to € 9,600 thousand (previous year: € 20,800 thousand) including € 0 thousand (previous year: € 11,800 thousand) earmarked loan commitments. 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 years, 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 (previous year)	Total amount	< 1 Year	> 1 Year	Of which > 5 Years
Bank debt	25,231 (19,478)	4,110 (5,298)	21,121 (14,180)	10,198 (3,610)
Liabilities from deliveries and services	11,072 (10,588)	11,072 (10,588)	0 (0)	0 (0)
Other current financial and tax liabilities	7,046 (12,097)	7,046 (12,097)	0 (0)	0 (0)
Liabilities from finance lease	14,803 (16,921)	3,437 (3,178)	11,366 (13,743)	2,268 (2,695)

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

in € k	Up to 1 Year	2 to 5 years	More than 5 years	Total
2020	765	0	0	**765**
2019	1,212	1,818	0	**3,030**

24. SEGMENT REPORT

Within the internal reporting there is no distinction between any segments or management in segments. The planning and allocation of resources throughout the group is carried out exclusively for the camera business.

Customers of Basler are global players. In the following statement of turnover per region, 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.

in € k	2020	2019
Germany	16,577	20,211
EMEA	32,994	29,845
Americas	26,049	23,382
Asia	94,839	88,523
Total	**170,459**	**161,961**

In 2020 and 2019, there was no customer with a sales portion of more than 10 %.

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

in € k	12/31/2020	12/31/2019
Germany	88,855	86,972
USA	317	436
Asia	4,929	5,220
	94,101	**92,628**

25. NUMBER OF EMPLOYEES

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

Number (FTE*)	2020	2019
Production	206 (197)	212 (203)
Sales and Marketing	301 (287)	293 (283)
Development	213 (200)	208 (196)
Administration	137 (123)	140 (124)
	857 (807)	**853 (806)**

* Full Time Equivalent

26. REMUNERATION OF THE AUDITORS

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

in € k	2020	2019
Audit fees	67	63
Tax consultancy services	0	0
Other services	9	0
	76	**63**

27. RELATIONS TO CLOSELY AFFILIATED PERSONS

In fiscal year 2020, there were no business relationships with related parties except for the remuneration of the management board and the remuneration of the supervisory board.

52.67 % of shares voting rights of Basler AG are held by Norbert Basler Holding GmbH, which in turn is hold by the Basler Beteiligungs GmbH & Co.KG at 100 %.

28. MANAGEMENT BOARD AND SUPERVISORY BOARD

28.1 MANAGEMENT BOARD

In 2020, 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 until December 31, 2020, responsible for sales, market communication, and subsidiaries
- Arndt Bake, Chief Marketing Officer, responsible for strategic marketing, product management and new business
- 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

From January 1, 2021, Alexander Temme (CCO) is responsible for sales, market communications, and subsidiaries.

28.2 SUPERVISORY BOARD

In 2020, the supervisory board consisted of the following members::

Norbert Basler	Chairman of the Supervisory Board, Chairman of the nomination committee, member of the audit committee, entrepreneur
Dorothea Brandes	Member of the Supervisory Board as Employee representative, Organizational developer, Basler AG
Horst W. Garbrecht	Member of the Supervisory Board, member of the nomination committee, Chairman of the Management of Metabowerke GmbH, Management Board (COO-Europe) of Koki Holdings, Japan
Dr. Marco Grimm	Member of the Supervisory as Board Employee representative,Team leader, Software development for quality control, Basler AG
Prof. Dr. Eckart Kottkamp	Vice Chairman of the Supervisory Board, member of the nomination committee, member of the audit committee, Consultant
Prof. Dr. Mirja Steinkamp	Member of the Supervisory Board, chairman of the audit committee, auditor, tax consultant, Professor for auditing and corporate accounting at NORDAKADEMIE

Additional mandates held by the supervisory board members in 2020, compliant with § 285 No. 10 HGB:

Norbert Basler
Member of the Supervisory Board, Plato AG, Lübeck
Member of the Supervisory Board, Dr. Födisch Umweltmesstechnik AG, Markranstädt (until Nov. 8. 2020)
Member of the Supervisory Board, Beruf und Familie in HanseBelt gGmbH, Bad Oldesloe
Vice Chairman of the Advisory Board, Zöllner Holding GmbH, Kiel

Horst W. Garbrecht
Member of the Advisory Board, Fischerwerke GmbH & Co. KG, Waldachtal
Regional Advisory Board, south and southwest, Commerzbank AG, Frankfurt am Main

Prof. Dr. Eckart Kottkamp
Member of the Supervisory Board, KROMI Logistik AG, Hamburg
Chairman of the Advisory Committee, PEP NewCo IV GmbH (LKE Group), Marl

Prof. Dr. Mirja Steinkamp
Vice Chairman of the Supervisory Board, Alper & Schetter AG, Neuss

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.

The total remuneration of the management board (inflow) is as follows:

		Dietmar Ley		John P. Jennings		Arndt Bake		Hardy Mehl			
	Function	Chief Executive Officer (CEO)		Chief Commercial Officer (CCO)		Chief Marketing Officer (CMO)		Chief Finance Officer (CFO) and Chief Operations Officer(COO)			
	Member of Management Board since	1998		2006		2011		2014		Total	
		2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Transfer (in € k)	Fixed compensation	343	338	256	276	238	234	278	273	1,115	1,121
	fringe benefits	20	19	53	68	21	20	22	22	116	129
	Total	**363**	**357**	**309**	**344**	**259**	**254**	**300**	**295**	**1,231**	**1,250**
	One-year variable remuneration	0	0	0	0	0	0	0	0	0	0
	Multi-year variable remuneration / payout from bonus bank	135	186	148	174	93	128	134	142	510	630
	Total	**498**	**543**	**457**	**518**	**352**	**382**	**434**	**437**	**1,741**	**1,880**
	Pension expenses	1	1	8	8	1	1	1	1	11	11
	Total Remuneration	**499**	**544**	**465**	**526**	**353**	**383**	**435**	**438**	**1,752**	**1,891**

The granted benefits are allocated as follows:

		Dietmar Ley		John P. Jennings		Arndt Bake		Hardy Mehl			
	Function	Chief Executive Officer (CEO)		Chief Commercial Officer (CCO)		Chief Marketing Officer (CMO)		Chief Finance Officer (CFO) and Chief Operations Officer(COO)			
	Member of Management Board since	1998		2006		2011		2014		Total	
		2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Transfer (in € k)	Fixed compensation	343	338	256	276	238	234	278	273	1,115	1,121
	fringe benefits	20	19	53	68	21	20	22	22	116	129
	Total	**363**	**357**	**309**	**344**	**259**	**254**	**300**	**295**	**1,231**	**1,250**
	One-year variable remuneration	0	0	0	0	0	0	0	0	0	0
	Multi-year variable remuneration / payout from bonus bank	225	34	189	28	156	246	213	28	733	114
	Total	**588**	**391**	**498**	**372**	**415**	**278**	**513**	**323**	**2,014**	**1,364**
	Remuneration	1	1	8	8	1	1	1	1	11	11
	Total Remuneration	**589**	**392**	**506**	**380**	**416**	**279**	**514**	**324**	**2,025**	**1,375**
	Possible minimal amount-reduction bonus bank	-114	-112	-85	-92	-79	-78	-93	-92	-371	-374
	Possible maximum amount - transfer to bonus bank	686	675	513	551	475	468	556	547	2,229	2,242

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.

28.4 REMUNERATION OF THE SUPERVISORY BOARD

The total remuneration of the members of the supervisory board amounted to € 169.9 thousand (previous year: € 147 thousand) in the year 2020. There was no performance-related remuneration.

	Fixed Remuneration in € k	
	2020	**2019**
Norbert Basler	58.8	51.8
Dorothea Brandes	15.5	14.0
Horst W. Garbrecht	17.8	16.1
Dr. Marco Grimm	15.5	14.0
Prof. Dr. Eckart Kottkamp	30.8	26.6
Prof. Dr. Mirja Steinkamp	31.5	24.5

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 Korea, Jungwongu/Korea	100
Basler Japan KK, Minato-ku/Japan	100
Basler Vision Technologies Taiwan Inc.,	100
Jhubei City/Taiwan	100
Silicon Software GmbH, Mannheim/Germany	100
Basler Vision Technology (Beijing) Co. Ltd., Beijing/China	100

A further investment exists in Beruf und Familie, HanseBelt gGmbH, Bad Oldesloe:

Company Name	Proportion of Stake in % (12/31/2020)	Equity (12/31/2019)*	Result (2019)*
Beruf und Familie, Hanse-Belt gGmbH, Bad Oldesloe	14	€ 85 k	€ 13 k

*) A financial statement as of December 31, 2020 was not available by the time this report was prepared.

There are no other shareholdings.

30. CORPORATE GOVERNANCE

Pursuant to § 161 of the German Stock Corporation Act (AktG), the statement of compliance was made accessible to the shareholders on the company's website at www.baslerweb.com/investors.

31. APPROVAL OF THE ANNUAL

BALANCE SHEET

The annual balance sheet is expected to be released for publication by the supervisory board on March 25, 2021.

32. RECOMMENDATION FOR THE APPROPRIATION OF PROFIT

The management board proposes that the unappropriated profit of € 39,074,097.68 be appropriated as follows:

Distribution of a dividend of € 0.45 per share (30 % of EAT)	4,502,368.80
Distribution of a dividend of € 0.13 per share (due to the very good result despite of Corona)	1,287,176.86
Transfer to retained earnings	0.00
Carry forward to new account	33,284,552.02
Unappropriated profit	39,074,097.68

33. SUPPLEMENTARY REPORT

No events occurred after the balance sheet date that had an impact on the consolidated financial statements of the group.

Ahrensburg, March 25, 2021

Management Board

Dr. Dietmar Ley	Arndt Bake	Hardy Mehl	Alexander Temme
CEO	CMO	CFO/COO	CCO


LENS MADE IN
1:2.8
ZOOM LENS
20-35 mm

AUDIT CERTIFICATE OF THE INDEPENDENT STATUTORY AUDITOR

To Basler Aktiengesellschaft, Ahrensburg

NOTE ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

AUDIT OPINIONS

We reviewed the consolidated financial statements of Basler Aktiengesellschaft, Ahrensburg and its subsidiaries (the Group) – consisting of the consolidated balance sheet as of December 31, 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for financial year January 1, 2020 to December 31, 2020 as well as the notes to group financial statements, including a summary of significant accounting policies.

In addition we reviewed the group management report of Basler Aktiengesellschaft for financial year January 1, 2020 to December 31, 2020. In accordance with German statutory provisions we did not review the contents of the components of the group management report specified under "Other Information".

In our opinion based on the findings of our audit

- the accompanying consolidated financial statements comply in all material respects with international financial reporting standards [IFRS], as they are to be applied in the European Union, as well as supplementary German statutory provisions in accordance with Section 315e Paragraph 1 of the German Commercial Code [HGB] and, in compliance with these rules, provide an accurate view of the net assets and financial situation of the company as of December 31, 2020 and its earnings situation for the financial year from January 1, 2020 to December 31, 2020 and
- the accompanying group management report provides a true picture of the group's situation. In all material respects this group management report is consistent with the consolidated financial statements, complies with German statutory provisions and accurately presents the risks and opportunities of future development. Our audit opinion on the group management report does not include the content of the components of the group management report specified under "Other Information".

In accordance with Section 322 Paragraph 3 Sentence 1 of the German Commercial Code [HGB] we declare that our audit resulted in no objections to the adequacy of the consolidated financial statements and the group management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and the group management report in accordance with Section 317 of the German Commercial Code [HGB] and the EU regulation regarding statutory auditors (No. 537/2014; hereinafter referred to as "EU-APrVO") as well as in observance of the specified German principles of proper auditing as laid down by the Institute of German Certified Public Accountants [IDW]. Our responsibility in accordance with these regulations and principles is further described in the section "Responsibility of the Auditor for Auditing the Consolidated Financial Statements and Group Management Report" of our auditor's certificate. Independently of the group companies we are in accordance with the European and German commercial and professional regulations and have fulfilled our other German professional duties in accordance with these requirements.

Furthermore, in accordance with Article 10 Paragraph 2 Letter f) of EU-APrVO we declare that we have not provided any prohibited non-audit services as specified in Article 5 Paragraph 1 of EU-AprVO.

We believe that the audit evidence that we have obtained is sufficient and suitable for providing a basis for our audit opinions with regard to the consolidated financial statements and the group management report.

PARTICULARLY IMPORTANT AUDIT ISSUES IN THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Particularly important audit issues are those issues which, in duty bound, were the most significant in our audit of the consolidated financial statements for the financial year from January 1, 2020 to December 31, 2020. These issues were taken into consideration in connection with our audit of the consolidated financial statements as a whole and in forming our opinion thereon; we do not express a separate opinion with regard to these matters.

We have identified the following matters as particularly important audit issues:

1. Valuation of inventories

2. Recoverability of intangible assets (incl. 'Goodwill')

1. VALUATION OF INVENTORIES

Facts

Inventories in the amount of € 20 million (11 % of the balance sheet total) are reported in the consolidated financial statements of Basler Aktiengesellschaft. Inventories are assessed at the lower value from initial or manufacturing costs and the net realizable value. Assessment of the recoverability and marketability of inventories requires a large number of discretionary decisions by the legal representatives. These discretionary decisions relate in particular to the estimation of future sales volumes and sales prices for determining the net realizable value as well as the application of coverage discounts. Due to the degree of uncertainty in estimation associated with the valuation of inventories and the amount of the balance sheet item, valuation of the inventories was a particularly important item for us within the scope of our audit.

The information provided by Basler Aktiengesellschaft on the valuation of inventories is contained in Subclause 3.8 and 12 of the Notes to the Consolidated Financial Statements.

Auditor's Response

We reviewed the assessment of the legal representatives with regard to the recoverability and marketability of the inventories. For this we considered the approach of the legal representatives for determining the net realizable value and were convinced of the suitability of this approach. For finished and unfinished products we critically reviewed calculation of the production costs used for the balance sheet target date valuation. In addition, we scrutinized the expectations of the legal representatives with regard to future sales volumes and sales prices based on past experience. We also checked whether the inventories were suitably adjusted while taking their coverage into consideration. To this end we verified the plausibility of the inventory coverage analyses of the legal representatives and compared the valuation discounts used in the year under review with the discounts from previous years and checked them for plausibility.

2. RECOVERABILITY OF INTANGIBLE ASSETS (INCL. 'GOODWILL')

Facts

As of December 31, 2020 the company reported "Intangible Assets" (including goodwill) in the amount of € 65 million (34 % of the balance sheet total) in the consolidated financial statements. A total of € 34 million thereof is attributable to capitalized development costs and € 27 million are attributed to goodwill.

The book values of the Group's own developments are reviewed at each balance sheet target date for indications of impairment. If there are indications of impairment, then the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Capitalized developments that are still in progress are also subjected to an annual impairment test. The assessment of recoverability requires a large number of discretionary decisions on the part of the legal representatives. The assessment is based on the present values of the expected future cash flows of the cash-generating unit to which the development costs were allocated. The assumed future cash flows are derived from budgeting accounting prepared by the legal representatives. Expectations about future market developments are also taken into account. The present values are determined using discounted cash flow models. They are highly dependent on how the legal representatives estimate future cash inflows and on the respectively employed discount interest rates. Due to the uncertainty associated with discretionary decisions and estimates and the amount of the balance sheet items, the recoverability of the capitalized development costs was a particularly important issue for us within the scope of our audit.

The information provided by Basler Aktiengesellschaft regarding the capitalized development costs is contained in Subclauses 3.10 and 3.17 and those of the goodwill is contained in 3.1 and 3.10 of the Notes to the Consolidated Financial Statements.

Auditor's Response

We reviewed the assessment on the part of the legal representatives with regard to recoverability of the capitalized development costs and the goodwill. First, we evaluated the appropriateness of the valuation methods used in the impairment tests. We then scrutinized the assumptions on which the planning was based and examined them for plausibility. In order to do so we started the planning process, evaluated adherence to the planning and reviewed the existing plans for consistency while taking the economic market environment into account. Since even minor changes in the discount interest rate used can have a significant impact on the recoverable amount of the respective cash-generating unit, we consulted our valuation experts in assessing the discount interest rate, who then examined the appropriateness of the parameters used on the basis of market data – among other things, market risk premiums and beta factors. In addition, the completeness of the form IAS 36 required disclosures in the notes, including the sensitivity analysis, was verified by means of checklists.

MISCELLANEOUS INFORMATION

The legal representatives and/or the supervisory board are responsible for miscellaneous information. Miscellaneous information includes:

- the separately published declaration on Corporate Governance referred to in Clause 9 of the Group Management Report;
- the non-financial statement shown in Clause 11 of the Group Management Report;
- the other parts of the annual report, with the exception of the audited consolidated financial statements and the Group management report and our auditor's certificate;

Our auditor's opinion with regard to the consolidated financial statements and the group management report does not include miscellaneous information and thus we neither provide an audit opinion nor any other form of conclusion with regard to these matters.

In connection with our audit we are responsible for reading the miscellaneous information and assessing whether the miscellaneous information

- exhibits material inconsistencies with the consolidated financial statements, with the group management report or with our knowledge gained during the audit; or
- otherwise appears substantially misrepresented.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The legal representatives are responsible for preparation of the consolidated financial statements which corresponds to the international financing reporting standards [IFRS] as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e Paragraph 1 of the German Commercial Code [HGB] in all material respects and for ensuring that the consolidated financial statements present a true and fair view of the company's net assets, financial position and results of operations in accordance with these requirements. In addition, the legal representatives are responsible for the internal reviews which they have determined to be necessary for preparation of consolidated financial statements that are free from material misstatements, whether intentional or not.

In preparing the consolidated financial statements the legal representatives are responsible for assessing the Group's ability to continue as a going concern. Moreover, wherever relevant, they are responsible for disclosing matters related to continuation of the company's activities. In addition, they are responsible for preparing the balance sheet on the basis of the going concern principle, unless there is an intention to liquidate the group or there is no realistic alternative to it.

Furthermore, the legal representatives are responsible for preparation of the group management report, which as a whole provides an accurate view of the group's position and which in all material respects is consistent with the consolidated financial statements, corresponds to German statutory provisions and suitably presents the risks and opportunities of future development. Moreover, the legal representatives are responsible for the precautions and measures (systems) which they have deemed necessary in order to prepare a group management report in accordance with the applicable German statutory provisions and to provide sufficient suitable evidence for the statements in the group management report.

The Supervisory Board is responsible for monitoring the Group's accounting process for preparation of the consolidated financial statements and the Group management report.

AUDITOR'S RESPONSIBILITY FOR AUDITING THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Our aim is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatements, whether intended or not, and whether the group management report as a whole provides a suitable view of the Group's position and, in all material respects, is in agreement with the consolidated financial statements and the findings of our audit, complies with German statutory provisions and suitably presents the risks and opportunities of future development as well as to issue an audit certificate that contains our opinions regarding the consolidated financial statements and the group management report.

Sufficient assurance is a high degree of assurance, but not a guarantee that an audit conducted in accordance with Section 317 of the German Commercial Code [HGB] and the EU Audit Regulation [EU-APrVO], as well as the specified German principles of proper auditing as laid down by the Institute of German Certified Public Accountants [IDW], will always reveal a material misstatement. Misstatements may result from violations or inaccuracies and are considered material if it could reasonably be expected that they will affect the individual or overall economic decisions of addressees made on the basis of these consolidated financial statements and the group management report.

During the audit we act with discretion and in duty bound while maintaining a critical attitude. Furthermore,

- we identify and assess the risks of material misstatements, whether intentional or not, in the consolidated financial statements and in the group management report, plan and perform audit procedures in response to these risks, and obtain audit evidence that is sufficient and suitable for serving as the basis for our audit opinion. The risk that material misrepresentations are not detected is higher in the case of violations than in the case of inaccuracies because violations may involve fraudulent collaboration, falsification, intentional diminution, misleading representations and/or the inoperativeness of internal controls.

- we obtain an understanding of the internal control system relevant to the audit of the consolidated financial statements and the precautions and measures relevant to the audit of the Group management report in order to plan audit procedures that are appropriate under the given circumstances, but not with the aim of expressing an opinion with regard to the effectiveness of these systems.

- we assess the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimated values and related disclosures presented by the legal representatives.

- we draw conclusions about the appropriateness of the going concern principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is material uncertainty in connection with events or circumstances that could raise significant doubts about the Company's ability to continue as a going concern. If we come to the conclusion that there is material uncertainty, then we are obliged to draw attention to the relevant information in the consolidated financial statements and the Group management report in our audit certificate or, if this information is inappropriate, to modify our respective audit opinion. We draw our conclusions based on evidence obtained by the date of our audit certificate. However, future events or circumstances may prevent the Group from continuing its business activities.

- we express an opinion on the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in such a way that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with international financing reporting standards [IFRS] as adopted by the EU and the additional requirements of German statutory provisions as specified in Section 315e Paragraph 1 of the German Commercial Code [HGB].

- we obtain sufficient suitable audit evidence on the accounting information of the companies or business activities within the Group in order to express an opinion on the consolidated financial statements and the Group management report. We are responsible for the guidance, supervision and execution of the audit of the consolidated financial statements. We are solely responsible for our audit opinions.

- we evaluate the conformity of the group management report with the consolidated financial statements, its conformity with the law and the group's position as presented by it.

- we perform audit procedures on the forward-looking statements presented by the legal representatives in the group management report. On the basis of sufficient suitable audit evidence we follow in particular the significant assumptions underlying the future-oriented statements made by the legal representatives and assess the proper derivation of the future-oriented statements from these assumptions. We do not provide an independent audit opinion with regard to the forward-looking statements or the underlying assumptions. There is a significant unavoidable risk that future events substantially deviate from the forward-looking statements.

Among other things we discuss the planned scope and schedule of the audit with the parties responsible for monitoring as well as any significant audit findings, including any deficiencies in the internal control system that we determine during our audit.

We provide a declaration to the parties responsible for monitoring indicating that we have complied with the relevant independence requirements and discuss all relationships with them and other matters that may reasonably be expected to affect our independence and the safeguards taken in this regard.

On the basis of the matters we discussed with the parties responsible for monitoring we determine the matters that were most significant in auditing the consolidated financial statements for the current reporting period and which thus represent particularly important audit matters. We describe these matters in the auditor's certificate unless laws or other statutory provisions rule out public disclosure of the facts.

MISCELLANEOUS STATUTORY AND OTHER LEGAL REQUIREMENTS

REPORT ON THE AUDIT OF THE ELECTRONIC REPRODUCTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT PREPARED FOR THE PURPOSE OF DISCLOSURE IN ACCORDANCE WITH SECTION 317 (3b) HGB.

Audit Opinion

In accordance with Section 317 (3b) of the German Commercial Code (HGB), we have performed a reasonable assurance review to determine whether the reproductions of the consolidated financial statements and the group management report (hereinafter also referred to as „ESEF documents") contained in the attached file [designation of the file with the audited ESEF documents] and prepared for the purpose of disclosure comply in all material respects with the requirements of Section 328 (1) of the German Commercial Code regarding the electronic reporting format („ESEF format").

In accordance with German legal requirements, this audit extends only to the conversion of the information in the consolidated financial statements and the group management report into the ESEF format and therefore neither to the information contained in these reproductions nor to any other information contained in the above-mentioned file.

In our opinion, the reproductions of the consolidated financial statements and the group management report contained in the above-mentioned attached file and prepared for disclosure purposes comply in all material respects with the electronic reporting format requirements of Section 328 (1) HGB. Other than this opinion and our opinions on the accompanying consolidated financial statements and on the accompanying group management report for the fiscal year from January 1, 2020 to December 31, 2020 included in the „REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT" above, we do not express any opinion on the information included in those statements or on any other information contained in the file referred to above.

Basis for the Audit Opinion

We conducted our audit of the reproductions of the consolidated financial statements and the group management report contained in the above-mentioned attached file in accordance with Section 317 (3b) of the German Commercial Code (HGB) and in compliance with the draft IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for Disclosure Purposes in Accordance with Section 317 (3b) of the HGB (IDW EPS 410). Our responsibility thereafter is further described in the section „Auditor's Responsibility for the Audit of the ESEF Documents". Our auditing practice has met the quality assurance system requirements of the IDW Quality Assurance Standard: Requirements for Quality Assurance in the Auditing Practice (IDW QS 1).

Responsibility of the legal representatives and the supervisory board for the ESEF documents

The company's legal representatives are responsible for the preparation of the ESEF documents containing the electronic reproductions of the consolidated financial statements and the group management report in accordance with section 328 (1) sentence 4 no. 1 of the HGB and for the award of the consolidated financial statements in accordance with section 328 (1) sentence 4 no. 2 of the HGB.

Furthermore, the legal representatives are responsible for the internal controls as they deem necessary to enable the preparation of ESEF documents that are free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) HGB regarding the electronic reporting format.

The legal representatives of the Company are also responsible for submitting the ESEF documents together with the auditor's report and the accompanying audited consolidated financial statements and audited group management report as well as other documents to be disclosed to the operator of the Federal Gazette.

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Auditor's Responsibility for the Audit of the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) HGB. During the audit, we exercise professional judgment and maintain a critical attitude. In addition

- we identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- we obtain an understanding of internal control relevant to the audit of ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those controls.
- we assess the technical validity of the ESEF documentation, i.e. whether the file containing the ESEF documentation complies with the requirements of Delegated Regulation (EU) 2019/815, as amended at the reporting date, regarding the technical specification for that file.
- we assess whether the ESEF documentation provides a consistent XHTML representation of the audited consolidated financial statements and the audited group management report.
- we assess whether the markup of ESEF documents with inline XBRL technology (iXBRL) provides an adequate and complete machine-readable XBRL copy of the XHTML rendering.

OTHER DISCLOSURES IN ACCORDANCE WITH ARTICLE 10 OF THE EU AUDIT REGULATION [EU-APRVO]

We were appointed as statutory auditors by the General Meeting of Shareholders on May 26, 2020. We were commissioned by the Audit Committee on June 1, 2020. We have served as the statutory group auditors of Basler Aktiengesellschaft without interruption since financial year 2002.

We declare that the audit opinions contained in this audit certificate agree with the additional report to the Audit Committee of the Supervisory Board in accordance with Article 11 of EU-APrVO (Audit Report).

RESPONSIBLE AUDITOR

Dr. Ralf Wißmann is responsible for the audit.

Lübeck, March 25, 2021

BDO AG

Wirtschaftsprüfungsgesellschaft

signed Dirks	signed Dr. Wißmann
Auditor	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 25, 2021

Dr. Dietmar Ley	Arndt Bake	Hardy Mehl	Alexander Temme
CEO	CMO	CFO/COO	CCO

EVENTS 2021

IR-EVENTS

Date	Event	Venue
05/06/2021	Publication 3-month report 2021	Ahrensburg, Germany
05/19/2021	Shareholders‘ meeting 2021	Hamburg, Germany
08/05/2021	Publication 6-month report 2021	Ahrensburg, Germany
11/04/2021	Publication 9-month report 2021	Ahrensburg, Germany
11/22/2021-11/24/2021	Deutsches Eigenkapitalforum 2021	Frankfurt am Main, Deutschland

SHOWS AND CONFERENCES

Date	Event	Venue
06/24/2021-06/25/2021	VIsion China Beijing	Beijing, China
06/29/2021-07/01/2021	IAMD Shenzhen	Shenzhen, China
08/24/2021-08/28/2021	China International Industry Fair Shanghai (CIIF)	Shanghai, China
08/25/2021-08/28/2021	Taipei International Industrial Automation Exhibition	Taipei, Taiwan
09/08/2021-09/10/2021	Korea Vision Show	Seoul, Korea
Dec. 2021	International Technical Exhibition on Image Tech-nology and Equipment 2021 (ITE)	Yokohama, Japan
12/03/2021-12/06/2021	Healthcare+ Expo Taiwan	Taipei, Taiwan

BASLER

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