

DATACOLOR AG

FISCAL YEAR **2016 /17**

Dear Shareholders

Continued sales growth and investment in the future – dividend of CHF 15 per share proposed

In fiscal 2016/17, Datacolor grew net sales by 5% to USD 72.8 million (2015/16: USD 69.3 million), and 7% in local currency. Increased profitability, driven by sales growth and improved efficiencies again was invested in marketing and development to support future growth. EBITDA rose to USD 8,9 million (USD 8,7 million), EBIT increased to USD 6,4 million (USD 6,2 million) and net income to USD 6,8 million (USD 6,0 million). Gross profit margin was further increased at a high level to 67.1% (65.2%), EBITDA margin amounted to 12,2% (12,6%) and the EBIT margin was 8,8% (9,0%). During fiscal 2016/17 Datacolor expanded its net liquidity position (including financial assets) to USD 38,2 million (September 30, 2016: USD 32,6 million) and on September 30, 2017 has a solid equity ratio of 62% (September 30, 2016: 63%).

Changes in Executive Committee

To further strengthen the efficiency and collaboration, Marketing and Product Management were consolidated in the Marketing department. Diane Geisler was promoted to Vice President Marketing and member of the Executive Committee, effective October 1, 2016. Effective as of January 1, 2017 the Board of Directors appointed Annet van der Laan as new CFO. To provide increased focus to Datacolor's consumer market, Brian Levey, up to March 1, 2017 Vice President Business Development, was appointed to the newly-created function of Vice President Consumer Solutions. Business Development now reports to the CEO in a staff function.

Asia Pacific region leading growth

Datacolor is an international leader in user-friendly, digital color management solutions, with market-leading products and services and a customer-focused, internationally positioned sales and service organization. Over 38% (2015/16: 35%) of Group sales in fiscal 2016/17 were generated in the Asia Pacific region. It has thus further strengthened its position in this dynamic market. In Europe, too, sales increased by significant new orders, which resulted in an unchanged 35% (35%) share of Group sales. The North and South America region's share declined to 27% (30%), mainly due to weaker demand in an economically troubled South America and declining sales of Consumer products in the United States.

New solutions based on state-of-the-art technology

In April 2017, Datacolor launched ColorReaderPRO, an ultra-portable, Bluetooth® connected color measurement device that works standalone or connected to the ColorReaderPRO mobile app, available for iPhone® or Android™ smartphones. ColorReaderPRO allows painters, designers and "do-it-yourselfers" to read color of any object and immediately return the corresponding paint color. In this new solution, Datacolor combines a multitude of new, state-of-the-art technologies in one innovative and powerful color measurement system.

In July 2017, Datacolor introduced the CONDITIONER MB2, a next generation conditioning cabinet. It enables color labs to realize the right sample condition in 5-10 minutes, with precise temperature, humidity control and conformance to industry standards to assure accurate color measurement. The compact unit is designed to fit into any factory, laboratory or office environment.

In September 2017, Datacolor released two new versions of its Datacolor 200 spectrophotometer family. The Datacolor® 200R is a compact desktop spectrophotometer with a modern design. It was developed with the retail paint store in mind, maximizing in-store productivity and ease of use. The Datacolor® 200M, in combination with Datacolor's color matching and quality control software, gives Textiles, Paint & Coatings, as well as Plastics manufacturers a cost-effective way to take full benefit of digital color control, leading to greater efficiencies in their production process and quick return on investment.

During Fiscal 2016/17 multiple software upgrades were made available for Datacolor's Paint, Match Textile, Match Pigment and Tools software, delivering over 80 new features to meet ever-changing customer needs.

Solid financial structure

At the end of September 2017, cash and cash equivalents including financial assets amounted to USD 38.2 million (USD 32.6 million), corresponding to 56% of total assets of USD 68.1 million (USD 60.5 million). The yearly impairment assessment of the asset value of Datacolor's manufacturing site in China, located in the Export Zone of the Singapore Industrial Park in Suzhou, showed the need for an impairment of USD -0.5 million. The adjustment was required, due to the declining value of properties in the SIP Export Zone mainly because of reduced tax benefits and increased complexity of export to China regulations. On September 30, 2017, Datacolor had a consolidated net equity of USD 42.2 million (September 30, 2016: USD 37.9 million).

Expanding the organization to drive long-term growth

During fiscal 2016/17, Datacolor accelerated its recruitment in marketing, sales and R&D, investing in long-term growth. The average number of employees increased from 364 to 382 to keep pace with its growth strategy. The company also focused on improving its onboarding and training processes, while continuing to drive employee engagement.

Datacolor AG

In fiscal 2016/17, the parent company Datacolor AG (holding company for Datacolor investments) posted an increase in profit to CHF 3.3 million (2015/16: CHF 2.4 million), in part due to investment income of CHF 4.0 million in its statutory financial statements. After distribution of a dividend of CHF 2.1 million (representing 34% of the consolidated profit for 2015/16), as at September 30, 2017, the shareholders' equity of Datacolor AG amounted to CHF 17.0 million (CHF 15.4 million).

Outlook

In order to drive long-term growth, Datacolor continued to invest in the development and introduction of innovative instruments and software solutions as well as in the further expansion of its organization in fiscal year 2016/17. With its strong market presence, continued drive for innovation and solid financial structure, Datacolor is well placed to achieve its ambitious objectives for growth and profitability, in conjunction with selected acquisitions.

Lucerne, November 2017

Datacolor AG



Werner Dubach
Chairman of the Board of Directors

The complete Annual Report 2016/17 is available on <http://dev.ir.datacolor.eu/en/financial-reports/>
The Shareholders may request a printed copy of the Annual Report by Investor Relations.

DATACOLOR SHARE INFORMATION

Stock exchange information

Expected dividend ex date (subject to approval by AGM)	December 11, 2017
Listing	SIX Swiss Exchange (Zurich)
Security ID	853 104
ISIN	CH0008531045
Reuters	DCN.S
Bloomberg	DCN
Investdata	DCN

Capital structure

	30.09.2017	30.09.2016
Share capital in CHF	168 044	168 044
Conditional share capital in CHF	16 804	16 804
Number of registered shares	168 044	168 044
Nominal value per share in CHF	1	1
Registration restrictions	none	none
Voting restrictions	none	none
Opting out / opting up	none	none

Significant shareholders (in %)

	30.09.2017	30.09.2016
Werner Dubach*	61.68%	55.84%
Anne Keller Dubach*	19.07%	16.86%
Corisol Holding AG	0.00%	7.13%

*Shareholder Werner Dubach and Anne Keller Dubach form a group of shareholders.

Shareholders by category (in %)

	30.09.2017	30.09.2016
Significant shareholders	80.75%	79.83%
Private investors	96.22%	83.77%
Corporate investors	3.78%	16.23%
Non-registered shareholders	1.59%	2.26%

Share distribution

	30.09.2017	30.09.2016
Number of registered shares	Anzahl Aktionäre	Anzahl Aktionäre
1 – 100	517	550
101 – 1 000	25	18
1 001 – 10 000	6*	4
>10 000	2	4*
Total	550	576

*including treasury shares of Datacolor AG

Share price data in CHF

	2016/17	2015/16
First trading day	559.50 (03.10.2016)	650.00 (02.10.2015)
Low	553.00 (18.10.2016)	510.00 (29.04.2016)
High	819.00 (16.08.2017)	705.00 (27.10.2015)
Last trading day	762.00 (18.09.2017)	550.00 (26.09.2016)
Average share price	704.45	570.95
Market capitalization in CHF million as of September 30	121.0	86.6

KEY FIGURES GROUP

in USD million	2016/17	2015/16
Net sales	72.8	69.3
Change relative to previous year in %	5.0%	3.8%
EBITDA	8.9	8.7
Change relative to previous year in %	2.0%	32.8%
as a % of net sales	12.2%	12.6%
EBIT	6.4	6.2
Change relative to previous year in %	2.7%	43.4%
as a % of net sales	8.8%	9.0%
Profit for the year	6.8	6.0
Change relative to previous year in %	13.0%	91.1%
as a % of net sales	9.4%	8.7%
as a % of average shareholders' equity	17.0%	16.5%
Cash flow from operating activities	8.5	10.9
Change relative to previous year in %	-22.0%	194.0%
as a % of net sales	11.7%	15.7%
Cash flow from investing activities	-2.9	-6.2
Change relative to previous year in %	-53.7%	838.1%
as a % of cash flow from operating activities	-33.6%	-56.7%
Free Cash Flow	5.6	4.7
Change relative to previous year in %	19.7%	54.7%
as a % of net sales	7.7%	6.8%
Average number of employees	382	364
Personnel expenses	32.0	30.3
Total assets	68.1	60.5
Shareholders' equity	42.2	37.9
as a % of assets	62.0%	62.7%
Net liquidity	38.2	32.6
Per share data¹⁾		
Average number of shares	158 716	157 383
Earnings per share in USD (non-diluted)	42.78	38.30
Free Cash Flow in USD	35.55	29.96
Shareholders' equity in USD	265.92	240.95
Dividend in CHF ²⁾	15.00	13.00
Share price data as of 30.09. in CHF	762.00	550.00
Yield in % ³⁾	2.0%	2.4%

¹⁾ Calculation is based on the weighted average number of shares outstanding (issued shares less treasury shares).

²⁾ According to the proposal of the Board of Directors on November 7, 2017.

³⁾ Distribution in percentage of the share price as of September 30.