

# DATACOLOR AG

HALF-YEAR REPORT OCTOBER 1, 2016 TO MARCH 31, 2017

Dear shareholders

In the first half of 2016/17, Datacolor AG posted net sales of USD 34.9 million (H1 2015/16: USD 33.8 million). The 3% year-on-year increase is mainly attributed to sales growth with industrial customers, driven by successful sales of new products developed and launched already during prior fiscal year. In local currencies Datacolor raised net sales by 5%. Continuous efforts to improve efficiency across all functions of the company, together with a very successful temporary promotion of high-end instruments, resulting in a favorable sales mix, and above average open positions in the first half of 2016/17 had a noticeable impact on the margins. Gross profit margin rose to 67.7% (64.0%), EBIT margin grew to 9.8% (7.8%) and EBITDA margin increased to 14.2% (11.1%). In the first half 2016/17, operating earnings (EBIT) grew by 29% year-on-year to USD 3.4 million (H1 2015/16: USD 2.6 million). Also, the financial result of USD 0.9 million (USD 0.7 million) contributed significantly to the net profit of USD 3.4 million (USD 2.6 million). Datacolor remains debt-free and has a strong net cash position of USD 33.5 million (September 30, 2016: USD 32.6 million), including financial assets of USD 16.9 million. The equity ratio is a solid 62.0% (September 30, 2016: 62.7%). The average headcount of 372 (H1 2015/16: 369) remained almost flat.

## **Efforts to grow Asian sales delivering results**

The company's continued focus on expanding its market presence in Asia paid off. With 37.2% (33.3%) of Group sales, Asia became Datacolor's largest regional market. Europe remained flat with a share of sales of 35.8% (35.8%). The North and South America region's sale declined to 27.0% (30.9%), reflecting a challenging investment climate in South America as well as a lower demand for imaging products in North America.

## **Expanding the product portfolio**

Datacolor continued to build on its strong position as an internationally leading company for digital color management solutions in its core industrial markets of textile, paint and coatings, the retail market for paint and the consumer market for display and printer calibration. In the first half of 2016/17, the company heavily invested in strengthening the effectiveness of its digital marketing activities, to further expand its global sales and service organization, and to improve proximity to customers. Furthermore, Datacolor increased its investments in enhancing its attractive product portfolio consisting of versatile software solutions and instruments and services for the precise measurement and communication of color.

## **Sound financial structure**

At the end of March 2017, cash and cash equivalents including financial assets amounted to USD 33.5 million, corresponding to 54% of total assets, following the distribution of a dividend of USD 2.1 million and the purchase of treasury shares. 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 March 31, 2017, Datacolor had a consolidated net equity of USD 38.3 Mio. (September 30, 2016: USD 37.9 million).

**Changes in Executive Committee**

To 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 CFO, replacing Dr. Mark Leuchtmann who has left Datacolor to accept a new professional challenge.

To provide increased focus to Datacolor's consumer market, Brian Levey, up to now Vice President Business Development, was appointed to the newly-created function of Vice President Consumer Solutions, effective as of March 1, 2017. Business Development was changed in a staff function reporting to the CEO.

**Thomas Studhalter complements the Board of Directors**

Thomas Studhalter was elected to the Board of Directors of Datacolor AG during the General Assembly on December 6, 2016. With his comprehensive experience, he substantially strengthens the financial know how in the Board.

**Outlook**

During the second half of 2016/17 Datacolor will continue to invest substantially in the development and the launch of innovative new products and software solutions. Furthermore, Datacolor intensifies its recruiting activities to fill the current open positions and increases investments in marketing and development. With its solid financial structure Datacolor is well placed to be a leader and innovator of color management solutions, embracing the latest software and hardware technologies. For the current financial year 2016/17, Datacolor is looking to increase sales year-on-year and to achieve solid returns to meet its strategic growth targets going forward in a still volatile market environment.

Lucerne, May 5, 2017

Datacolor AG

A handwritten signature in black ink, appearing to be 'W. Dubach', written in a cursive style.

Werner Dubach  
Chairman of the Board of Directors

## KEY FIGURES DATACOLOR

in USD million	Half-year 2016/17	Half-year 2015/16
<b>Net sales</b>	<b>34,9</b>	<b>33,8</b>
Change relative to previous period in %	3,5%	-1,9%
<b>EBIT</b>	<b>3,4</b>	<b>2,6</b>
Change relative to previous period in %	29,3%	21,6%
as a % of net sales	9,8%	7,8%
<b>Net profit</b>	<b>3,4</b>	<b>2,6</b>
Change relative to previous period in %	29,0%	70,2%
as a % of net sales	9,6%	7,7%
as a % of average shareholders' equity	8,8%	7,4%
<b>Cash flow from operating activities</b>	<b>4,1</b>	<b>3,6</b>
Change relative to previous period in %	12,6%	356,7%
as a % of net sales	11,7%	10,8%
<b>Cash flow from investing activities</b>	<b>-0,6</b>	<b>-0,2</b>
Change relative to previous period in %	181,9%	112,9%
as a % of cash flow from operating activities	-14,8%	-5,9%
<b>Free cash flow</b>	<b>3,5</b>	<b>3,4</b>
Change relative to previous period in %	2,0%	325,5%
as a % of net sales	10,0%	10,1%
<b>Average number of employees</b>	<b>372</b>	<b>369</b>
<b>Personnel expenses</b>	<b>15,1</b>	<b>15,0</b>
	<b>31.03.2017</b>	<b>31.03.2016</b>
<b>Total assets</b>	<b>61,8</b>	<b>56,5</b>
<b>Shareholders' equity</b>	<b>38,3</b>	<b>34,8</b>
as a % of total assets	62,0%	61,6%
<b>Net liquidity including financial assets</b>	<b>33,5</b>	<b>26,0</b>
	<b>1. Halbjahr 2016/17</b>	<b>1. Halbjahr 2015/16</b>
<b>Per share data (non-diluted) <sup>1</sup></b>		
Average number of pending shares	158 604	157 209
Earnings per share in USD	21,18	16,56
Free cash flow in USD	22,02	21,79
Shareholders' equity in USD (March 31)	241,78	221,20

<sup>1)</sup> The calculation is based on the average number of shares outstanding (issued shares less treasury shares).

## ADDITIONAL GEOGRAPHIC INFORMATION

in TUSD	Half-year 2016/17	in % of total	Half-year 2015/16	in % of total
<b>Net sales to third parties</b>	<b>34 925</b>	100,0%	<b>33 757</b>	100,0%
Europe	12 509	35,8%	12 081	35,8%
America	9 430	27,0%	10 435	30,9%
Asia/Pacific	12 986	37,2%	11 241	33,3%
	Half-year 2016/17	in % of total	Half-year 2015/16	in % of total
<b>Average number of employees</b>	<b>372</b>	100,0%	<b>369</b>	100,0%
Europe	86	23,1%	88	23,8%
America	121	32,5%	120	32,5%
Asia/Pacific	165	44,4%	161	43,6%

## KEY DATES

October 27, 2017	Publication annual result 2016/17
November 15, 2017	Publication annual report 2016/17
December 7, 2017	Annual general meeting of shareholders 2016/17