

DATACOLOR AG

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

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

This report contains forward-looking statements based on management's assessment of future developments. Such statements involve risks and uncertainties. Datacolor accepts no liability where actual events differ from these forward-looking statements and undertakes no obligation to update forward-looking statements to adjust them in line with events or developments occurring after the date of the present report.

KEY FIGURES DATACOLOR

in USD million	Half-year 2016/17	Half-year 2015/16
Net sales	34,9	33,8
Change relative to previous period in %	3,5%	-1,9%
EBIT	3,4	2,6
Change relative to previous period in %	29,3%	21,6%
as a % of net sales	9,8%	7,8%
Net profit	3,4	2,6
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%
Cash flow from operating activities	4,1	3,6
Change relative to previous period in %	12,6%	356,7%
as a % of net sales	11,7%	10,8%
Cash flow from investing activities	-0,6	-0,2
Change relative to previous period in %	181,9%	112,9%
as a % of cash flow from operating activities	-14,8%	-5,9%
Free cash flow	3,5	3,4
Change relative to previous period in %	2,0%	325,5%
as a % of net sales	10,0%	10,1%
Average number of employees	372	369
Personnel expenses	15,1	15,0
	31.03.2017	31.03.2016
Total assets	61,8	56,5
Shareholders' equity	38,3	34,8
as a % of total assets	62,0%	61,6%
Net liquidity including financial assets	33,5	26,0
	1. Halbjahr 2016/17	1. Halbjahr 2015/16
Per share data (non-diluted) ¹		
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

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

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

CONSOLIDATED INCOME STATEMENT

in TUSD	Half-year 2016/17	Half-year 2015/16
Net sales	34 926 100,0%	33 757 100,0%
Cost of goods sold	-11 266	-12 143
Gross profit	23 660 67,7%	21 614 64,0%
Sales and marketing expenses	-11 108	-10 890
Administrative expenses	-5 268	-5 029
Research and development expenses	-3 858	-3 023
Other operating expenses	-1	-23
EBIT¹⁾	3 425 9,8%	2 649 7,8%
Financial result	894	682
Profit before income taxes	4 319 12,4%	3 331 9,9%
Income taxes	-960	-728
Net profit	3 359 9,6%	2 603 7,7%
Earnings per share in USD		
non-diluted in USD	21.18	16.56
diluted in USD	20.80	15.99
Earnings per share in CHF²⁾		
non-diluted in CHF	21.24	16.39
diluted in CHF	20.86	15.83

¹⁾ Interest include other financial items disclosed in the financial statements.

²⁾ The earnings per share in CHF has been calculated from USD to CHF by using the corresponding average exchange rate for the period.

CONSOLIDATED BALANCE SHEET

in TUSD	31.03.2017		30.09.2016		31.03.2016	
Assets						
Cash and cash equivalents	16 577		16 570		15 611	
Current financial assets	16 936		16 063		10 369	
Trade receivables	9 802		8 808		10 897	
Other receivables	1 877		1 959		1 658	
Inventories	4 957		4 440		4 655	
Current tax assets	156		156		156	
Prepaid expenses	201		126		146	
Current assets	50 506	81,7%	48 122	79,6%	43 492	77,0%
Property, plant and equipment	9 368		10 183		10 210	
Intangible assets	854		1 169		1 723	
Non-current financial assets	2		0		2	
Deferred tax assets	1 118		1 006		1 036	
Non-current assets	11 342	18,3%	12 358	20,4%	12 971	23,0%
Assets	61 848	100,0%	60 480	100,0%	56 463	100,0%
Liabilities and shareholders' equity						
Financial liabilities	0		0		0	
Trade payables	3 230		2 193		2 337	
Current tax liabilities	1 478		1 241		1 170	
Other liabilities	3 139		2 609		2 592	
Accrued liabilities	14 189		14 423		13 927	
Short term provisions	478		524		497	
Current liabilities	22 514	36,4%	20 990	34,7%	20 523	36,3%
Other non-current liabilities	291		892		568	
Long term provisions	358		313		266	
Deferred tax liabilities	337		363		331	
Non-current liabilities	986	1,6%	1 568	2,6%	1 165	2,1%
Liabilities	23 500	38,0%	22 558	37,3%	21 688	38,4%
Share capital	153		153		153	
Treasury shares	-4 858		-5 423		-5 346	
Capital reserves	-3 477		-2 469		-2 469	
Retained earnings	46 530		45 661		42 437	
Shareholders' equity	38 348	62,0%	37 922	62,7%	34 775	61,6%
Liabilities and shareholders' equity	61 848	100,0%	60 480	100,0%	56 463	100,0%

CONSOLIDATED CASH FLOW STATEMENT

in TUSD	Half-year 2016/17	Half-year 2015/16
Net Profit	3 359	2 603
Income tax expense	960	728
Profit before income taxes	4 319	3 331
Depreciation of property, plant and equipment	748	751
Impairment of property, plant and equipment	467	0
Amortization of intangible assets	308	342
Result on disposal of property, plant and equipment	5	33
Changes in provisions	-1	129
Other non-cash positions	261	-97
Interest income	-3	-4
Dividends and income from securities, net	-1 034	-332
Income taxes paid	-824	-613
Cash flow before changes in net working capital	4 246	3 540
Changes in net working capital (net of cash & cash equivalents)	-148	100
Cash flow from operating activities	4 098	3 640
Investment in property, plant and equipment	-473	-472
Investment in intangible assets	0	-12
Investment in financial assets	-8 014	-2 152
Divestment of property, plant and equipment	10	0
Divestment of financial assets	7 346	2 113
Interest and dividends received	525	308
Cash flow from investing activities	-606	-215
Purchase of treasury shares	-2 005	-2 645
Exercise of stock options	1 139	992
Redemption of stock options	-87	0
Dividends paid	-2 108	-1 750
Cash flow from financing activities	-3 061	-3 403
Changes in cash and cash equivalents	431	22
Cash and cash equivalents as of October 1	16 570	15 616
Translation differences on cash and cash equivalents	-424	-27
Cash and cash equivalents as of March 31	16 577	15 611

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in TUSD	Share capital ¹⁾	Treasury shares ²⁾	Capital reserves ³⁾	Retained earnings ⁴⁾	Accumulated translation differences	Total retained earnings	Total share-holders' equity
Balance as of 1.10.2015	153	-5 274	-1 357	42 203	-561	41 642	35 164
Dividends paid ⁵⁾				-1 750		-1 750	-1 750
Share based payment ⁶⁾		2 573	-1 112			0	1 461
Purchase of treasury shares		-2 645				0	-2 645
Translation differences					-58	-58	-58
Net profit				2 603		2 603	2 603
Balance as of 31.03.2016	153	-5 346	-2 469	43 056	-619	42 437	34 775
Balance as of 1.04.2016	153	-5 346	-2 469	43 056	-619	42 437	34 775
Share based payment ⁶⁾				23		23	23
Purchase of treasury shares		-77				0	-77
Translation differences					-224	-224	-224
Net profit				3 425		3 425	3 425
Balance as of 30.09.2016	153	-5 423	-2 469	46 504	-843	45 661	37 922
Balance as of 1.10.2016	153	-5 423	-2 469	46 504	-843	45 661	37 922
Dividends paid ⁵⁾				-2 108		-2 108	-2 108
Share based payment ⁶⁾		2 570	-1 008	40		40	1 602
Purchase of treasury shares		-2 005				0	-2 005
Translation differences					-422	-422	-422
Net profit				3 359		3 359	3 359
Balance as of 31.03.2017	153	-4 858	-3 477	47 795	-1 265	46 530	38 348

¹⁾ The share capital as of March 31, 2017 consists of 168 044 registered shares with a nominal value of CHF 1 each (March 31, 2016: 168 044), translated to CHF/USD with the spot rate as of September 30, 2008.

²⁾ Equals the historical purchase value of 8 606 treasury shares (March 31, 2016: 10 448).

³⁾ The capital reserves comprise reserves from capital contributions confirmed by Swiss tax authorities and the result of the execution of stock options.

⁴⁾ The retained earnings comprise reserves that are subject to certain legal restrictions with regard to their distribution.

⁵⁾ A gross dividend of CHF 13 (previous year: CHF 11) per registered share was distributed in the reporting period. The dividend has been fully paid out of retained earnings.

⁶⁾ In the reporting period 4 680 stock options (previous period: 5 580) have been exercised after the expiration of the respective blocking period. The newly issued options were measured at fair value at grant date for financial year 2014 and 2016. The fair value of the option premium at the grant date is recorded annually to the same extent as personnel expenses over the three-year vesting period and recorded in the income statement. The fair value in the reporting period of TUSD 40 represents the difference between the option value with the undiscounted and discounted share price based on the Black-Scholes valuation model.

NOTES TO THE CONSOLIDATED HALF-YEAR REPORT AS OF MARCH 31, 2017

1 General consolidation principles

The unaudited consolidated half-year report has been prepared in accordance with the accounting principles of Swiss GAAP FER 31.9 ff. (Interim reporting) and includes the unaudited financial statements of Datacolor AG and its subsidiary companies for the half-year ending as per March 31, 2017. The half-year report reflects further the complementary recommendations of Swiss GAAP FER 31 for publicly listed companies.

The applied accounting principles are corresponding with the principles stipulated in the consolidated financial statements as of September 30, 2016. This half-year report should be read in conjunction with the consolidated financial statements as of September 30, 2016 since it represents an update of the last comprehensive financial reporting.

The consolidated half-year financial statements are presented in US Dollars (USD). The figures are rounded on thousand units. The consolidated financial statements are prepared on a historical cost basis, except for financial current assets and derivative financial instruments which are valued at market value.

This half-year report is unaudited and published in German and English. In case of differences of interpretation arising in comparison to the German version, the wording of the original German version will be relevant.

2 Use of estimates

The preparation of consolidated financial statements in accordance with Swiss GAAP FER requires Management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be revised as appropriate for the year in which the circumstances change.

3 Changes in the scope of consolidation

During the reporting period and prior year the scope of consolidation has remained unchanged.

4 Seasonality

Datacolor is not exposed to material seasonal variations in its operations.

5 Commentary on the half-year report

The yearly impairment assessment of the asset value of the manufacturing site, located in the Export Zone in China, showed the need for an exceptional impairment of USD 0.5 million. This impairment was driven by the declining value of properties in the Export Zone due to reduced tax benefits and increased complexity of regulations. This impairment was booked in cost of goods sold.

The Cash flow from operating activities before changes in networking capital increased in the first half-year 2016/17 to USD 4.1 million (H1 2015/16: USD 3.6 million), primarily as a result of the increased operating profit of USD 3.4 million (H1 2015/16: USD 2.6 million). The funds tied up in the net current assets remained relatively stable as in the previous year. During the reporting period Datacolor invested net in financial assets USD 0.7 million. This has been the main reason for the cash outflow from investing activities. Furthermore, Datacolor has purchased during the period own shares for the current share based and option plans. Together with the distribution of dividends for the financial year 2015/16 of USD 2.1 million this has been the main reason for the cash outflow from financing activities of USD 3.1 million (H1 2015/16: USD 3.4 million). The total cash position remained constant at USD 16.6 million (H1 2015/16: constant at USD 15.6 million).

6 Segment reporting

Datacolor is a global leader in digital color management solutions and provides software, hardware and services for accurate color reproduction of materials, products and photographs.

Based on the annual budget approved by the Board of Directors, the functionally organized Executive Committee undertakes the resource allocation and measurement of corporate performance exclusively on the entire group level. Insofar as Datacolor operates solely within one segment, the information required under Swiss GAAP FER 31.8 is disclosed in the consolidated interim financial statements.

7 Foreign exchange rates

USD per	1 CHF	1 EUR	1 GBP	1 CNY
Average rates October 2016/March 2017	1.00	1.08	1.26	0.1466
Average rates October 2015/March 2016	1.01	1.10	1.50	0.1552
Closing rates end of March 2017	1.00	1.07	1.25	0.1451
Closing rates end of September 2016	1.03	1.12	1.30	0.1499
Closing rates end of March 2016	1.04	1.13	1.44	0.1546

8 Additional geographic information

in TUSD	Half-year 2016/17	in % of total	Half-year 2015/16	in % of total
Net sales to third parties	34 925	100,0%	33 757	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%
	31.03.2017	in % of total	31.03.2016	in % of total
Assets	61 848	100,0%	56 463	100,0%
Europe	33 747	54,6%	28 499	50,5%
America	12 266	19,8%	16 649	25,9%
Asia/Pacific	15 835	25,6%	13 315	23,6%
	Half-year 2016/17	in % of total	Half-year 2015/16	in % of total
Average number of employees	372	100,0%	369	100,0%
Europe	86	23,1%	88	23,8%
America	121	32,5%	120	32,5%
Asia/Pacific	165	44,4%	161	43,6%

9 Events after the balance sheet date

No material subsequent events occurred since March 31, 2017, which would have an influence on the information presented in the 2016/17 half-year report or require additional disclosure. The publication of this report was approved by the Board of Directors in their meeting on 3 May 2017.