

DATACOLOR AG

HALF-YEAR REPORT **OCTOBER 1, 2017 TO MARCH 31, 2018**

In the first half of fiscal year 2017/18 Datacolor AG increased net sales by 17.4% to USD 41.0 million (previous year: USD 34.9 million), an increase of 14.2% in local currencies. Datacolor's sales in the reporting period were significantly influenced by a substantial order from a major retail company in North America for a complete software and hardware system. The results for the first half of fiscal year 2017/18 include not only positive currency effects, but also earnings from the newly launched ColorReader family of mobile, ultra-portable color measuring instruments. Although sales increased significantly due to the extraordinary order from the US retail company, the gross profit margin of 64.0% (previous year: 67.7%) was well below the previous year. The decrease is explained by the product mix. On the one hand, an exchange program for higher-margin high-end instruments is expiring, and on the other hand the substantial order from a major retailer has a substantially lower gross margin compared to Datacolor's other product portfolio due to an unusually high share of hardware. As a result, the EBIT of USD 3.1 million (previous year: USD 3.4 million), the EBIT margin of 7.7% (previous year: 9.8%) and the EBITDA margin of 10.4% (previous year: 14.2%) were also significantly below the previous year's figures. The financial result was neutral in the second quarter of the current fiscal year (previous year: USD 0.9 million) due to the high volatility of the stock markets. Accordingly, net income decreased to USD 2.3 million (previous year: USD 3.4 million) compared to the prior year. Datacolor AG continues to be debt-free. Net liquidity increased to USD 39.7 million (September 30, 2017: USD 38.2 million) and includes financial assets of USD 23.5 million (previous year: USD 18.8 million). At 61.2% (September 30, 2017: 62.0%), Datacolor has a very solid equity ratio. In comparison with the previous year, the average number of employees increased by 41 to 413 full-time equivalents (previous year: 372). Most of the new employees were employed in the areas of sales and marketing as well as research and development.

Substantial order from the US retail trade has a major impact on half-year results

Thanks to Datacolor's strong commitment to developing easy-to-use and cost-effective solutions for precise color matching, the Company has a strong market position throughout the world. Datacolor has therefore won the order to install its retail paint color management solution in over 4,000 stores of a major US retailer. This is the largest single order Datacolor has ever received in its history. This exceptional major order strengthens Datacolor's image as a leading international color management company and enables the company to significantly accelerate the implementation of various innovative growth projects that are crucial for the future with decisive investments.

Strong growth in America and Europe – investments in market position in Asia

The company continued its geographical expansion, especially in the Asia region. Datacolor recently established a subsidiary in Vietnam with the goal of further strengthening its strong sales and marketing organization. In Asia, the political situation and financial upheavals in the reporting period, particularly in India and Bangladesh, dampened the investment climate. This region therefore made a below-average contribution of 31.1% (previous year: 37.2%) to Group sales in the reporting period. Sales in Europe kept pace with the Group's strong sales growth due to solid growth rates in the pigments business. At 36.1% (previous year: 35.8%), Europe is again Datacolor's largest market region. The North and South America region also showed strong growth, increasing its share of Group sales to 32.8% (previous year: 27.0%). This positive development was significantly influenced by the substantial retail paint order from the large US retailer.

Innovative solutions based on the latest technologies

Datacolor is one of the leading international companies for digital color management solutions and is continuously expanding its strong market position through the launch of innovative solutions and partnerships with leading suppliers of color measurement technology and customers. The latest market launch is the ColorReader product family, which combines the latest miniaturized sensor technologies for color measurement with the high usability of Datacolor's mobile applications in a highly precise and extremely cost-effective solution. ColorReader enables companies and professionals to measure and communicate color with the highest quality and the easiest operation.

Sound financial structure

After a dividend payment of USD 2.4 million and the buyback of own shares, Datacolor had cash and cash equivalents including financial assets of USD 39.7 million and equity of USD 43.5 million at the end of March 2018 (September 30, 2017: USD 42.2 million).

Changes in the Board of Directors

Jvo Grundler was elected as a new member of the Board of Directors of Datacolor AG by the Annual General Meeting on December 7, 2017. With his extensive experience as a lawyer, he extends the legal and business know-how of the Board of Directors. He succeeded Peter Beglinger, who had been a member of the Board of Directors since 1992.

Group structure streamlined

In the name of a lean group structure, the Swiss companies Datacolor Holding AG and Datacolor Logistik AG were merged into Datacolor Europe AG retroactive from October 1, 2017.

Outlook

With its very sound balance sheet and high level of liquidity, Datacolor intends to significantly expand its strong market position in the textile, paint and coatings industry with new, high-precision color measurement instruments and software, as well as the accelerated expansion of its sales and service organization. The Board of Directors intends to lay a solid basis for long-term growth by further increasing investments in the development and market introduction of innovative new product families and in strengthening direct sales and services, particularly in Asia and America. Assuming a favorable global economic development, Datacolor continues to strive for a continuous increase in sales. Orders such as the one-time large delivery to a major retail company in North America will hardly be repeated in the short term. The conscious investments in product and market development to increase sales are long-term in scope and will mean that Datacolor's margins and results can hardly be significantly increased in the coming years.

Lucerne, May 4, 2018

This English version of the Datacolor AG half-year report is a translation from German and is provided solely for readers' convenience. Only the German version is in binding.

This half-year 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 half-year report.

KEY FIGURES DATACOLOR

in USD million	Half-year 2017/18	Half-year 2016/17
Net sales	41.0	34.9
Change relative to previous period in %	17.4%	3.5%
EBIT	3.1	3.4
Change relative to previous period in %	-8,3%	29.3%
as a % of net sales	7,7%	9.8%
Net profit	2,3	3,4
Change relative to previous period in %	-30,4%	29.0%
as a % of net sales	5,7%	9.6%
as a % of average shareholders' equity	5,5%	8.8%
Cash flow from operating activities	3,2	4,1
Change relative to previous period in %	-22,2%	12.6%
as a % of net sales	7,8%	11.7%
Cash flow from investing activities	-4,9	-0,6
Change relative to previous period in %	708,6%	181.9%
as a % of cash flow from operating activities	-153,5%	-14.8%
Free cash flow	-1,7	3,5
Change relative to previous period in %	-149,3%	2.0%
as a % of net sales	-4,2%	10.0%
Average number of employees	413	372
Personnel expenses	18.8	15.1
	31.03.2018	31.03.2017
Total assets	71.0	61.8
Shareholders' equity	43.5	38.3
as a % of total assets	61.2%	62.0%
Net liquidity including financial assets	39.7	33.5
	Half-year 2017/18	Half-year 2016/17
Per share data (non-diluted) ¹		
Average number of pending shares	161 794	158 604
Earnings per share in USD	14.61	21.18
Free cash flow in USD	-10.56	22.02
Shareholders' equity in USD (March 31)	268.76	241.78

Key dates

October 23, 2018	Publication annual result 2017/18
November 13, 2018	Publication annual report 2017/18
December 5, 2018	Annual general meeting of shareholders 2017/18

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

CONSOLIDATED INCOME STATEMENT

in TUSD	Half-year 2017/18	Half-year 2016/17
Net sales	41 000 100.0%	34 926 100.0%
Cost of goods sold	-14 769	-11 266
Gross profit	26 231 64.0%	23 660 67.7%
Sales and marketing expenses	-12 708	-11 108
Administrative expenses	-6 469	-5 268
Research and development expenses	-3 879	-3 858
Other operating expenses	-7	-1
EBIT¹⁾	3 141 7.7%	3 425 9.8%
Financial result	48	894
Profit before income taxes	3 189 7.8%	4 319 12.4%
Income taxes	-851	-960
Net profit	2 338 5.7%	3 359 9.6%
Earnings per share in USD		
non-diluted in USD	14.61	21.18
diluted in USD	14.50	20.80
Earnings per share in CHF²⁾		
non-diluted in CHF	14.16	21.24
diluted in CHF	14.06	20.86

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	31.03.2018		30.09.2017		31.03.2017	
Assets						
Cash and cash equivalents	16 220		19 436		16 577	
Current financial assets	23 485		18 755		16 936	
Trade receivables	11 368		10 835		9 802	
Other receivables	1 862		1 425		1 877	
Inventories	6 144		5 282		4 957	
Current tax assets	146		146		156	
Prepaid expenses	156		138		201	
Current assets	59 381	83.6%	56 017	82.3%	50 506	81.7%
Property, plant and equipment	10 089		10 384		9 368	
Intangible assets	360		579		854	
Non-current financial assets	0		0		2	
Deferred tax assets	1 219		1 109		1 118	
Non-current assets	11 668	16.4%	12 072	17.7%	11 342	18.3%
Assets	71 049	100.0%	68 089	100.0%	61 848	100.0%
Liabilities and shareholders' equity						
Financial liabilities	0		0		0	
Trade payables	3 870		3 565		3 230	
Current tax liabilities	1 822		1 801		1 478	
Other liabilities	4 756		2 455		3 139	
Accrued liabilities	15 762		15 782		14 189	
Short term provisions	313		439		478	
Current liabilities	26 523	37.3%	24 042	35.3%	22 514	36.4%
Other non-current liabilities	308		1 108		291	
Long term provisions	325		318		358	
Deferred tax liabilities	410		415		337	
Non-current liabilities	1 043	1.5%	1 841	2.7%	986	1.6%
Liabilities	27 566	38.8%	25 883	38.0%	23 500	38.0%
Share capital	153		153		153	
Treasury shares	-3 107		-4 941		-4 858	
Capital reserves	-4 411		-3 477		-3 477	
Retained earnings	50 848		50 471		46 530	
Shareholders' equity	43 483	61.2%	42 206	62.0%	38 348	62.0%
Liabilities and shareholders' equity	71 049	100.0%	68 089	100.0%	56 463	100.0%

CONSOLIDATED CASH FLOW STATEMENT

in TUSD	Half-year 2017/18	Half-year 2016/17
Net Profit	2 338	3 359
Income tax expense	851	960
Profit before income taxes	3 189	4 319
Depreciation of property, plant and equipment	888	748
Impairment of property, plant and equipment	0	467
Amortization of intangible assets	222	308
Result on disposal of property, plant and equipment	49	5
Changes in provisions	-119	-1
Other non-cash positions	-293	261
Interest income	-23	-3
Dividends and income from securities, net	-73	-1 034
Income taxes paid	-975	-824
Cash flow before changes in working capital	2 865	4 246
Changes in net working capital (net of cash & cash equivalents)	315	-148
Cash flow from operating activities	3 180	4 098
Investment in property, plant and equipment	-623	-473
Investment in financial assets	-13 161	-8 014
Divestment of property, plant and equipment	34	10
Divestment of financial assets	8 466	7 346
Interest and dividends received	384	525
Cash flow from investing activities	-4 900	-606
Purchase of treasury shares	-771	-2 005
Exercise of stock options	1 282	1 139
Redemption of stock options	0	-87
Dividends paid	-2 425	-2 108
Cash flow from financing activities	-1 890	-3 061
Changes in cash and cash equivalents	-3 610	431
Cash and cash equivalents as of October 1	19 436	16 570
Translation differences on cash and cash equivalents	394	-424
Cash and cash equivalents as of March 31	16 220	16 577

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 shareholders' equity
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
Balance as of 1.04.2017	153	-4 858	-3 477	47 795	-1 265	46 530	38 438
Share based payment ⁶⁾				40		40	40
Purchase of treasury shares		-83				0	-83
Translation differences					448	448	448
Net profit				3 453		3 453	3 453
Balance as of 30.09.2017	153	-4 941	-3 477	51 288	-817	50 471	42 206
Balance as of 1.10.2017	153	-4 941	-3 477	51 288	-817	50 471	42 206
Dividends paid ⁵⁾				-2 425		-2 425	-2 425
Share based payment ⁶⁾		2 374	-703	12		12	1 683
Purchase of treasury shares		-540	-231			0	-771
Translation differences					452	452	452
Net profit				2 338		2 338	2 338
Balance as of 31.03.2018	153	-3 107	-4 411	51 213	-365	50 848	43 483

¹⁾ The share capital as of March 31, 2018 consists of 168 044 registered shares with a nominal value of CHF 1 each (March 31, 2017: 168 044), translated to CHF/USD with the spot rate as of September 30, 2008.

²⁾ Equals the historical purchase value of 5 403 treasury shares (March 31, 2017: 8 606).

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

⁶⁾ In the reporting period 4 440 stock options (previous period: 4 680) have been exercised after the expiration of the respective blocking period. In the reporting period the options issued in the previous years were measured at fair value at grant date. 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 12 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, 2018

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, 2018. 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, 2017. This half-year report should be read in conjunction with the consolidated financial statements as of September 30, 2017 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

In the reporting period, Datacolor AG Europe, Datacolor Logistik AG and Datacolor Holding AG were merged into Datacolor AG Europe with retroactive effect from October 1, 2017. Datacolor AG Europe has been held directly by Datacolor AG since October 1, 2017. On January 17, 2018, Datacolor Vietnam Co., Ltd. was founded in Vietnam and integrated into the scope of consolidation. There were no further changes in the scope of consolidation.

During 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

Datacolor's net sales increased by USD 6.1 million in the first half-year 2017/18 primarily based on a contract with an important color trading company in the US to install color management solution in more than 4,000 stores.

The Cash flow from operating activities before changes in networking capital decreased in the first half-year 2017/18 to USD 3.2 million (H1 2016/17: USD 4.1 million), primarily as a result of the decreased operating profit of USD 2.3 million (H1 2016/17: USD 3.4 million). The funds tied up in the net current assets increased by USD 0.3 million while the funds remained relatively stable in the previous year. During the reporting period Datacolor invested net in financial assets USD 4.7 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 2016/17 of USD 2.4 million this has been the main reason for the cash outflow from financing activities of USD 1.9 million (H1 2016/17: USD 3.1 million). The total cash position decreased to USD 16.2 million (H1 2016/17: constant at USD 16.6 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 2017/March 2018	1.03	1.20	1.35	0.1533
Average rates October 2016/March 2017	1.00	1.08	1.26	0.1466
Closing rates end of March 2018	1.05	1.23	1.40	0.1592
Closing rates end of September 2017	1.03	1.18	1.34	0.1503
Closing rates end of March 2017	1.00	1.07	1.25	0.1451

8 Additional geographic information

in TUSD	Half-year 2017/18	in % of total	Half-year 2016/17	in % of total
Net sales to third parties	41 000	100.0%	34 925	100.0%
Europe	14 792	36.1%	12 509	35.8%
America	13 457	32.8%	9 430	27.0%
Asia/Pacific	12 751	31.1%	12 986	37.2%
	31.03.2018	in % of total	31.03.2017	in % of total
Assets	71 049	100.0%	61 848	100.0%
Europe	38 757	54.5%	33 747	54.6%
America	15 203	21.4%	12 266	19.8%
Asia/Pacific	17 089	24.1%	15 835	25.6%
	Half-year 2017/18	in % of total	Half-year 2016/17	in % of total
Average number of employees	413	100.0%	372	100.0%
Europe	90	21.8%	86	23.1%
America	139	33.7%	121	32.5%
Asia/Pacific	184	44.5%	165	44.4%

9 Events after the balance sheet date

No material subsequent events occurred since March 31, 2018, which would have an influence on the information presented in the 2017/18 half-year report or require additional disclosure. The publication of this report was approved by the Board of Directors in their meeting on May 3, 2018.