

DATACOLOR AG

SEMI-ANNUAL REPORT OCTOBER 1, 2019 TO MARCH 31, 2020

The economic downturn, triggered by the global spread of the pandemic, adversely impacted Datacolor AG's business performance in the first half of fiscal 2019/20. Incoming orders reduced significantly towards the end of the reporting period, and the order backlog was substantially reduced by the end of the period. Net sales declined by -11.8% (-11.3% in local currency) to USD 35.1 million (previous year: USD 39.7 million). Due to the lockdown imposed by the Chinese government for four weeks in January and February 2020 to limit the spread of the virus, deliveries of products from Datacolor's plant in Suzhou, China, were temporarily delayed. The production facility is currently fully operational and can deliver without restriction.

Despite a further increase in import tariffs on supplies from Datacolor's production facilities in China to the USA and lower sales volumes, the gross profit margin reached a high 65.9% (67.4%) in the first half of fiscal 2019/20. EBIT amounted to USD 2.8 million (USD 3.3 million). Thanks to strict cost control and reductions in variable compensation in line with the adverse business trend, the EBITDA margin of 10.5% (10.9%) and the EBIT margin of 8.0% (8.4%) were maintained almost at the prior-year's level. This despite the fact that costs associated with a necessary reduction in personnel were incurred in the reporting period and will only begin to have a cost-benefit in the second half of the fiscal year. Although the financial markets have recovered slightly in the second half of the reporting period from the turbulence caused by the pandemic, the financial result for the first half of fiscal 2019/20 was negative at USD -3.8 million (USD -1.9 million), leading to a net loss of USD -1.5 million (USD 1.1 million).

Importance of the Asian region has increased

Asia was Datacolor's largest market in the period under review, accounting for 36% of sales. Europe's sales contribution remained unchanged at 35%. The share of sales from North and South America slightly declined to 29% as delivery for two major orders in prior fiscal year came to an end.

Continued focus on product development and new workflows

In the first half of fiscal 2019/20, Datacolor invested again in the further development of its successful product range for industrial and retail customers as well as in the expansion of its product pipeline. In particular, Cloud solutions for decentralized color control and the digitization of service solutions were moved forward. Datacolor launched two new products at the beginning of the reporting period: ColorHub, a web-based software solution for color analysis and real-time online communication of color between brands and suppliers, and specific assessment services, which enable customers in the textile and apparel industry to reduce development costs and certify high color quality in the supply chain. In addition, the marketing of ColorReader products was intensified. Moreover, the number of online sales channels was significantly increased, and the range of new solutions for industry and retail customers was considerably broadened. The two new launches have attracted serious interest among customers. Datacolor expects, the two new solutions to make a significant contribution to sales as soon as the expected economic upswing emerges.

Solid balance sheet

After the distribution of the dividend of USD 2.5 million in December 2019 and the payment of the variable compensation for fiscal 2018/19, Datacolor AG's cash and cash equivalents including financial assets amounted to USD 33.3 million as of March 31, 2020 (September 30, 2019: USD 44.2 million), corresponding to 52.0% (61.5%) of the balance sheet total of USD 64.1 million (USD 71.9 million). With equity of USD 42.9 million (USD 45.3 million) Datacolor had a sound equity ratio of 67.0% (63.1%) at the end of the period and is debt-free.

Outlook

The pandemic has created great uncertainty in global markets and the economic downturn is expected to intensify. Datacolor is therefore refraining from providing an assessment of its business performance at present. Thanks to the organizational realignment and the substantial cost-reduction measures that have been implemented, as well as its sound balance sheet, Datacolor is well prepared to effectively overcome the negative consequences of the economic downturn. In addition, further development of the successful product range and strengthening of the product pipeline will continue to be intensively moved ahead in order to be able to benefit from the expected economic upswing.

Lucerne, May 8, 2020

This English version of the Datacolor AG semi-annual report 2019/20 is a translation from German and is provided solely for reader's convenience. Only the German version is binding.

This report contains forward-looking statements that reflect management's views with respect to future events. Such statements are subject to risks and uncertainties. Datacolor disclaims any liability that actual results correspond to the forward-looking statements and does not assume any obligation to update any forward-looking statements to reflect events or circumstances after the date of this report.

KEY FIGURES DATACOLOR

in USD million	Half-year 2019/20	Half-year 2018/19
Net sales	35.1	39.7
Change relative to previous period in %	-11.8%	-3.1%
EBIT	2.8	3.3
Change relative to previous period in %	-16.4%	6.6%
as a % of net sales	8.0%	8.4%
Loss/profit for the period	-1.5	1.1
Change relative to previous period in %	-238.0%	-52.9%
as a % of net sales	-4.3%	2.8%
as a % of average shareholders' equity	-3.4%	2.5%
Cash flow from operating activities	-5.5	1.7
Change relative to previous period in %	-425.7%	-47.4%
as a % of net sales	-15.6%	4.2%
Cash flow from investing activities	-3.7	-3.2
Change relative to previous period in %	14.3%	-34.7%
as a % of cash flow from operating activities	67.1%	-191.0%
Free cash flow	-9.1	-1.5
Change relative to previous period in %	497.9%	-11.4%
as a % of net sales	-26.0%	-3.8%
Average number of employees	416	417
Personnel expenses	16.1	18.8
	31.03.2020	31.03.2019
Total assets	64.1	68.8
Shareholders' equity	42.9	43.7
as a % of total assets	67.0%	63.5%
Net liquidity including financial assets	33.3	37.7
	Half-year 2019/20	Half-year 2018/19
Per share data ¹⁾		
Average number of shares	165 028	163 636
Loss / earnings per share in USD (non-diluted)	-9.21	6.73
Free cash flow per share in USD	-55.20	-9.31
Shareholders' equity per share in USD	259.89	266.92

Key dates

October 27, 2020	Key figures 2019/20
November 15, 2020	Publication annual report 2019/20
December 9, 2020	Annual general meeting of shareholders 2019/20

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

CONSOLIDATED INCOME STATEMENT

in TUSD	Half-year 2019/20	Half-year 2018/19
Net sales	35 061 100.0%	39 739 100.0%
Cost of goods sold	-11 954	-12 967
Gross profit	23 107 65.9%	26 772 67.4%
Sales and marketing expenses	-11 102	-12 760
Administrative expenses	-6 008	-6 899
Research and development expenses	-3 207	-3 768
Other operating expenses	10	2
EBIT	2 800 8.0%	3 348 8.4%
Financial result	-3 823	-1 891
Loss/profit before income taxes	-1 023 -2.9%	1 457 3.7%
Income taxes	-496	-356
Net loss/profit	-1 519 -4.3%	1 101 2.8%
	USD	USD
Earnings per share		
non-diluted	-9.21	6.73
diluted	-9.21	6.72
	CHF	CHF
Earnings per share¹⁾		
non-diluted	-9.06	6.67
diluted	-9.06	6.66

¹⁾ The earnings per share in CHF has been calculated from USD to CHF by using the corresponding average rate of the period.

CONSOLIDATED BALANCE SHEET

in TUSD	31.03.2020	30.09.2019	31.03.2019
Assets			
Cash	10 095	21 005	14 036
Current financial assets	23 211	23 159	23 683
Trade receivables	10 685	8 889	11 395
Other receivables	1 984	1 562	1 951
Inventories	7 421	6 263	6 381
Current tax assets	192	190	193
Prepaid expenses	221	129	217
Current assets	53 809 84.0%	61 197 85.1%	57 855 84.1%
Property, plant and equipment	8 352	8 926	9 250
Intangible assets	1 073	842	698
Deferred tax assets	822	908	955
Non-current assets	10 247 16.0%	10 676 14.9%	10 903 15.9%
Assets	64 056 100.0%	71 873 100.0%	68 758 100.0%
Liabilities and shareholders' equity			
Trade payables	2 715	3 893	3 490
Current tax liabilities	895	1 264	1 513
Other current liabilities	2 824	3 136	2 605
Accrued liabilities	12 654	16 094	15 601
Short term provisions	250	243	300
Current liabilities	19 337 30.1%	24 630 34.3%	23 508 34.2%
Other non-current liabilities	1 271	1 213	809
Long term provisions	255	385	436
Deferred tax liabilities	303	300	327
Non-current liabilities	1 829 2.9%	1 898 2.6%	1 573 2.3%
Liabilities	21 166 33.0%	26 528 36.9%	25 080 36.5%
Share capital	153	153	153
Treasury shares	-1 976	-2 863	-2 927
Capital reserves	-4 433	-4 379	-4 425
Retained earnings	49 146	52 434	50 877
Shareholders' equity	42 890 67.0%	45 345 63.1%	43 678 63.5%
Liabilities and shareholders' equity	64 056 100.0%	71 873 100.0%	68 758 100.0%

CONSOLIDATED CASH FLOW STATEMENT

in TUSD	Half-year 2019/20	Half-year 2018/19
Loss/profit before income taxes	-1 023	1 457
Depreciation of property, plant and equipment	980	958
Amortization of intangible assets	84	25
Result from the disposal of non-current assets	-15	-7
Changes in provisions	-124	-79
Other non-cash positions ¹⁾	400	838
Loss from securities	3 920	1 647
Interest income	-428	-24
Income taxes paid	-788	-875
Cash flow before changes in working capital	3 006	3 940
Changes in net working capital (net of cash)	-8 460	-2 266
Cash flow from operating activities	-5 454	1 674
Investment in property, plant and equipment	-233	-401
Divestment of property, plant and equipment	15	27
Investment in intangible assets	-304	-267
Investment in financial assets	-11 598	-6 000
Divestment of financial assets	7 976	3 128
Interest received	487	315
Cash flow from investing activities	-3 657	-3 198
Sale/purchase of treasury shares	676	-340
Exercise of stock options	0	741
Dividends paid	-2 521	-2 473
Cash flow from financing activities	-1 845	-2 072
Decrease in cash	-10 956	-3 596
Cash as of October 1	21 005	17 647
Translation differences on cash	46	-15
Cash as of March 31	10 095	14 036

¹⁾ Other non-cash positions contain especially forex differences.

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 1.10.2018	153	-3 850	-4 062	52 969	-1 132	51 837	44 078
Dividends paid ⁵⁾				-2 473		-2 473	-2 473
Share based payment		1 224	-323			0	901
Sale of treasury shares to BOD		943	-40			0	903
Purchase of treasury shares		-1 244				0	-1 244
Translation differences					412	412	412
Profit for the period				1 101		1 101	1 101
Balance as of 31.03.2019	153	-2 927	-4 425	51 597	-720	50 877	43 678
Balance as of 1.04.2019	153	-2 927	-4 425	51 597	-720	50 877	43 678
Sale of treasury shares		64	46			0	110
Translation differences					-921	-921	-921
Profit for the period				2 478		2 478	2 478
Balance as of 30.09.2019	153	-2 863	-4 379	54 075	-1 641	52 434	45 345
Balance as of 01.10.2019	153	-2 863	-4 379	54 075	-1 641	52 434	45 345
Dividends paid ⁵⁾				-2 521		-2 521	-2 521
Sale of treasury shares to BOD		1 034	-54			0	980
Purchase of treasury shares		-147				0	-147
Translation differences					752	752	752
Loss for the period				-1 519		-1 519	-1 519
Balance as of 31.03.2020	153	-1 976	-4 433	50 035	-889	49 146	42 890

¹⁾ The share capital as of March 31, 2020 consists of 168 044 registered shares with a nominal value of CHF 1 each (prior period: 168 044), translated to CHF/USD with the spot rate as of September 30, 2008.

²⁾ Equals the historical purchase value of 2 772 treasury shares (March 31, 2019: 4 063).

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

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 15) per registered share was distributed in the reporting period. The dividend has been fully paid out of retained earnings.

NOTES TO THE CONSOLIDATED HALF-YEAR REPORT AS OF MARCH 31, 2020

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, 2020. 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, 2019. This half-year report should be read in conjunction with the consolidated financial statements as of September 30, 2019 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 to thousands. The consolidated financial statements are prepared on a historical cost basis, except for current financial assets and derivative financial instruments which are valued at market value.

This half-year report is published in German and English. In case of differences of interpretation arising in comparison to the German version, the wording German version is 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 estimates and assumptions 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 for the year in which the circumstances change.

3 Changes in the scope of consolidation

On February 4, 2020 Datacolor Holding AG was founded in Switzerland and integrated into scope of consolidation. There were no other changes to scope of consolidation in the reporting period.

4 Seasonality

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

5 Commentary on the half-year report

Due to the pandemic, production and sales in China were suspended for four weeks. Shortly afterwards in March, a large scale of European countries went into a lockdown. As a result of that the company's net sales decreased by USD 4.7 million in the first half of fiscal 2019/20 in comparison to the prior period.

The pandemic also affected the company's operating cash flow in the first half of the fiscal year, resulting in a cash drain from operations of USD 5.5 million (previous year: USD 1.7 million cash inflow). The reductions in variable compensation in line with the adverse business trend led to an increase in net working capital of USD 8.5 million. In the reporting period another USD 3.6 million were invested in financial assets (previous year: USD 2.9 million). Cash flow from financing activities was minus USD 1.8 million (previous year: USD 2.1 million), mainly due to the distribution of a dividend for the fiscal year 2018/19 of USD 2.5 million (previous year: USD 2.5 million). The total cash position decreased since October 1, 2019 by USD 11.00 million to USD 10.0 million (previous year: USD 14 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 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 2019/March 2020	1.02	1.10	1.28	0.14
Average rates October 2018/March 2019	1.01	1.14	1.29	0.15
Closing rates end of March 2020	1.04	1.10	1.24	0.14
Closing rates end of September 2019	1.00	1.09	1.23	0.14
Closing rates end of March 2019	1.00	1.12	1.30	0.15

8 Additional geographic information

in TUSD	Half-year 2019/20	in % of total	Half-year 2018/19	in % of total
Net sales to third parties	35 061	100.0%	39 739	100.0%
Europe	12 172	34.7%	14 111	35.5%
America	10 237	29.2%	11 807	29.7%
Asia/Pacific	12 652	36.1%	13 821	34.8%
	31.03.2020	in % of total	31.03.2019	in % of total
Assets	64 056	100.0%	68 758	100.0%
Europe	36 820	57.5%	39 999	58.1%
America	11 798	18.4%	15 098	22.0%
Asia/Pacific	15 438	24.1%	13 661	19.9%
	Half-year 2019/20	in % of total	Half-year 2018/19	in % of total
Average number of employees	416	100.0%	417	100.0%
Europe	88	21.1%	85	20.4%
America	131	31.5%	138	33.1%
Asia/Pacific	197	47.4%	194	46.5%

9 Events after the balance sheet date

No material subsequent events occurred since March 31, 2020, which would have an impact on the information presented in the 2019/20 half-year report or require additional disclosure. The publication of this report was approved by the Board of Directors on April 27, 2020.