

DATACOLOR AG

SEMI-ANNUAL REPORT OCTOBER 1, 2021 TO MARCH 31, 2022

Datacolor AG reported solid sales and operating earnings performance in the first half of fiscal 2021/22 despite the negative development of the market environment from the beginning of calendar year 2022. Both the broad product range, which is well positioned in the market, and the strong demand in all sales regions contributed to this result. Net sales increased by 14.7% (15.7% in local currency) to USD 42.3 million (previous year: USD 36.9 million). The gross margin increased to 65.5% (64.3%) despite higher material costs. The EBITDA margin corresponded to 11.0% (10.9%) and the EBIT margin to 9.0% (8.6%). Operating profit (EBIT) increased to USD 3.8 million (USD 3.2 million). Due to the strong upheavals on the financial markets, the financial result was negative at USD -1.4 million (USD +3.4 million) following a far above-average financial profit in the previous year and had a negative impact on net income. Compared to the exceptionally good previous year, net income declined significantly to USD 1.9 million (USD 5.3 million). Earnings per share amounted to USD 11.71 (USD 32.25). The average number of employees increased to 385 (366) driven by demand and investments in future growth of consumer and industrial products.

Asia remains strongest growth area

Datacolor recorded a pleasing increase in demand for digital color management solutions in value chains during the period under review. Market momentum was strongest in the Asia region, which at 41.7% again accounted for the largest share of sales, Europe corresponded to 31.2%, North and South America to 27.1%.

Focus on launch of new products and new product development

Datacolor continued to drive the successful launch of its Spectro 1000/700 product family. These state-of-the-art spectrophotometers meet the requirements of the Internet of Things (IoT) and were developed for value chains of customers in a wide range of industries in particular textile and apparel as well as paint and coatings where accurate digital color management is critical. Furthermore, Datacolor has launched CloudQC, its first SaaS (Software as a Service) color quality control application, CloudQC, designed to assist color professionals with the evaluation of digital color samples from anywhere, at any time. During the coming months Datacolor will continue to add industry-specific functionality to this application, allowing for a wider number of use cases, assisting also new customers in managing color digitally.

Strong balance sheet

At the end of March 2022, Datacolor had total assets of USD 78.8 million (September 30, 2021: USD 83.7 million) and substantial net cash (including financial assets) of USD 45.4 million (September 30, 2021: USD 51.9 million). Datacolor remains debt-free. Shareholders' equity amounted to USD 46.2 million (September 30, 2021: USD 52.5 million) and the equity ratio corresponded to 58.6% (September 30, 2021: 62.7%).

Outlook

The Board of Directors and Management of Datacolor expect sales and operating profit in fiscal 2021/22 to exceed the previous year's result, assuming that the various closures, particularly in China, are lifted as quickly as possible, that the situation in the supply sector normalizes, and that the war in Ukraine has no further impact. With its lean, rejuvenated organization, high cash position and solid equity base, Datacolor has the flexibility to expand its market position organically and, if possible, also through targeted acquisitions.

Rotkreuz, May 6, 2022

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.

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KEY FIGURES DATACOLOR

in USD million	Half-year 2021/22	Half-year 2020/21
Net sales	42.3	36.9
Change relative to previous period in %	14.7%	5.2%
EBITDA	4.6	4.0
Change relative to previous period in %	15.7%	3.7%
as a % of net sales	11.0%	10.9%
EBIT	3.8	3.2
Change relative to previous period in %	18.9%	13.9%
as a % of net sales	9.0%	8.6%
Net result for the period	1.9	5.3
Change relative to previous period in %	-64.1%	450.4%
as a % of net sales	4.5%	14.4%
as a % of average shareholders' equity	3.9%	11.4%
Cash flow from operating activities	3.4	4.3
Change relative to previous period in %	-19.7%	178.3%
as a % of net sales	8.1%	11.6%
Cash flow from investing activities	1.8	-2.2
Change relative to previous period in %	181.6%	-40.2%
as a % of cash flow from operating activities	52.0	-51.2%
Free cash flow	5.2	2.1
Change relative to previous period in %	150.0%	122.9%
as a % of net sales	12.3%	5.6%
Average number of employees	385	366
Personnel expenses	17.8	17.0
	31.03.2022	30.09.2021
Total assets	78.8	83.7
Shareholders' equity	46.2	52.5
as a % of total assets	58.6%	62.7%
Net liquidity including financial assets	45.4	51.9
	Half-year 2021/22	Half-year 2020/21
Per share data ¹⁾		
Average number of shares	163 335	165 081
Earnings per share in USD (non-diluted)	11.71	32.25
Free cash flow per share in USD	31.89	12.62
Shareholders' equity per share in USD	282.68	292.43

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

Key dates

October 27, 2022
November 17, 2022
December 7, 2022

Key figures 2021/22
Publication annual report 2021/22
Annual general meeting of shareholders 2021/22

CONSOLIDATED INCOME STATEMENT

in TUSD	Half-year 2021/22	Half-year 2020/21
Net sales	42 301 100.0%	36 889 100.0%
Cost of goods sold	-14 602	-13 172
Gross profit	27 699 65.5%	23 717 64.3%
Sales and marketing expenses	-13 082	-11 429
Administrative expenses	-6 730	-5 696
Research and development expenses	-4 082	-3 401
Other operating expenses	-10	0
EBIT¹⁾	3 795 9.0%	3 191 8.6%
Financial result	-1 368	3 362
Net result before income taxes	2 427 5.7%	6 553 17.8%
Income taxes	-514	-1 229
Net result for the period	1 913 4.5%	5 324 14.4%
	USD	USD
Earnings per share		
non-diluted	11.71	32.25
diluted	11.71	32.25
	CHF	CHF
Earnings per share²⁾		
non-diluted	10.80	30.42
diluted	10.80	30.42

¹⁾ Interest includes other financial items, such as earnings from securities, foreign exchange gains and losses.

²⁾ 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	31.03.2022		30.09.2021		31.03.2021	
Assets						
Cash	16 457		19 637		14 229	
Current financial assets	28 933		32 298		32 340	
Trade receivables	9 077		8 816		10 479	
Other receivables	2 282		1 785		2 410	
Inventories	11 453		10 674		7 727	
Current tax assets	133		70		70	
Prepaid expenses	181		113		165	
Current assets	68 516	87.0%	73 393	87.7%	67 420	87.3%
Property, plant and equipment	7 604		7 724		7 540	
Intangible assets	1 186		1 154		1 303	
Deferred tax assets	1 473		1 402		985	
Non-current assets	10 263	13.0%	10 280	12.3%	9 828	12.7%
Assets	78 779	100.0%	83 673	100.0%	77 248	100.0%
Liabilities and shareholders' equity						
Trade payables	4 526		3 318		3 031	
Current tax liabilities	1 876		1 553		1 314	
Other current liabilities	6 044		5 369		4 358	
Accrued liabilities	18 165		19 028		18 138	
Short term provisions	243		241		178	
Current liabilities	30 854	39.2%	29 509	35.3%	27 019	35.0%
Other non-current liabilities	1 061		1 001		1 034	
Long term provisions	391		403		619	
Deferred tax liabilities	301		305		302	
Non-current liabilities	1 753	2.2%	1 709	2.0%	1 955	2.5%
Liabilities	32 607	41.4%	31 218	37.3%	28 974	37.5%
Share capital	153		153		153	
Treasury shares	-4 650		-2 380		-2 087	
Capital reserves	-4 433		-4 433		-4 433	
Retained earnings	55 102		59 115		54 641	
Shareholders' equity	46 172	58.6%	52 455	62.7%	48 274	62.5%
Liabilities and shareholders' equity	78 779	100.0%	83 673	100.0%	77 248	100.0%

CONSOLIDATED CASH FLOW STATEMENT

in TUSD	Half-year 2021/22	Half-year 2020/21
Net result before income taxes	2 427	6 553
Depreciation of property, plant and equipment	674	668
Amortization of intangible assets	166	148
Result from the disposal of non-current assets	12	-1
Changes in provisions	-10	-5
Other non-cash positions ¹⁾	100	-505
Loss/income from securities	998	-2 764
Interest income	-5	-7
Income taxes paid	-330	-358
Cash flow before changes in working capital	4 032	3 729
Changes in net working capital (net of cash)	-606	540
Cash flow from operating activities	3 426	4 269
Investment in property, plant and equipment	-565	-338
Divestment of property, plant and equipment	0	89
Investment in intangible assets	-196	-69
Investment in financial assets	-1 085	-9 935
Divestment of financial assets	3 101	7 513
Interest received	528	555
Cash flow from investing activities	1 783	-2 185
Purchase of treasury shares	-2 270	-50
Dividends paid	-6 225	-1 281
Cash flow from financing activities	-8 495	-1 331
(Decrease)/Increase in cash	-3 286	753
Cash as of October 1	19 637	13 493
Translation differences on cash	106	-17
Cash as of March 31	16 457	14 229
Increase in cash		5 408
Cash as of 30 September 2021		19 637

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 01.10.2020	153	-2 037	-4 433	50 863	722	51 585	45 268
Dividends paid ⁵⁾				-1 281		-1 281	-1 281
Purchase of treasury shares ⁶⁾		-50				0	-50
Translation differences					-987	-987	-987
Profit for the period				5 324		5 324	5 324
Balance as of 31.03.2021	153	-2 087	-4 433	54 906	-265	54 641	48 274
Balance as of 01.04.2021	153	-2 087	-4 433	54 906	-265	54 641	48 274
Purchase of treasury shares ⁶⁾		-293				0	-293
Translation differences					536	536	536
Profit for the period				3 938		3 938	3 938
Balance as of 30.09.2021	153	-2 380	-4 433	58 844	271	59 115	52 455
Balance as of 01.10.2021	153	-2 380	-4 433	58 844	271	59 115	52 455
Dividends paid ⁵⁾				-6 225		-6 225	-6 225
Purchase of treasury shares ⁶⁾		-2 270				0	-2 270
Translation differences					299	299	299
Profit for the period				1 913		1 913	1 913
Balance as of 31.03.2022	153	-4 650	-4 433	54 532	570	55 102	46 172

¹⁾ The share capital as of March 31, 2022 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 6 409 treasury shares (March 31, 2021: 3 003).

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 35 (previous year: CHF 7) per registered share was distributed in the reporting period. The dividend has been fully paid out of retained earnings.

⁶⁾ During the reporting period 2 989 (first half previous year: 86, second half previous year: 417) Datacolor registered shares were acquired at an average price of CHF 700 (first half previous year: CHF 522, second half previous year CHF 639) for a total amount of TUSD 2 270 (first half previous year: TUSD 50, second half previous year TUSD 293).

NOTES TO THE CONSOLIDATED HALF-YEAR REPORT AS OF MARCH 31, 2022

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, 2022. 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, 2021. This half-year report should be read in conjunction with the consolidated financial statements as of September 30, 2021 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.

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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

There were no changes to scope of consolidation in the current and prior year reporting period.

4 Seasonality

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

5 Commentary on the half-year report

Compared to the prior period, Datacolor's sales increased by USD 5.4 million, despite the continuous effect of the COVID pandemic. This recovery in sales also led to higher sales and performance related expenses and provisions.

The cash flow from operating activities showed a cash inflow of USD 3.4 million (previous year: USD 4.3 million). The cash inflow from the positive sales development could only partially compensate for the increase in net working capital. The reason for this increase was, on the one hand, higher inventories driven by the risk of delivery bottlenecks and on the other hand, a higher cash outflow on the liabilities side due to payments of performance-based positions.

During the reporting period, a net USD 2.0 million was divested of financial assets (H1 2020/21: USD 2.4 million invested), which was the main driver for the cash inflow from investing activities.

Cash outflow from financing activities was USD 8.5 million (H1 2020/21: USD 1.3 million), mainly due to the dividend payment for the fiscal year 2020/21 of USD 6.2 million (prior period: USD 1.3 million). The total cash position decreased by USD 3.2 million to USD 16.5 million (September 30, 2021: USD 19.6 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 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 2021/March 2022	1.08	1.15	1.35	0.16
Average rates October 2020/March 2021	1.11	1.20	1.34	0.15
Closing rates end of March 2022	1.08	1.11	1.31	0.16
Closing rates end of September 2021	1.07	1.16	1.35	0.15
Closing rates end of March 2021	1.06	1.17	1.38	0.15

8 Additional geographic information

in TUSD	Half-year 2021/22	in % of total	Half-year 2020/21	in % of total
Net sales to third parties	42 301	100.0%	36 889	100.0%
Europe	13 225	31.2%	13 280	36.0%
America	11 445	27.1%	10 329	28.0%
Asia/Pacific	17 631	41.7%	13 280	36.0%
	31.03.2022	in % of total	31.03.2021	in % of total
Assets	78 779	100.0%	77 248	100.0%
Europe	40 898	52.0%	46 345	60.0%
America	13 187	16.7%	13 532	17.5%
Asia/Pacific	24 694	31.3%	17 371	22.5%
	Half-year 2021/22	in % of total	Half-year 2020/21	in % of total
Average number of employees	385	100.0%	366	100.0%
Europe	79	20.5%	74	20.3%
America	114	29.6%	107	29.2%
Asia/Pacific	192	49.9%	185	50.5%

9 Events after the balance sheet date

No material subsequent events occurred since March 31, 2022, which would have an impact on the information presented in the 2021/22 half-year report or require additional disclosure. The publication of this report was approved by the Board of Directors on May 5, 2022.