

# DATACOLOR AG

HALF-YEAR REPORT **OCTOBER 1, 2018 TO MARCH 31, 2019**

In the first half of fiscal 2018/19, Datacolor AG posted sales of USD 39.7 million (previous year: USD 41.0 million). With a decline of 3.1%, in local currency 1.3%, sales were only slightly below the high level of the previous year, which was significantly influenced by a large order of a major North American retail company. The new, portable colorimeters from the ColorReader family and the latest generation of the SpyderX display calibration system contributed in particular to the good sales development in the first half of 2018/19.

In the first half of 2018/19, the gross margin increased to a very good 67.4% (previous year: 64.0%) despite higher tariffs in the important US market. On the one hand, this significant increase is due to the successful continuation of the exchange program for high-end instruments during the first half of the year. On the other hand, the prior-year figure was influenced by a below-average margin on the major order in North America due to the exceptionally high proportion of hardware. With an EBIT of USD 3.3 million (previous year: USD 3.1 million), an EBITDA margin of 10.9% (previous year: 10.4%) and an EBIT margin of 8.4% (previous year: 7.7%) the operating result was above previous year's result.

After a very successful development in recent years, the financial result was negative at USD -1.9 million (previous year: USD 0 million), mainly due to the disruptions on the capital markets at the end of the first quarter of fiscal 2018/19. Accordingly, net income fell to USD 1.1 million (previous year: USD 2.3 million). Following a significant recovery in the markets in recent months, the financial result has also improved again.

## **Solid growth with new products**

The success of Datacolor's substantial long-term investments in research and development was also reflected in the solid sales figures for the new ColorReader product family in the first half of 2018/19. ColorReader is a highly precise, cost-effective, small and portable colorimeter that can be connected via Bluetooth to a smartphone app for color evaluation.

In February, the Company also launched the new SpyderX, Datacolor's fastest, most accurate and user-friendly color calibration solution for monitors to date. SpyderX is Datacolor's latest contribution to the ongoing development of accurate color management solutions for photographers, video producers and creative professionals worldwide.

Launched in May 2018, the SpectraVision system, which for the first time enables accurate color analysis of multi-color, patterned materials, provides Datacolor with an efficient color measurement solution for customers who previously had no way to accurately measure and communicate color digitally.

In the second half of 2018/19, Datacolor will launch two new products for the textile and apparel industry that will significantly improve color management from design to point of sale.

## **High investments strengthen market position in Asia**

The company focused on improving the efficiency of the substantial geographical expansion during the last years, especially in the Asia region. Vietnam, in particular, performed very well, and despite a slowdown in growth in China, the share of sales contributed by Asia increased significantly to 34.8% (previous year: 31.1%). With a 35.5% share of sales (previous year: 36.1%), Europe remains Datacolor's largest market. The negative currency impact due to the weakening of the EUR against the USD was offset by a positive sales increase in the European pigment industry. In the North and South America region, the decline in the share

of sales to 29.7% (previous year: 32.8%) is fully attributable to the impact of a large order from a major retailer in the previous year.

#### **Sound financial structure**

After a dividend payment of USD 2.5 million and the buyback of own shares, Datacolor had cash and cash equivalents including financial assets of USD 37.7 million on March 31, 2019 (September 30, 2018: USD 40.6 million). Net liquidity includes financial assets of USD 23.7 million (previous year: USD 23.5 million). Equity amounted to USD 43.7 million (September 30, 2018: USD 44.1 million) and the equity ratio was 63.5% (September 30, 2018: 62.6%). Datacolor AG continues to be debt-free.

#### **Changes in the Board of Directors**

The Annual General Meeting elected Hanno Elbraechter as a new member of the Board of Directors of Datacolor AG on December 5, 2018. Hanno Elbraechter has been a member of the Executive Committee and Head of Business Unit Technology at DKSH since 2014, mainly in Asia, and will contribute his extensive experience in this important market to Datacolor's strategic management. He succeeded Fritz Gantert, who had been a member of the Board of Directors since 2004.

#### **Outlook**

In the second half of fiscal 2018/19, Datacolor will continue to launch newly developed, innovative color measurement and color matching solutions to strengthen its long-term growth potential. The solid financial structure and high liquidity will allow Datacolor to continue to invest substantially in the development of pioneering products, intensifying marketing activities, particularly in the online business, and the focused further expansion and increase in efficiency of the global sales, service and support organization. Provided the general economic conditions remain stable, the Board of Directors and Executive Committee aim to achieve sales and earnings for the fiscal year in the range of or slightly below the previous year, even without a major order as in the previous fiscal year.

Lucerne, May 6, 2019

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

This half-year 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 2018/19	Half-year 2017/18
<b>Net sales</b>	<b>39.7</b>	<b>41.0</b>
Change relative to previous period in %	-3.1%	17.4%
<b>EBIT</b>	<b>3.3</b>	<b>3.1</b>
Change relative to previous period in %	6.6%	-8.3%
as a % of net sales	8.4%	7.7%
<b>Net profit</b>	<b>1.1</b>	<b>2.3</b>
Change relative to previous period in %	-52.9%	-30.4%
as a % of net sales	2.8%	5.7%
as a % of average shareholders' equity	2.5%	5.5%
<b>Cash flow from operating activities</b>	<b>1.7</b>	<b>3.2</b>
Change relative to previous period in %	-47.4%	-22.2%
as a % of net sales	4.2%	7.8%
<b>Cash flow from investing activities</b>	<b>-3.2</b>	<b>-4.9</b>
Change relative to previous period in %	-34.7%	708.6%
as a % of cash flow from operating activities	-191.0%	-153.5%
<b>Free cash flow</b>	<b>-1.5</b>	<b>-1.7</b>
Change relative to previous period in %	-11.4%	-149.3%
as a % of net sales	-3.8%	-4.2%
<b>Average number of employees</b>	<b>417</b>	<b>413</b>
<b>Personnel expenses</b>	<b>18.8</b>	<b>18.8</b>
	<b>31.03.2019</b>	<b>31.03.2018</b>
<b>Total assets</b>	<b>68.8</b>	<b>71.0</b>
<b>Shareholders' equity</b>	<b>43.7</b>	<b>43.5</b>
as a % of total assets	63.5%	61.2%
<b>Net liquidity including financial assets</b>	<b>37.7</b>	<b>39.7</b>
	<b>Half-year 2018/19</b>	<b>Half-year 2017/18</b>
<b>Per outstanding share data <sup>1)</sup></b>		
Average number of shares	163 636	161 794
Earnings per share in USD (non-diluted)	6.73	14.61
Free cash flow per share in USD	-9.31	-10.56
Shareholders' equity per share in USD	266.92	268.76

### Key dates

October 24, 2019	Publication annual result 2018/19
November 15, 2019	Publication annual report 2018/19
December 5, 2019	Annual general meeting of shareholders 2018/19

<sup>1)</sup> Weighted average number of shares outstanding (issued shares less treasury shares).

## CONSOLIDATED INCOME STATEMENT

in TUSD	Half-year 2018/19	Half-year 2017/18
<b>Net sales</b>	<b>39 739</b> 100.0%	<b>41 000</b> 100.0%
Cost of goods sold	-12 967	-14 769
<b>Gross profit</b>	<b>26 772</b> 67.4%	<b>26 231</b> 64.0%
Sales and marketing expenses	-12 760	-12 708
Administrative expenses	-6 899	-6 496
Research and development expenses	-3 768	-3 879
Other operating expenses	2	-7
<b>EBIT<sup>1)</sup></b>	<b>3 348</b> 8.4%	<b>3 141</b> 7.7%
Financial result	-1 891	48
<b>Profit before income taxes</b>	<b>1 457</b> 3.7%	<b>3 189</b> 7.8%
Income taxes	-356	-851
<b>Net profit</b>	<b>1 101</b> 2.8%	<b>2 338</b> 5.7%
	<b>USD</b>	<b>USD</b>
<b>Earnings per share</b>		
non-diluted	6.73	14.61
diluted	6.72	14.50
	<b>CHF</b>	<b>CHF</b>
<b>Earnings per share<sup>2)</sup></b>		
non-diluted	6.67	14.16
diluted	6.66	14.06

<sup>1)</sup> Interest include other financial items disclosed in the financial results.

<sup>2)</sup> 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	31.03.2019	30.09.2018	31.03.2018
<b>Assets</b>			
Cash and cash equivalents	14 036	17 647	16 220
Current financial assets	23 683	22 965	23 485
Trade receivables	11 395	10 452	11 368
Other receivables	1 951	1 492	1 862
Inventories	6 381	6 141	6 144
Current tax assets	193	129	146
Prepaid expenses	217	132	156
<b>Current assets</b>	<b>57 855</b> 84.1%	<b>58 958</b> 83.7%	<b>59 381</b> 83.6%
Property, plant and equipment	9 250	9 847	10 089
Intangible assets	698	456	360
Deferred tax assets	955	1 144	1 219
<b>Non-current assets</b>	<b>10 903</b> 15.9%	<b>11 447</b> 16.3%	<b>11 668</b> 16.4%
<b>Assets</b>	<b>68 758</b> 100.0%	<b>70 405</b> 100.0%	<b>71 049</b> 100.0%
<b>Liabilities and shareholders' equity</b>			
Trade payables	3 490	3 466	3 870
Current tax liabilities	1 513	2 155	1 822
Other current liabilities	2 605	2 271	4 756
Accrued liabilities	15 601	16 532	15 762
Short term provisions	300	311	313
<b>Current liabilities</b>	<b>23 508</b> 34.2%	<b>24 735</b> 35.1%	<b>26 523</b> 37.3%
Other non-current liabilities	809	759	308
Long term provisions	436	505	325
Deferred tax liabilities	327	328	410
<b>Non-current liabilities</b>	<b>1 573</b> 2.3%	<b>1 592</b> 2.3%	<b>1 043</b> 1.5%
<b>Liabilities</b>	<b>25 080</b> 36.5%	<b>26 327</b> 37.4%	<b>27 566</b> 38.8%
Share capital	153	153	153
Treasury shares	-2 927	-3 850	-3 107
Capital reserves	-4 425	-4 062	-4 411
Retained earnings	50 877	51 837	50 848
<b>Shareholders' equity</b>	<b>43 678</b> 63.5%	<b>44 078</b> 62.6%	<b>43 483</b> 61.2%
<b>Liabilities and shareholders' equity</b>	<b>68 758</b> 100.0%	<b>70 405</b> 100.0%	<b>71 049</b> 100.0%

## CONSOLIDATED CASH FLOW STATEMENT

in TUSD	Half-year 2018/19	Half-year 2017/18
<b>Profit before income taxes</b>	<b>1 457</b>	<b>3 189</b>
Depreciation of property, plant and equipment	958	888
Impairment of property, plant and equipment	0	0
Amortization of intangible assets	25	222
Result from the disposal of non-current assets	-7	49
Changes in provisions	-79	-119
Other non-cash positions <sup>1)</sup>	838	-293
Income from securities and dividends, net	1 647	-73
Interest paid	-24	-23
Income taxes paid	-875	-975
<b>Cash flow before changes in working capital</b>	<b>3 940</b>	<b>2 865</b>
Changes in net working capital (net of cash & cash equivalents)	-2 266	315
<b>Cash flow from operating activities</b>	<b>1 674</b>	<b>3 180</b>
Investment in property, plant and equipment	-401	-623
Divestment of property, plant and equipment	27	34
Investment in financial assets	-6 000	-13 161
Divestment of financial assets	3 128	8 466
Investment in intangible assets	-267	0
Interest and dividends received	315	384
<b>Cash flow from investing activities</b>	<b>-3 198</b>	<b>-4 900</b>
Purchase/sale of treasury shares	-340	-771
Exercise of stock options	741	1 282
Dividends paid	-2 473	-2 425
<b>Cash flow from financing activities</b>	<b>-2 072</b>	<b>-1 890</b>
<b>Changes in cash and cash equivalents</b>	<b>-3 596</b>	<b>-3 610</b>
<b>Cash and cash equivalents as of October 1</b>	<b>17 647</b>	<b>19 436</b>
Translation differences on cash and cash equivalents	-15	394
<b>Cash and cash equivalents as of March 31</b>	<b>14 036</b>	<b>16 220</b>

<sup>1)</sup> Other non-cash positions contain especially forex differences.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in TUSD	Share capital <sup>1)</sup>	Treasury shares <sup>2)</sup>	Capital reserves <sup>3)</sup>	Retained earnings <sup>4)</sup>	Accumulated translation differences	Total retained earnings	Total share-holders' equity
<b>Balance as of 1.10.2017</b>	<b>153</b>	<b>-4 941</b>	<b>-3 477</b>	51 288	-817	<b>50 471</b>	<b>42 206</b>
Dividends paid <sup>5)</sup>				-2 425		<b>-2 425</b>	<b>-2 425</b>
Share based payment <sup>6)</sup>		<b>2 374</b>	<b>-703</b>	13		<b>13</b>	<b>1 684</b>
Purchase of treasury shares		<b>-540</b>	<b>-231</b>			<b>0</b>	<b>-771</b>
Translation differences					452	<b>452</b>	<b>452</b>
Net profit				2 338		<b>2 338</b>	<b>2 338</b>
<b>Balance as of 31.03.2018</b>	<b>153</b>	<b>-3 107</b>	<b>-4 411</b>	51 214	-365	<b>50 849</b>	<b>43 484</b>
<b>Balance as of 1.04.2018</b>	<b>153</b>	<b>-3 107</b>	<b>-4 411</b>	51 214	-365	<b>50 849</b>	<b>43 484</b>
Purchase/sale of treasury shares		<b>-743</b>	<b>349</b>			<b>0</b>	<b>-394</b>
Translation differences					-767	<b>-767</b>	<b>-767</b>
Net profit				1 755		<b>1 755</b>	<b>1 755</b>
<b>Balance as of 30.09.2018</b>	<b>153</b>	<b>-3 850</b>	<b>-4 062</b>	52 969	-1 132	<b>51 837</b>	<b>44 078</b>
<b>Balance as of 1.10.2018</b>	<b>153</b>	<b>-3 850</b>	<b>-4 062</b>	52 969	-1 132	<b>51 837</b>	<b>44 078</b>
Dividends paid <sup>5)</sup>				-2 473		<b>-2 473</b>	<b>-2 473</b>
Share based payment <sup>6)</sup>		<b>1 224</b>	<b>-323</b>			<b>0</b>	<b>901</b>
Sale of treasury shares to BOD		<b>943</b>	<b>-40</b>			<b>0</b>	<b>903</b>
Purchase of treasury shares		<b>-1 244</b>				<b>0</b>	<b>-1 244</b>
Translation differences					412	<b>412</b>	<b>412</b>
Net profit				1 101		<b>1 101</b>	<b>1 101</b>
<b>Balance as of 31.03.2019</b>	<b>153</b>	<b>-2 927</b>	<b>-4 425</b>	51 597	-720	<b>50 877</b>	<b>43 678</b>

<sup>1)</sup> The share capital as of March 31, 2019 consists of 168 044 registered shares with a nominal value of CHF 1 each (March 31, 2018: 168 044), translated to CHF/USD with the spot rate as of September 30, 2008.

<sup>2)</sup> Equals the historical purchase value of 4 063 treasury shares (March 31, 2018: 5 403).

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

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

<sup>5)</sup> 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.

<sup>6)</sup> In the reporting period 1 899 stock options (previous period: 4 440) 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.

## NOTES TO THE CONSOLIDATED HALF-YEAR REPORT AS OF MARCH 31, 2019

### 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, 2019. 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, 2018. This half-year report should be read in conjunction with the consolidated financial statements as of September 30, 2018 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 unaudited and 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

There are no changes to scope of consolidation in the reporting period.

During the prior year, 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.

### 4 Seasonality

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

### 5 Commentary on the half-year report

Datacolor's net sales decreased by USD 1.3 million in the first half of fiscal 2018/19 primarily based on the aforementioned contract with a major retailer in the US in prior year.

The cash flow from operating activities decreased to USD 1.7 million (H1 2017/18: USD 3.2 million), predominantly as a result of the reduction in net working capital by USD 2.2 million. During the reporting period, another net USD 2.9 million was invested in financial assets (H1 2017/18: USD 4.7 million) which was the main reason for the cash outflow from investing activities. Cash outflow from financing activities was USD 2.1 million (H1 2017/18: USD -1.9 million), mainly because of the dividend distribution for the fiscal year 2017/18 of USD 2.5 million (H1 2017/18: USD 2.4 million). The total cash position decreased by USD 2.2 million to USD 14.0 million (H1 2017/18: USD 16.2 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 2018/March 2019	1.01	1.14	1.29	0.15
Average rates October 2017/March 2018	1.03	1.20	1.35	0.15
Closing rates end of March 2019	1.00	1.12	1.30	0.15
Closing rates end of September 2018	1.02	1.16	1.30	0.15
Closing rates end of March 2018	1.05	1.23	1.40	0.16

## 8 Additional geographic information

in TUSD	Half-year 2018/19	in % of total	Half-year 2017/18	in % of total
<b>Net sales to third parties</b>	<b>39 739</b>	100.0%	<b>41 000</b>	100.0%
Europe	14 111	35.5%	14 792	36.1%
America	11 807	29.7%	13 457	32.8%
Asia/Pacific	13 821	34.8%	12 751	31.1%
	<b>31.03.2019</b>	in % of total	<b>31.03.2018</b>	in % of total
<b>Assets</b>	<b>68 758</b>	100.0%	<b>71 049</b>	100.0%
Europe	39 999	58.1%	38 757	54.5%
America	15 098	22.0%	15 203	21.4%
Asia/Pacific	13 661	19.9%	17 089	24.1%
	<b>Half-year 2018/19</b>	in % of total	<b>Half-year 2017/18</b>	in % of total
<b>Average number of employees</b>	<b>417</b>	100.0%	<b>413</b>	100.0%
Europe	85	20.4%	90	21.8%
America	138	33.1%	139	33.7%
Asia/Pacific	194	46.5%	184	44.5%

## 9 Events after the balance sheet date

No material subsequent events occurred since March 31, 2019, which would have an impact on the information presented in the 2018/19 half-year report or require additional disclosure. The publication of this report was approved by the Board of Directors on April 30, 2019.