

DATACOLOR AG

HALF-YEAR REPORT **OCTOBER 1, 2014 TO MARCH 31, 2015**

In the first half of 2014/15, Datacolor AG increased consolidated net sales by 2% (in local currency terms 6%) to USD 34.4 million (H1 2013/14: USD 33.7 million). Operating earnings (EBIT) declined to USD 2.2 million (USD 2.5 million) mainly due to currency effects. Net profit for the period was USD 1.5 million (USD 2.2 million).

Datacolor is debt-free and has a net cash position of USD 22.5 million (September 30, 2014: USD 28.5 million) including financial assets of USD 11.5 million. At 62.5% (60.3%) the equity capital ratio remains very solid.

The average headcount rose from 359 to 397 as a result of a significant number of recruitments in the research and development department as well as in the marketing and sales organization.

Strong sales growth in Europe – stable development in Asia

The European market continued its recovery in the first half of 2014/15. Net sales in this region increased to USD 13.6 million (USD 11.7 million), corresponding to 39.5% (34.7%) of Group sales.

Sales in the Asia-Pacific region were with USD 10.7 million (USD 10.8 million) at the previous-year's level and accounted for 31.0% (32.1%) of Group sales, reflecting the soft investment climate in individual markets.

The Americas region reported net sales of USD 10.1 million (USD 11.2 million), not quite matching the figure for the first half of 2013/14, which was strengthened by various large orders from the paint industry. The percentage of net sales attributable to North and South America was at 29.5% (33.2%). On the positive side, the Group's newly established sales and service company in Brazil reported an encouraging increase in sales and is also having a direct impact on distribution in South America.

Expansion of direct sales channels in key growth markets

Datacolor has made a determined drive to consolidate its leadership position in its core markets (i.e. the textile and apparel industry and imaging) and to further enhance its standing as a global leader in digital color management solutions with a broad range of software, instruments and customized services for the precise measurement and communication of color.

As part of the process of implementing its corporate strategy, Datacolor is pursuing a clear goal of further expanding its sales and service organization in growth markets. For instance, as of the second half of the current financial year, sales and services for Italy will be handled directly, enabling Datacolor to tailor its operations even more closely to individual customer needs and guarantee top-tier, first-hand services and support.

Datacolor enlarged its portfolio of customer-specific color matching software solutions through the acquisition of Italian software specialist Media Logic. Customers in the retail paint industry will benefit not only from more efficient tinting systems, but also from a larger sales organization in Italy.

The successful integration of support and service into the sales organization and the strategic organizational adjustments made in the last years have played a major role in increasing efficiency and strengthening Datacolor's position in what continues to be a challenging international market and currency climate. Efforts in recent years have been consistently focused on marketing activities and cultivating customer relationships. Today, customers profit from an attractive pipeline of innovative product developments as well as from novel application solutions geared to their requirements.

Product innovations

The existing product portfolio was systematically expanded in the first half of 2014/15 to address the needs of Datacolor's most important core and growth markets. The numerous product innovations will have a positive effect both on developments in the second half and on Datacolor's sales in the long term.

The recently released Datacolor "Check 3.0" is a portable quality control measuring device for customers in the paint, dye, plastics and textiles industries.

Datacolor also launched "Match Textile 2.0", a significant upgrade to its successful formulation software for color professionals in the textile industry. Not only do the extended capabilities integrated into "Match Textile 2.0" satisfy the rigorous quality standards of the textile industry, the software's enhanced efficiency will also translate into long-term cost savings for the customers.

The first half also saw the roll-out of Datacolor's modular, user-friendly color management software "Paint 2.0" for paint retailers. The entire workflow from color search and grade matching to physical dispensing can be managed simply, accurately and fast with "Paint 2.0".

Marking a further addition to its attractive product pipeline, Datacolor has launched the fifth generation of its successful Spyder family, a convenient-to-operate color management solution for the retail market. "Spyder 5" calibrates monitors to industrial color standards and enables users to accurately reproduce colours, making image processing much simpler and faster.

Operating margins shaped by the development and expansion of strategic functions

Despite a significant weakening of the euro against the US dollar, Datacolor succeeded in increasing the gross profit margin by 1.3 percentage points from 64.7% to 66.0% driven by sales mix and price increases. Higher expenditures in connection with the expansion of the marketing organization and the further enlargement of the sales organization reduced the EBITDA margin slightly to 9.4% (10.3%) and the EBIT margin to 6.3% (7.5%).

At the end of March 2015, cash and cash equivalents including financial assets amounted to USD 22.5 million, or around 42% of total assets, following the distribution of a dividend of USD 1.8 million, a higher lockup of net working capital (contingent largely on the reporting date) and the purchase of treasury shares. Datacolor has consolidated net equity of USD 33.7 million (September 30, 2014: USD 35.5 million).

Outlook

New product launches, efficiency gains by simplifying internal processes and a strict cost management will help Datacolor to successfully overcome the challenges posed by volatile currency movements and by the global economy in the second half of 2014/15.

Assuming that economic conditions in its core markets are stable and the international currency situation does not worsen, Datacolor is aiming to achieve a further increase in net sales in the second half of the current financial year. Operating margins will again be impacted by sizable investments to reinforce Datacolor's leading position in the consumer goods market for imaging products and to develop new industrial markets.

Lucerne, May 7, 2015

KEY FIGURES DATACOLOR

in USD million	Half-year 2014/15	Half-year 2013/14
Net sales	34.4	33.7
Change relative to previous period in %	2.1%	10.8%
EBIT	2.2	2.5
Change relative to previous period in %	-13.7%	-13.7%
as a % of net sales	6.3%	7.5%
Net profit for the period	1.5	2.2
Change relative to previous period in %	-29.6%	-18.3%
as a % of net sales	4.4%	6.4%
as a % of average shareholders' equity	4.4%	6.3%
Cash flow from operating activities	-1.4	1.2
Change relative to previous period in %	-219.2%	-70.7%
as a % of net sales	-4.1%	3.5%
Cash flow from investing activities	-0.1	-4.2
Change relative to previous period in %	-97.6%	535.9%
as a % of cash flow from operating activities	-7.1%	350.0%
Free cash flow	-1.5	-3.0
Change relative to previous period in %	-48.9%	-187.4%
as a % of net sales	-4.4%	-8.8%
Average number of employees	397	359
Personnel expenses	15.9	14.9
	31.03.2015	31.03.2014
Total assets	53.9	54.2
Shareholders' equity	33.7	34.7
as a % of total assets	62.5%	64.0%
Net liquidity including financial assets	22.5	27.6
	Half-year 2014/15	Half-year 2013/14
Per share data (non-diluted)¹		
Average number of shares	156 280	156 850
Earnings per share in USD	9.78	13.84
Free cash flow in USD	-9.72	-18.97
Shareholders' equity in USD (March 31)	215.40	220.96

Agenda

October 30, 2015	Publication Annual Result 2014/15
November 13, 2015	Publication Annual Report 2014/15
December 10, 2015	Annual General Meeting of Shareholders 2014/15

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

CONSOLIDATED INCOME STATEMENT

in TUSD	Half-year 2014/15	Half-year 2013/14
Gross sales	34 483	33 880
Sales deductions	-72	-177
Net sales	34 411 100.0%	33 703 100.0%
Cost of goods sold	-11 702	-11 884
Gross profit	22 709 66.0%	21 819 64.7%
Sales and marketing expenses	-11 568	-11 052
Administrative expenses	-5 430	-5 142
Research and development expenses	-3 519	-3 123
Other operating result	-14	21
EBIT	2 178 6.3%	2 523 7.5%
Financial result	-242	118
Profit before income taxes	1 936 5.6%	2 641 7.8%
Income taxes	-407	-470
Net profit	1 529 4.4%	2 171 6.4%
Earnings per share in USD		
non-diluted in USD	9.78	13.84
diluted in USD	9.24	13.23
Earnings per share in CHF		
non-diluted in CHF	9.29	12.53
diluted in CHF	8.77	11.98

CONSOLIDATED BALANCE SHEET

in TUSD	31.03.2015		30.09.2014		31.03.2014	
Assets						
Cash and cash equivalents	11 038		16 624		16 423	
Current financial assets	11 424		11 919		11 142	
Trade receivables	10 060		8 819		9 976	
Other receivables	1 591		1 585		1 463	
Inventories	5 376		5 445		3 472	
Current tax assets	235		241		255	
Prepaid expenses	620		221		184	
Current assets	40 344	74.9%	44 854	76.1%	42 915	79.2%
Property, plant and equipment	10 583		10 594		9 177	
Intangible assets	2 138		2 690		1 622	
Non-current financial assets	11		16		25	
Deferred tax assets	823		766		414	
Non-current assets	13 555	25.1%	14 066	23.9%	11 238	20.8%
Assets	53 899	100.0%	58 920	100.0%	54 153	100.0%
Liabilities and shareholders' equity						
Trade payables	2 562		2 842		1 929	
Current tax liabilities	1 435		1 198		880	
Other liabilities	1 702		2 043		1 928	
Accrued liabilities	11 953		14 527		12 214	
Short term provisions	440		415		423	
Current liabilities	18 092	33.5%	21 025	35.7%	17 374	32.1%
Other non-current liabilities	1 497		1 631		1 315	
Long term provisions	317		384		372	
Deferred tax liabilities	330		331		434	
Non-current liabilities	2 144	4.0%	2 346	4.0%	2 121	3.9%
Liabilities	20 236	37.5%	23 371	39.7%	19 495	36.0%
Share capital	153		153		153	
Treasury shares	-5 212		-4 354		-4 128	
Capital reserves	-1 357		-974		-974	
Retained earnings	40 079		40 724		39 607	
Shareholders' equity	33 663	62.5%	35 549	60.3%	34 658	64.0%
Liabilities and shareholders' equity	53 899	100.0%	58 920	100.0%	54 153	100.0%

CONSOLIDATED CASH FLOW STATEMENT

in TUSD	Half-year 2014/15	Half-year 2013/14
Net Profit	1 529	2 171
Income tax expense	407	470
Profit before income taxes	1 936	2 641
Depreciation of property, plant and equipment	687	870
Amortization of intangible assets	386	242
Gain on sale of property, plant and equipment	16	14
Changes in provisions	-3	-94
Other non-cash positions	256	134
Interest income	-3	-7
Dividends and income from securities net	92	-178
Income taxes paid	-173	-424
Cash flow before changes in working capital	3 194	3 198
Changes in net working capital (net of cash & cash equivalents)	-4 612	-2 008
Cash flow from operating activities	-1 418	1 190
Investment in property, plant and equipment	-895	-976
Investment in intangible assets	-4	-6
Investment in financial assets	-4 696	-6 197
Divestment of property, plant and equipment	13	0
Divestment of financial assets	5 021	2 774
Interest and dividends received	460	240
Cash flow from investing activities	-101	-4 165
Purchase of treasury shares	-2 164	-1 122
Exercise of stock options	596	411
Redemption of stock options	-89	0
Dividends paid	-1 787	-1 914
Cash flow from financing activities	-3 344	-2 625
Changes in cash and cash equivalents	-4 963	-5 600
Cash and cash equivalents as of October 1	16 624	21 890
Translation differences on cash and cash equivalents	-623	133
Cash and cash equivalents as of March 31	11 038	16 423

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 1.10.2013	153	-4 100	175	37 820	495	38 315	34 543
Dividends ⁵⁾			-838	-1 076		-1 076	-1 914
Translation differences		1 094	-311			0	783
Exercise of stock options ⁶⁾		-1 122				0	-1 122
Purchase of treasury shares					197	197	197
Profit for the period				2 171		2 171	2 171
Balance as of 31.03.2014	153	-4 128	-974	38 915	692	39 607	34 658
Balance as of 1.10.2014	153	-4 354	-974	40 833	-109	40 724	35 549
Dividends ⁵⁾				-1 787		-1 787	-1 787
Exercise of stock options ⁶⁾		1 306	-383			0	923
Purchase of treasury shares		-2 164				0	-2 164
Translation differences					-387	-387	-387
Profit for the period				1 529		1 529	1 529
Balance as of 31.03.2015	153	-5 212	-1 357	40 575	-496	40 079	33 663

¹⁾ The share capital as of March 31, 2015 consists of 168 044 registered shares with a nominal value of CHF 1 each (31.03.2014: 168 044).

²⁾ Equals the historical purchase value of 11 984 treasury shares (31.03.2014: 11 676).

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

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

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

⁶⁾ 3 840 stock options (previous period: 3 680) have been exercised after the expiration of the respective blocking period.

SEGMENT INFORMATION

Geographic segments in TUSD

	Half-year 2014/15	in % of total	Half-year 2013/14	in % of total
Net sales to third parties	34 411	100.0%	33 703	100.0%
Europe	13 575	39.5%	11 694	34.7%
America	10 156	29.5%	11 201	33.2%
Asia/Pacific	10 680	31.0%	10 808	32.1%
	31.03.15	in % of total	31.3.2014	in % of total
Assets	53 899	100.0%	54 153	100.0%
Europe	27 774	51.5%	27 761	51.3%
America	13 805	25.6%	14 203	26.2%
Asia/Pacific	12 320	22.9%	12 189	22.5%
	Half-year 2014/15	in % of total	Half-year 2013/14	in % of total
Average number of employees	397	100.0%	359	100.0%
Europe	85	21.4%	74	20.6%
America	131	33.0%	116	32.3%
Asia/Pacific	181	45.6%	169	47.1%

NOTES TO THE CONSOLIDATED HALF-YEAR REPORT AS OF MARCH 31, 2015

1 General consolidation principles

The unaudited consolidated half-year report has been prepared in accordance with the accounting principles of Swiss GAAP FER 12 (Interim reporting) and includes the unaudited financial statements of Datacolor AG and its subsidiary companies for the half-year ending as per March 31, 2015.

The applied accounting principles are corresponding with the principles stipulated in the consolidated financial statements as of September 30, 2014. This half-year report should be read in conjunction with the consolidated financial statements as of September 30, 2014 since it represents an update of the last comprehensive financial report.

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 supersede.

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

Compared to the same period in previous year the scope of consolidation has been extended by an additional Italian subsidiary resulting from the acquisition of the Media Logic Group. Further, MABAG AG has been merged with the mother company Datacolor AG. The scope of consolidation has been changed accordingly. These changes to the scope of consolidation did not result in a material impact on the operating performance in the reporting period.

4 Seasonality

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

5 Commentary on the half-year report

The operating Cash flow was USD -1.4 million for the period ended March 31 (H1 2013/14: USD 1.2 million). This resulted on one side from the cash outflow attributed to reduced payables and accruals and at the same time higher capital lockup in increased trade receivables at the closing date. Datacolor further invested in treasury shares in the reporting period. Together with the distribution of dividends for the financial year 2013/14 of USD 1.8 million these have been the main reasons for the cash decrease of USD 5.6 million (previous period decrease of USD 5.5 million) to USD 11.0 million.

6 Foreign exchange rates

USD per	1 CHF	1 EUR	1 GBP	1 CNY
Average rates October 2014/March 2015	1.05	1.22	1.57	0.1628
Average rates October 2013/March 2014	1.10	1.36	1.62	0.1634
Closing rates end of March 2015	1.04	1.09	1.48	0.1631
Closing rates end of September 2014	1.05	1.27	1.62	0.1631
Closing rates end of March 2014	1.13	1.38	1.66	0.1623

7 Events after the balance sheet date

No material subsequent events occurred since March 31, 2015, which would have an influence on the information presented in the 2014/15 half-year report or require additional disclosure in this report.