

DATACOLOR AG

HALF-YEAR REPORT OCTOBER 1, 2009 TO MARCH 31, 2010

Datacolor posts sales increase and profit in first half 2009/2010

Datacolor's continued focus on the global color management business and on fulfilling the requirements of a company listed on the SIX Swiss Exchange already had a positive impact on the half-year results. Compared with the results for the first half of the previous year, which were hit by the challenging economic climate and extraordinary costs, Datacolor increased its consolidated net sales by 17% to CHF 30.9 million (H1 08/09: CHF 26.4 million), and in local currencies by as much as 26%. The operating result (EBIT) improved to CHF 2.5 million (CHF -2.8 million), the EBIT margin to 8.1% and net income from CHF -4.0 million (excluding one-off gain from the sale of the real estate division) to CHF 1.7 million. Free cash flow rose to CHF 7.2 million (CHF 4.6 million). At the end of March, the equity ratio was still a comfortable 54.6% (September 30, 2009: 59.6%). Despite the expansion prompted by a sharp rise in demand from the Asia/Pacific region, particularly China, the average headcount fell by 20 to 251 full-time equivalents.

Demand picks up noticeably in the Industrial and Consumer Business Units

In the first half of fiscal 2009/10, Datacolor recorded a noticeable rise in demand in all key markets as the economic climate improved. Major customers, including multinational textile manufacturers from Asia, those in the automotive, furniture and packaging industries and manufacturers of coatings and paints in the specialty chemicals sector, are again investing in solutions that increase efficiency and quality. Strong demand, especially from China, boosted the Asia/Pacific region's share of sales to 27% (H1 08/09: 23.5%), while Europe accounted for another 43.3% (45.4%) and the American markets 29.7% (31.1%). In the Industrial Business Unit, sales of instruments and software packages rose by 22% to CHF 16.4 million (CHF 13.4 million) in the first half compared with the same period of the previous year, which had been impacted by a big drop in demand. The Service and Support arm also performed well, generating sales of CHF 7.2 million (CHF 6.6 million). The Consumer Business

Unit, comprising the innovative Datacolor Spyder products for color calibration of cameras, monitors, printers and projectors, generated sales of CHF 7.4 million (CHF 6.4 million) in the first half of the year, thus beating the year-back figure, which was low because of the economic downturn, by 16%.

Higher investment in development and launch of new products

In the first half of 2009/10, Datacolor again invested extra resources in developing new products and expanding the existing range with new versions of its 'Match Pigment' program for color management in the plastics, coatings, paint and cosmetics industries, its 'Select Kit' program for the retail paint and home décor market, and its 'Guardian' care and maintenance program for Datacolor high-end instruments. The Datacolor Spyder range was also expanded significantly with the addition of the 'Spyder3Print SR', a high-performance solution that enables professional photographers and designers in the art printing and production segment to color calibrate printers accurately, and the 'Spyder3Express', a user-friendly color calibration system for amateur photographers that supports the accurate color reproduction of photos on monitors. The appointment of Tae Park as Chief Technology Officer in April 2010 has strengthened the research and development department with a view to making development activities even more efficient and bringing innovative new technologies and products to market even faster.

Strict cost management and solid balance sheet

Even after the dividend distribution, the net cash position increased significantly to CHF 17.3 million (end of fiscal 2008/09: CHF 11.9 million). Datacolor has a balance sheet total of CHF 45.8 million (CHF 41.6 million), is free of debt and has a comfortable equity ratio of 54.6% (59.6%). Cash, cash equivalents and financial assets represent a high 42% of total assets, with the increase to CHF 19.4 million (CHF 14.0 million) mainly attributable to the company's tight control of working capital as well as to the profit generated. The financial result of CHF -0.7 million was largely influenced by the unfavorable trend of the euro against the Swiss franc. There was a significant year-on-year rise in the gross margin of 6.7 percentage points to 63.4%. This very pleasing trend in the gross margin is attributable to the completion in the last fiscal year of the relocation of production from the USA to the company's own facilities in the Chinese city of Suzhou, together with the associated efficiency improvements and cost reductions, as well as to the volume effect and a positive change in the sales mix.

Outlook

Thanks to its greatly rejuvenated product range, Datacolor is well positioned for above-average growth as the economy continues to improve. The company has an experienced management team, an efficient production site in China, an effective global service and sales organization and a well-filled development pipeline featuring innovative technologies and products. Thanks to its focus on high-growth market segments, its solid balance sheet and its tight cost management, Datacolor is well placed to achieve its ambitious medium-term objectives for growth and profitability, in conjunction with selected acquisitions.

Lucerne, May 4, 2010

KEY FIGURES DATACOLOR GROUP

in CHF million	Half-year 2009/2010	Half-year 2008/2009 restated ¹⁾
Net sales	30,9	26,4
Change to previous year in %	17,0%	-29,9%
EBIT	2,5	-2,8
Change to previous year in %	188,8%	-219,8%
as a % of net sales	8,1%	-10,7%
Result (continued operations)	1,7	-4,0
Change to previous year in %	141,5%	-602,3%
as a % of net sales	5,3%	-15,1%
as a % of average shareholders' equity	6,6%	-14,6%
Cash flow from operating activities (continued operations)	7,5	4,8
Change to previous year in %	56,1%	n/a
as a % of net sales	24,1%	18,1%
Cash flow from investing activities (continued operations)	-0,3	-0,2
Change to previous year in %	38,9%	n/a
as a % of cash flow from operating activities	3,9%	4,4%
Free Cash Flow (continued operations)	7,2	4,6
Change to previous year in %	56,9%	n/a
as a % of net sales	23,2%	17,3%
Average number of employees	251	271
Personnel expenses	11,3	11,0
Total assets	45,8	45,1
Shareholders' equity	25,0	26,0
as a % of total assets	54,6%	57,6%
Net liquidity	17,3	11,7
Per share data (continued operations, non diluted)²⁾		
Average number of shares	156 017	156 575
Earnings per share in CHF	10.61	-25.47
Free Cash Flow in CHF	45.97	29.19
Shareholders' equity in CHF	160.25	165.84

Key dates

November 5, 2010	Press release financial year 2009/2010
November 30, 2010	Press conference financial year 2009/2010
January 13, 2011	Shareholders' annual general meeting

¹⁾ Due to the change of the accounting standard from IFRS to Swiss GAAP FER, previous year figures have been restated.

²⁾ The calculation is based on the average number of shares outstanding (issued shares less own shares).

CONSOLIDATED INCOME STATEMENT

in TCHF	Half-year 2009/2010		Half-year 2008/2009 restated ¹⁾	
Gross sales	30 982		26 663	
Sales deductions	-58		-239	
Net sales	30 924	100,0%	26 424	100,0%
Cost of goods sold	-11 324		-11 436	
Gross profit	19 600	63,4%	14 988	56,7%
Sales and marketing expenses	-8 968		-8 226	
Administration expenses	-5 574		-5 047	
Research and development expenses	-2 540		-2 986	
Other operating income	0		84	
Special charges	6	0	-1 648	
EBIT	2 518	8,1%	-2 835	-10,7%
Financial result	-697		-779	
Profit before income taxes	1 821	5,9%	-3 614	-13,7%
Income taxes	-167		-374	
Profit from continuing operations	1 654	5,3%	-3 988	-15,1%
Profit from discontinued operations	6	0	5 492	
Net profit	1 654	5,3%	1 504	5,7%
Earnings per share				
non diluted in CHF	10.61		9.60	
diluted in CHF	10.29		9.43	
Earnings per share (continuing operations)				
non diluted in CHF	10.61		-25.47	
diluted in CHF	10.29		-25.01	

¹⁾ Due to the change of the accounting standard from IFRS to Swiss GAAP FER, previous year figures have been restated. Further information to this fact have been disclosed in the notes to the half-year report.

CONSOLIDATED BALANCE SHEET

in TCHF	31/03/2010	31/03/2009 restated ¹⁾
Assets		
Cash and cash equivalents	18 228	12 574
Financial assets	1 201	648
Trade receivables	7 927	6 785
Other receivables	1 142	2 308
Inventories	4 237	7 610
Current tax assets	223	20
Prepaid expenses	113	172
Current assets	33 071 72,2%	30 117 66,8%
Property, plant and equipment	8 961	9 960
Intangible assets	3 059	3 779
Financial assets	148	156
Deferred tax assets	583	1 085
Non-current assets	12 751 27,8%	14 980 33,2%
Assets	45 822 100,0%	45 097 100,0%
Liabilities and shareholders' equity		
Trade payables	2 878	2 315
Financial liabilities	946	909
Current tax liabilities	1 208	2 251
Other liabilities	1 649	1 729
Accrued liabilities	12 577	10 642
Current liabilities	19 258 42,0%	17 846 39,6%
Other liabilities	450	346
Provisions	826	357
Deferred tax liabilities	286	581
Non-current liabilities	1 562 3,4%	1 284 2,8%
Liabilities	20 820 45,4%	19 130 42,4%
Share capital	168	168
Treasury shares	-15	-11
Capital reserves	10 051	10 051
Retained earnings	14 798	15 759
Shareholders' equity	25 002 54,6%	25 967 57,6%
Liabilities and shareholders' equity	45 822 100,0%	45 097 100,0%

¹⁾ Due to the change of the accounting standard from IFRS to Swiss GAAP FER, previous year figures have been restated. Further information to this fact have been disclosed in the notes to the half-year report.

CONSOLIDATED CASH FLOW STATEMENT

in TCHF	Half-year 2009/2010	Half-year 2008/2009 restated ¹⁾
Net Profit	1 654	1 504
Income tax expense	167	374
Profit before income taxes	1 821	1 878
Depreciation of property, plant and equipment	438	458
Amortization of intangible assets	218	220
Gain on sale of Eichhof Real Estate	0	-5 492
Changes in provisions	53	144
Other non-cash positions	101	-548
Interest expense net	1	0
Dividends and income from securities net	-82	659
Interest paid	-1	0
Income taxes paid	-780	-97
Cash flow before working capital changes	1 769	-2 778
Changes in net working capital (net of cash & cash equivalents)	5 696	7 560
Cash flow from operating activities	7 465	4 782
Divestment of Eichhof Real Estate	0	106 184
Investment in property, plant and equipment	-290	-211
Investment in intangible assets	-3	0
Cash flow from investing activities	-293	105 973
Repayments of financial liabilities	0	-109 004
Purchase of own shares	-1 067	0
Repurchase of stock options	-47	0
Dividends paid	-470	-4 697
Cash flow from financing activities	-1 584	-113 701
Changes in cash and cash equivalents	5 588	-2 946
Cash and cash equivalents as of October 1	12 882	15 551
Effect of foreign currency translation on cash and cash equivalents	-242	-31
Cash and cash equivalents as of March 31	18 228	12 574

¹⁾ Due to the change of the accounting standard from IFRS to Swiss GAAP FER, previous year figures have been restated. The restatement did not influence cash flow from operating activities, cash flow from investing activities or cash flow from financing activities.

Further information to this fact have been disclosed in the notes to the half-year report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in TCHF	Share capital	Treasury shares ²⁾	Capital reserves ³⁾	Retained earnings	Accumulated translation differences	Hedge accounting	Total retained earnings	Total share-holders' equity
Balance as of 1/10/2008								
Swiss GAAP FER	168	-11	10 051	23 010	-4 526	16	18 500	28 708
Change in treatment of financial instruments						-16	-16	-16
Dividends ⁴⁾				-4 697			-4 697	-4 697
Translation differences					468		468	468
Profit for the period				1 504			1 504	1 504
Balance as of 31/03/2009								
Swiss GAAP FER	168¹⁾	-11	10 051	19 817	-4 058	0	15 759	25 967
Balance as of 1/10/2009								
Swiss GAAP FER	168	-11	10 051	20 900	-6 278	0	14 622	24 830
Dividends ⁴⁾				-470			-470	-470
Purchase of own shares ²⁾		-4		-1 063			-1 063	-1 067
Translation differences					55		55	55
Profit for the period				1 654			1 654	1 654
Balance as of 31/03/2010								
Swiss GAAP FER	168¹⁾	-15	10 051	21 021	-6 223	0	14 798	25 002

¹⁾ The share capital as of March 31, 2010 consists of 168 044 with a nominal value of CHF 1 each.

²⁾ Nominal value; own share holdings of 15 012 (previous year: 11 469) at cost reduced the consolidated equity by TCHF 4 824 (previous year: TCHF 3 757).

³⁾ The capital reserves contain legal reserves that are subject to certain legal restrictions with regard to their distributions.

⁴⁾ A dividend of CHF 3 (previous year: CHF 30) per share was distributed in the reporting period.

Due to the change of the accounting standard from IFRS to Swiss GAAP FER, previous year figures have been restated. Further information to this fact have been disclosed in the notes to the half-year report.

SEGMENT INFORMATION

Geographic segments in TCHF	Half-year 2009/2010		Half-year 2008/2009 restated	
		as a % of total		as a % of total
Net sales with third parties	30 924	100,0%	26 424	100,0%
Europe	13 391	43,3%	12 002	45,4%
America	9 185	29,7%	8 224	31,1%
Asia/Pacific	8 348	27,0%	6 198	23,5%
		as a % of total		as a % of total
Assets	45 822	100,0%	45 097	100,0%
Europe	21 406	46,7%	18 441	40,9%
America	13 096	28,6%	15 523	34,4%
Asia/Pacific	11 320	24,7%	11 133	24,7%
		as a % of total		as a % of total
Average number of employees	251	100,0%	271	100,0%
Europe	61	24,3%	67	24,7%
America	93	37,1%	111	41,0%
Asia/Pacific	97	38,6%	93	34,3%

NOTES TO THE CONSOLIDATED HALF-YEAR REPORT AS OF MARCH 31, 2010

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 March 31, 2010.

The applied accounting principles are corresponding with the principles stipulated in the consolidated financial statements 2009. This half-year report should be read in conjunction with the consolidated financial statements as of September 30, 2009 since it represents an update of the last comprehensive financial report.

The consolidated half-year financial statements have been prepared in Swiss Francs (CHF) and were 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 published in German and English language and has not been audited by the auditors. In case of differences of interpretation arising in comparison to the German version, the wording of the original German version is valid. The consolidated income statement, balance sheet, statement of cash flows and changes in consolidated equity are presented in condensed form.

2 Restatement of previous year figures following the change of the accounting standards to Swiss GAAP FER (FER)

Datacolor Group has effected the change of financial accounting standards from International Financial Reporting Standards (IFRS) to Swiss GAAP FER (FER) in the financial year 2008/2009. With regard to comparison purposes with prior year published half-year financial statements, financial information disclosed for the first half-year 2008/2009 has been restated to FER for the continued operations.

With the retrospective introduction of FER, acquisitions undertaken in the past have been assessed in the light of the accounting principles of FER. The retrospective adoption of these accounting principles showed that the theoretical amortization period ended prior to October 1, 2007. Consequently, intangible assets (trademarks, licences, patents and goodwill) amounting to TCHF 10 323 have been directly offset with shareholders' equity as per October 1, 2007. As a further consequence of the change of the financial accounting standards, the IAS 19 pension liability amounting to TCHF 594 net of deferred tax assets as per October 1, 2007 has been released directly into shareholders' equity. While the pension liability of Datacolor Group in Switzerland represents under IFRS a defined benefit plan for which a pension liability is recorded in the balance sheet, no such liability is accounted for under FER given the existing contractual agreements. Based on actual circumstances neither an economic benefit nor an economic liability exists. Therefore, the IAS 19 pension liability has been released directly into shareholders' equity.

The profit for the first half-year 2008/2009 initially amounting to TCHF 1 060 has been increased by TCHF 444 for adjusting the IFRS based amortization of intangible assets that have been offset with shareholders' equity under FER.

3 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.

4 Changes in the scope of consolidation

Datacolor obtained a licence for doing business in the People's Republic of China for Datacolor Trading (Shanghai) Co., Ltd. on December 17, 2009. On January 15, 2010 Datacolor Solutions Private Limited, Mumbai was formally established in India.

5 Seasonality

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

6 Half-year report commentary

Eichhof Real Estate has been sold to BVK Pension Fund of Canton Zurich in December 2008, with effective date October 1, 2008. This resulted in a profit from discontinued operations of TCHF 5 492 in the first half-year 2008/2009. Following this transaction all bank loans have been repaid.

Further, the Group realized certain measures for a structural and organizational realignment in the areas of production, distribution and administration during the first half-year 2008/2009. The special charges attributed to the realignment amounted to TCHF 1 648 in the period October 1, 2008 to March 31, 2009 and consisted primarily of expenses for headcount reductions and consulting fees.

7 Foreign exchange rates

CHF per	1 USD	1 EUR	1 GBP
Average rates October 2009/March 2010	1.03	1.50	1.68
Average rates October 2008/March 2009	1.15	1.53	1.80
Rates end of March 2010	1.06	1.43	1.60
Rates end of September 2009	1.04	1.51	1.65
Rates end of March 2009	1.15	1.52	1.63

8 Events after the balance sheet date

No further material events which would have an influence on the information presented in the 2009/2010 half-year report or require additional disclosure in this report occurred since March 31, 2010.