

# 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

The full Half-year Report for fiscal 2009/10 can be downloaded from:  
[www.datacolor.com / Investor Relations](http://www.datacolor.com / Investor Relations)

Analogous translation of the original German version of "Halbjahresbericht 1.10.2009 – 31.3.2010". In case of differences of interpretation arising in comparison to the German version, the wording of the original German version is valid.

## KEY FIGURES DATACOLOR GROUP

in CHF million	Half-year 2009/2010		Half-year 2008/2009 restated <sup>1)</sup>	Difference in %
<b>Consolidated income statement</b>				
Net sales	30,9		26,4	17,0%
Gross profit	19,6		15,0	30,8%
Operating expenses	-17,1		-16,2	5,6%
Special charges	0,0		-1,6	-100,0%
EBIT	2,5		-2,8	188,8%
Profit from discontinued operations	0,0		5,5	-100,0%
Net profit	1,7		1,5	10,0%
<b>Cash flow (continued operations)</b>				
Cash flow from operating activities	7,5		4,8	56,1%
Cash flow from investing activities	-0,3		-0,2	38,9%
Cash flow from financing activities	-1,6		-4,7	-66,3%
in CHF million	31.03.2010	%	31.03.2009 restated <sup>1)</sup>	%
<b>Balance sheet</b>				
Total assets	45,8	100,0%	45,1	100,0%
Current assets	33,1	72,2%	30,1	66,8%
Non-current assets	12,7	27,8%	15,0	33,2%
Liabilities	20,8	45,4%	19,1	42,4%
Net liquidity	17,3	37,7%	11,7	25,9%
Shareholders' equity	25,0	54,6%	26,0	57,6%
<b>Employees</b>				
	Half-year 2009/2010		Half-year 2008/2009	Difference in %
Average number of employees	251		271	-7,4%
Personnel expenses	11,3		11,0	2,7%
<b>Per share data (continued operations, non diluted)<sup>2)</sup></b>				
	Half-year 2009/2010		Half-year 2008/2009 restated <sup>1)</sup>	Difference in %
Average number of shares	156 017		156 575	
Net profit for the period in CHF	10.61		-25.47	141,7%
Free Cash Flow in CHF	45.97		29.19	57,5%
Shareholders' equity in CHF	160.25		165.84	-3,4%
Share price as of March 31 in CHF	295.00		200.00	47,5%
Market capitalization in CHF millions	49,6		33,6	47,5%

### Agenda

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

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

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

## SEGMENT INFORMATION

Geographic segments in TCHF	Half-year 2009/2010		Half-year 2008/2009 restated	
		as a % of total		as a % of total
<b>Net sales with third parties</b>	<b>30 924</b>	100,0%	<b>26 424</b>	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
<b>Assets</b>	<b>45 822</b>	100,0%	<b>45 097</b>	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
<b>Average number of employees</b>	<b>251</b>	100,0%	<b>271</b>	100,0%
Europe	61	24,3%	67	24,7%
America	93	37,1%	111	41,0%
Asia/Pacific	97	38,6%	93	34,3%