

DISO AG reports continuing resurgence in business activity

Stuttgart/Germany, August 6, 2010 - Digital Identification Solutions AG (DISO), a leading international ID solutions provider, reports sales growth of 31% year-on-year:

- Record sales in the first half
- Surge in sales in the Consumables and Software & Services segments
- Project business got off to a good start
- Bottom-line results slightly positive in Q2/2010

€mn	2009	2010	Change
Sales	9.3	12.2	31.2%
Gross profit	4.3	5.3	23.3%
Gross margin	46.2%	43.4%	- 6.1%
EBITDA	0.3	0.4	33.3%
EBIT	0.0	- 0.2	n.a.
Earnings before taxes	0.0	- 0.2	n.a.
Order backlog	1.4	3.1	> 100%

In the second quarter of 2010, sales growth of the DISO Group continued to accelerate. At the same time, the group was able to slightly increase its earnings before interest and taxes (EBIT) compared to the first quarter. While sales in the first half were way above our expectations, the recently published EBIT figures do not yet reflect the desired business development. Net sales rose by 59.6% to EUR 7.5 million compared to the prior quarter, while EBIT amounted EUR 0.2 million, thus closing the quarter in positive territory for the first time since two quarters.

€mn	Q1 / 2010	Q2 / 2010	Change
Sales	4.7	7.5	59.6%
Gross profit	2.6	2.7	8.0%
EBITDA	- 0.1	0.5	> 100%
EBIT	- 0.4	0.2	> 100%
Order backlog	3.4	3.1	- 9.9%

In the first half, DISO generated sales in the amount of EUR 12.2 million (+31.2%) as well as an operating result (EBIT) of EUR -0.2 million, down from the break-even EBIT figure in the prior-year (EUR 0.0 million). The gross margin decreased from 46.2% in the prior year to 43.4% in 2010.

The sales trend remained quite mixed. While sales in the Americas, Asia and Africa continue to develop very positively and improved at very high growth rates, business in Europe is only slowly recovering. Although we were able to further increase sales in the Software segment, Hardware sales are still below expectations in Europe.

€mn	Q1 / 2010	Q2 / 2010	Change
Hardware	3.0	3.0	0.0%
Consumables	5.1	7.0	37.3%
Software & Services	1.2	2.2	83.3%
Total	9.3	12.2	31.2%

The gross profit margin fell from 46.2% in the first half of 2009 to approximately 43.4% in 2010. This decline is attributable to a positive product mix (more sales generated in the Consumables and Software & Services segments) as well as the generally lower gross margins in the project business which is increasingly becoming a focus. In addition, a larger portion of the backorders from the prior year was delivered in the second quarter of 2010. These orders had been obtained already back in fall 2009 at particularly low terms offered upon product launch, but due to delays in delivery it was not until recently that the products were delivered. Furthermore, the continued Yen strength had a considerable effect on the Euro and the US Dollar.

Measures initiated in the first quarter to address negative currency effects will have a positive impact on earnings in the remainder of the year.

In the first half of 2010, operating expenses increased by EUR 0.6 million to EUR 5.5 million, up from EUR 4.9 million in the comparable prior-year period. The main reasons for this are higher staff costs as well as currency translation differences regarding the US dollar.

While other operating income fell from EUR 0.9 million in the first half of 2009 to EUR 0.6 million in 2010, depreciation and amortization rose by EUR 0.3 million to EUR 0.6 million in 2010.

Outlook

"Sales development in the first half was very positive, with all markets except Europe growing at above-average rates. The project business, above all, is showing a very strong performance. As early as at the end of July 2010, our invoiced sales plus the firm orders are above any other levels achieved in company history. In the second half, we must continue to focus on the slightly lower gross margin as well as on measures to improve earnings to achieve sustainable growth of profits," says Gerd Schaefer, Chief Executive Officer of DISO AG.

Due to the positive development of new orders and the increasing resilience of the global economy, DISO AG's Management Board expects business development to remain stable during the second half of 2010. Therefore, DISO AG continues to expect sales to amount to approx. EUR 25.0 million in 2010. If costs can be cut successfully, bottom-line results will amount to around EUR 0.5 million.

The Management Board

About Digital Identification Solutions

The Digital Identification Solutions Group is a global provider of advanced identification solutions with a worldwide installed base of more than 11,000 systems. In October 2009 the Group introduced to the world market the latest *EDlsecure*[®] XID Retransfer Printer generations for distinct Business Line segments as well as a much enhanced Professional Line Portfolio in combination with new Inline Lamination Modules. The Professional Line Portfolio will support multiple new modules in the forthcoming future, as well as the revolutionary LCP 9000 Laser Color Personalization System, which had been pre-announced already earlier. The company has own sales-, marketing-, logistic- and support centers in Germany, the United Arab Emirates, Singapore, China, the United States and Mexico. Together with its vast network of certified partners, Digital Identification Solutions is in a position to deliver state-of-the-art solutions virtually anywhere in the world. The company combines cutting-edge technology, extensive industry know-how and an impressive array of references in the private and public sector.

For further information please visit www.digital-identification.com

Contact:

Sabrina Poessl
Corporate Communications
Digital Identification Solutions AG
Teckstrasse 52
73734 Esslingen
Germany

Phone: ++49 711-341 689-0

Fax: ++49 711-341 689-550

mail_ir@digital-identification.com