

DATACOLOR AG

FINANCIAL REPORT 2019

datacolor 

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DATACOLOR AG

FINANCIAL REPORT 2019

Financial year from October 1, 2018 through September 30, 2019

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Datacolor

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Datacolor AG

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DATACOLOR SHARE INFORMATION

Stock exchange information

Expected dividend ex date (subject to approval by AGM)	December 9, 2019
Listing	SIX Swiss Exchange (Zurich)
Security ID	853 104
ISIN	CH0008531045
Reuters	DCN.S
Bloomberg	DCN
Investdata	DCN

Capital structure	30.09.2019	30.09.2018
Share capital in CHF	168 044	168 044
Conditional share capital in CHF	16 804	16 804
Number of registered shares	168 044	168 044
Nominal value per share in CHF	1	1
Registration restrictions	none	none
Voting restrictions	none	none
Opting out / opting up	none	none

Significant shareholders (in %)	30.09.2019	30.09.2018
Werner Dubach*	63.50%	62.75%
Anne Keller Dubach*	19.55%	19.35%

* Shareholder Werner Dubach and Anne Keller Duach form a group of shareholders.

Shareholders by category (in %)	30.09.2019	30.09.2018
Significant shareholders	83.05%	82.10%
Private investors	95.15%	95.15%
Corporate investors	4.85%	4.85%
Non-registered shareholders	1.66%	1.53%

Share distribution	30.09.2019	30.09.2018
Number of registered shares	Number of shareholders	Number of shareholders
1 – 100	483	504
101 – 1 000	24	24
1 001 – 10 000	6*	6*
>10 000	2	2
Total	515	536

*including treasury shares of Datacolor AG

Share price data in CHF	2018/19	2017/18
First trading day	815.00 (10.10.2018)	736.00 (09.10.2017)
Low	630.00 (18.04.2019)	735.50 (09.10.2017)
High	820.00 (diverse Daten)	900.00 (diverse Daten)
Last trading day	655.00 (30.09.2019)	830.00 (14.09.2018)
Average share price	706.47	841.47
Market capitalization in CHF million as of September 30	107.5	134.6

KEY FIGURES GROUP

in USD million	2018/19	2017/18
Net sales	78.8	81.1
Change relative to previous year in %	-2.9%	11.4%
EBITDA	7.5	8.4
Change relative to previous year in %	-9.7%	-6.1%
as a % of net sales	9.6%	10.3%
EBIT	5.6	6.2
Change relative to previous year in %	-9.5%	-3.6%
as a % of net sales	7.1%	7.6%
Profit for the year	3.6	4.1
Change relative to previous year in %	-12.6%	-39.9%
as a % of net sales	4.5%	5.0%
as a % of average shareholders' equity	8.0%	9.5%
Cash flow from operating activities	8.4	6.2
Change relative to previous year in %	34.8%	-26.6%
as a % of net sales	10.7%	7.7%
Cash flow from investing activities	-2.6	-5.4
Change relative to previous year in %	-52.5%	90.2%
as a % of cash flow from operating activities	-30.7%	-87.2%
Free Cash Flow	5.8	0.8
Change relative to previous year in %	627.3%	-85.8%
as a % of net sales	7.4%	1.0%
Average number of employees	426	417
Personnel expenses	36.4	37.7
Total assets	71.9	70.4
Shareholders' equity	45.3	44.1
as a % of assets	63.1%	62.6%
Net liquidity	44.2	40.6
Per share data ¹⁾		
Average number of shares	163 861	161 845
Earnings per share in USD (non-diluted)	21.84	25.29
Free Cash Flow per share in USD	35.56	4.95
Shareholders' equity per share in USD	276.73	272.35
Dividend per share in CHF ²⁾	15.00	15.00
Share price data as of 30.09. in CHF	655.00	830.00
Yield in % ³⁾	2.3%	1.8%

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

²⁾ According to the proposal of the Board of Directors on November 5, 2019.

³⁾ Distribution in percentage of the share price as of September 30.



Datacolor ColorHub Software



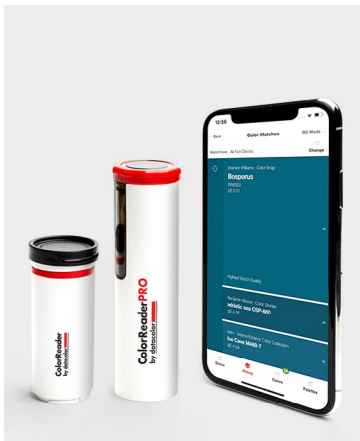
Datacolor Certify Service



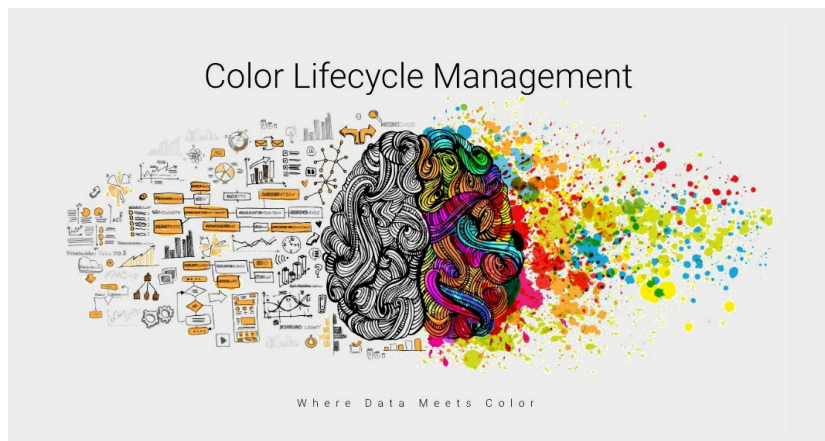
SpyderX Elite



Datacolor ColorHub Software



ColorReader



Datacolor Color Lifecycle Management



Datacolor 800 TextileLab

Report of the Board of Directors

Factoring out the two exceptionally large orders won in the previous year, Datacolor achieved an increase in sales and gross profit margin in fiscal 2018/19 despite markets being unsettled by unwelcome political events and trade conflicts. The massive hike in US import duties on our instruments manufactured in China as well as one-off expenses for structural and organizational adjustments put considerable pressure on operating profit in fiscal 2018/19. On the other hand, the impact that the negative financial result had on net profit following the turmoil on the capital market at the end of the first quarter was more than offset by significantly lower income taxes.

Datacolor again stepped up the already high level of investments in developing new products and growing its global market presence. One particular focus was on expanding Datacolor's position in the dynamic Asian market, where the company has strengthened its presence by establishing a sales, service and support organization in Vietnam. Fiscal 2018/19 also saw the continued successful launch of high-performance high-end color management systems in existing and new customer segments. These include the highly precise, small and portable color measurement devices from the ColorReader family for use in the paint and coatings industry as well as the newest addition of the accurate SpyderX monitor color calibration tool aimed at the consumer market. Datacolor also continues to invest substantially in the development of digital color measurement solutions such as online-capable devices and microchips which generate sizable costs savings. Furthermore, in the year under review, Assessment services were introduced for customers in the textile and apparel industry, advising them on ways to improve efficiency and enabling them to certify high color quality in the supply chain. Datacolor is also working with Adobe on novel solutions to optimize the digital print design process for textiles.

Thanks to a well-filled development pipeline and the continuous launch of innovative, high-precision color measurement solutions, Datacolor aims to achieve strong growth and increase margins in the coming years. This is, however, conditional on stable global economic development accompanied by a favourable investment climate. Under these circumstances and based on Datacolor's still very solid balance sheet, the Board of Directors proposes to the Annual General Meeting the distribution of a dividend of CHF 15 per share for fiscal 2018/19.



Werner Dubach
Chairman of the Board of Directors

DATACOLOR IN FISCAL 2018/19

Continued significant investments in new products and sales expansion

In fiscal 2018/19, Datacolor AG posted sales of USD 78.8 million (fiscal 2017/18: USD 81.1 million), down -2.9% from the previous year and -2.2% in local currency. On a comparable basis, excluding the two major one-time orders in the previous year, Datacolor increased sales by 5%. The gross profit margin reached a high 65.7% (65.3%). Operating income EBITDA was USD 7.5 million (USD 8.4 million), the EBITDA margin 9.6% (10.3%), the EBIT USD 5.6 million (USD 6.2 million) and the EBIT margin 7.1% (7.6%). The decline in the operating result is negatively affected by new and significant US import tariffs of over USD 0.6 million on instruments manufactured in China and one-off expenses of around USD 1.0 million for adjustments to the organization and legal structure of Datacolor. The financial result was negative at USD -1.2 million. The losses of the capital market at the end of the first quarter were not completely offset despite a significant recovery by the end of fiscal 2018/19. The financial result was also negatively impacted by unfavorable exchange rate developments in the amount of USD -0.5 million. This decline in the financial result was more than offset by the USD 1.4 million reduction in income taxes resulting in a reported net income of USD 3.6 million (USD 4.1 million) for fiscal 2018/19. Earnings per share amounted to USD 21.84 (USD 25.29). At the balance sheet date, September 30, 2019, Datacolor had high net liquidity (including financial assets) of USD 44.2 million (September 30, 2018: USD 40.6 million). At 63.1%, the equity ratio remained at the solid level of the previous year.

Balanced geographical sales mix

With its user-friendly, innovative solutions, Datacolor is one of the leading international companies for high-precision color management solutions. In fiscal 2018/19, Datacolor further expanded its strong market position with the launch of new pioneering products and its customer-focused, global sales and service organization. Around 36.2% (34.4%) of sales were generated in the Asia-Pacific region, 34.3% (34.0%) in Europe and 29.5% (31.6%) in North and South America.

Technological leadership with innovative solutions

In the year under review, Datacolor again launched a number of innovative color measurement solutions for customers in the textile and apparel, paint, coatings and plastics industries and in the consumer market. These include:

- ColorReader, a highly precise, cost-effective, small and portable colorimeter that can be connected via Bluetooth to a smartphone app for color evaluation and enables colors to be measured in seconds on any

template and defined precisely in conjunction with the ColorReader app.

- SpyderX, the latest addition to the successful Spyder family of products for photographers, video producers and creative professionals to accurately color calibrate their monitors.
- The web-based software solution ColorHub, which supports color analysis and color communication online and in real time between brands and suppliers.
- Assessment services, which enable customers in the textile and apparel industry to reduce development costs and certify high color quality in the supply chain.

In the year under review, the marketing of the SpectraVision system presented in the previous year was also intensively pushed forward. SpectraVision is a color measurement system that is particularly attractive for international retail chains. It is used to measure and digitally communicate colors on materials that were previously impossible to measure, including multi-color prints as well as patterned fabrics and laces. SpectraVision can reduce the time from the first concept sketch to the finished product at the customer's site by up to 50%. Datacolor is also working with Adobe to combine the professional color lookup tool ColorReaderPRO with the latest Photoshop plugin for Adobe Textile Designer. Designers will have the ability to measure color in the real world and easily use the data in Photoshop via a Bluetooth.

Sound balance sheet

As of September 30, 2019, Datacolor had cash and cash equivalents including financial assets of USD 44.2 million (September 30, 2018: USD 40.6 million), corresponding to 61% (58%) of total assets of USD 71.9 million (USD 70.4 million). Equity increased to USD 45.3 million (USD 44.1 million) and the equity ratio was a solid 63.1% (62.6%). Datacolor AG continues to be debt-free.

Datacolor AG

In fiscal 2018/19 the parent company Datacolor AG (holding company for Datacolor investments) posted an increase in profit to CHF 2.6 million (CHF 1.4 million). After distributing a dividend of CHF 2.5 million (representing 60% of the 2017/18 net profit), as at September 30, the equity of Datacolor AG amounted to CHF 18.1 million (September 30, 2018: CHF 17.0 million).

Continued development of the company to support growth

In fiscal 2018/19, Datacolor further expanded its marketing, sales and support, and research and development activities with new employees. Despite the implementation of the growth strategy, the average

number of employees increased only slightly from 417 to 426 as a result of the efficiency enhancement programs. The onboarding process for new employees, internal training and activities to promote employee engagement were digitized and intensified.

Changes in management

On November 1, 2018, Philipp Hediger took over as CFO of Datacolor, replacing Annet van der Laan. The Annual General Meeting on December 5, 2018, elected Hanno Elbraechter as a new member of the Board of Directors of Datacolor AG. He succeeds Dr. Fritz Gantert, who has kindly supported Datacolor Datacolor with his know-how for more than 15 years.

Outlook

With its strong development pipeline and the continuous introduction of innovative, high-precision color measurement solutions, Datacolor intends to grow significantly and increase margins in the coming years, assuming stable development of the global economy and a good investment climate. To achieve these goals, Datacolor will continue to invest substantially in the development of innovative solutions for precise color measurement, the strengthening of global marketing, particularly online, and the focused expansion and increased efficiency of its customer-oriented sales, service and support organization.

This 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.

GROUP STRUCTURE

Introduction

This corporate governance report describes the principles of leadership and control at the top organizational levels of Datacolor AG, in accordance with the Directive on Information Relating to Corporate Governance (DCG) issued by SIX Swiss Exchange AG as well as the guidelines and recommendations of the Swiss Code of Best Practice for Corporate Governance. Unless indicated otherwise, the information in this report for fiscal year 2018/19 is as at September 30th, 2019 or for the year then ended.

The information on Corporate Governance can also be retrieved under the following link:
<https://ir.datacolor.com/en/corporate-governance/>

Roles and duties of Datacolor AG

Datacolor AG as top holding company of the Datacolor Group manages Datacolor's business by means of objectives. Datacolor AG is involved in the planning process for the Datacolor Group and monitors adherence to the budget. Once the three-year plan and the budget have been approved by the Board of Directors of Datacolor AG, the Executive Committee acts on its own authority within the limits of the budget and the rules of competence. The Executive Committee is responsible for consolidation, financing, controlling, asset management and investor relations.

Datacolor AG is a public limited company under Swiss law with headquarters in Lucerne listed on SIX Swiss Exchange. The overview of shareholdings can be found in note 28 „Group entities“; the market capitalization is shown on page 2.

Strategy

Datacolor provides worldwide products and services to industrial as well as professional and hobby applications in the area of color measurement, color management, communication of color and color calibration. Datacolor's debt-free balance sheet enables it to achieve long-term growth targets while continuing organic growth and targeted acquisitions.

It aims to achieve significant growth by providing innovative hardware and software products, increasing market penetration, developing new markets, alliances and acquisitions. Its range comprises of products and systems solutions that are competitive in terms of quality, performance and ease of use. The products are tailored to customer requirements and able to offer a large potential for generating added value. Providing services for its products is a growing core activity.

Datacolor aims for market leadership in defined product categories as well as geographic markets and delivers its corporate performance through a flexible, lean and customer-focused organization. In this context, Datacolor limits the production depth to the strategically necessary. Taking into account the requirements of a public company, the aim is to pursue long-term goals with a stable shareholder base.

EXECUTIVE BODIES

Board of Directors of Datacolor AG

Werner Dubach, 1943, CH

Chairman, Board member since 1981
Dipl. Ing. Chem. ETH Zurich, MBA Wharton University of Pennsylvania

Chairman of the Board, Entrepreneur Partners AG
Until 2009, CEO and Chairman of Eichhof Holding AG
Until 1981, Director of the Eichhof Group's Beverages division
1975–1979 Technical Director of the Eichhof Brewery
1971–1975 Management Assistant of the Eichhof Brewery

Jvo Grundler, 1966, CH

Deputy Chairman, Board member since 2017
LL.M. University of Cambridge

Board Member, Serto Holding AG
Since 2017 Of Counsel, Prager Dreifuss AG
Since 2017 General Counsel and Board Member, HIAG Immobilien Holding AG
2002–2017 Ernst & Young Legal Services

Anne Keller Dubach, 1956, CH

Board member since 2012
Lic. phil. I, University Zurich, SEP Stanford Graduate School of Business

Chairman of the Board of Trustees, Swiss Institute for Art Research SIK-ISEA
2019 Head Art, Swiss Re
2014 Head Art & Cultural Engagement, Swiss Re
2007–2014 Head Corporate Citizenship, Swiss Re

2000–2007 Head Corporate Sponsorship / Head Brand Communication, Swiss Re
1995–2000 Project Lead Marketing Services / Head Cultural Sponsoring Credit Suisse

Hans Peter Wehrli, 1952, CH

Board member since 2001
Prof. em. Dr. oec. publ. University of Zurich
Emeritus Professor of Business Administration, University of Zurich

Chairman of the Board, Swiss Prime Site AG
Board Member, Gebäudeversicherung Bern

Thomas Studhalter, 1969, CH

Board member since 2016
MS in Business Administration, Swiss Certified Accountant

Board Member, Bataillard AG
Board Member, Swiss Prime Site
Since 2014 Member of the Regional Management Central Switzerland, Partner, BDO AG
2007–2014 Head of the Central Switzerland region, Partner, KPMG AG
1998–2014 KPMG Audit

Hanno Elbraechter, 1980, DE

Board member since 2018
European Business Program (EBP) Ecole de Management (ESC) de Bordeaux and University of Applied Sciences Münster
Since 2014 Head of Business Unit Technology, DKSH



Jvo Grundler, Anne Keller Dubach, Thomas Studhalter, Werner Dubach, Hans Peter Wehrli, Hanno Elbraechter

Board of Directors

Elections and term of office

Members of the Board of Directors are elected by the Annual General Meeting of Shareholders for an individual term of office of one year. Newly elected members complete the terms of their predecessors. There are no limitations on terms of office.

Internal organization

The Board of Directors is self-constituting. It appoints committee members and the secretariat.

Duties

The Board of Directors is the supreme executive body of the Holding company. It adopts resolutions which determine the company's fundamental direction and oversees the work of senior management.

Committees

The Board of Directors has established committees to support its work. The primary role of these committees is to prepare business affairs and oversee the implementation of Board resolutions. Furthermore, the Board of Directors may delegate the final handling of certain affairs to the committees, provided that delegation of such tasks is not prohibited by law. The Board of Directors has established two committees: the Finance and Audit Committee as well as the Compensation Committee. Furthermore, the Steering Committee acts as a supervisory and control instrument.

- The Finance and Audit Committee prepares the financial plan, the budgets and the statements for submission to the Board of Directors. Amongst other things, it issues instructions and monitors the appropriation of liquidity and the execution of asset management operations.
- The Compensation Committee drafts proposals for the compensation of the Board of Directors. It also submits proposals to the Board for appointments to the position of CEO and CFO. The Committee sets the fixed and variable components of remuneration for the top levels of management, taking into account the situation on the labor market, performance and achievement established targets. If the Committee deliberates on the remuneration of a member of the Compensation Committee, this member shall withdraw from the proceedings.

Finance and Audit Committee: Werner Dubach, Thomas Studhalter, Albert Busch, Philipp Hediger (without voting right).

Compensation Committee: Dr. Jvo Grundler, Hanno Elbraechter.

Principles of operation of the Board of Directors and its committees

The Board of Directors meets as often as business requires, a minimum is though four times a year. Committee

meetings are held in addition to Board meetings. Board meetings usually last for between half a day and a day.

In 2018/19, the following number of meetings was held:

– Board of Directors	4
– Finance and Audit Committee	8
– Compensation Committee	3

Areas of competency

Board of Directors

The Board of Directors represents the company externally and manages all company activities unless responsibility for these has been transferred to another company body in accordance with the law, the Articles of Association or other policies. The non-transferable and inalienable duties are governed in article 716a of the Swiss Code of Obligations.

Unless the law, the Articles of Association or the directives issued by the Board of Directors stipulate otherwise, the Board of Directors delegate the operational management of the company to the CEO, together with the authority to delegate associated tasks onwards. The company's Organization Regulation governs the breakdown of responsibility between the Board of Directors and the Executive Committee and can be obtained on the Following website:

<https://ir.datacolor.com/en/corporate-governance/>

Executive Committee

Executive Committee members are appointed by the Board of Directors.

Information and control instruments vis-à-vis the Executive Committee

The Executive Committee informs the Board of Directors about the current status of the business, the consolidated balance sheet, the income statement and deviations to the budget on a monthly basis. On the occasion of the four meetings of the Board of Directors during the year, the Executive Committee reports on significant business transactions and on the results of the group-wide management of financial and operating risks.

Findings of the following bodies also contribute to the regular decision-making process:

- External auditor KPMG AG, Lucerne (auditor for Datacolor AG), which conducts its audit in accordance with Swiss law and Swiss auditing standards.
- Internal Audit and Risk Management, which monitors the existence and adequacy and permanently seeks improvements to the internal control system. Further, a systematic process captures strategic, operational and financial risk and develops and executes measures to mitigate and eliminate risks.

Datacolor Executive Committee

Albert Busch, 1967, NL/USA
BS and MS in Electrical Engineering
MS in Industrial Management

Since 2008 with Datacolor
Since January 2009 CEO
1991–2008 NV Bekaert SA, management roles

Philipp Hediger, 1975, CH
CFO
MS in Business Administration

Since 2018 with Datacolor
2016–2017 Sequel, COO/CFO and Member of Executive Management Team
2010–2016 Sequel, CFO
2007–2009 Kofax Group, Director Financial Reporting

Nimi Srivastava Meschke, 1974, USA
Vice President Human Resources
BS in Management, MS in Human Resources Management

Since 2015 with Datacolor
2011–2015 Johnson & Johnson, Director Human Resources
2009–2011 Mc Master-Carr Supply Company, HR Generalist
2006–2009 The Campbell Soup, Senior Manager HR

Brian Levey, 1957, USA
Vice President Consumer Solutions
BS in Chemistry

Since 1996 with Datacolor
1984–1996 Beckmann Instruments, management roles

Tae Park, 1963, USA
Vice President R&D and Operations
BS in Electrical Engineering / Biomedical Engineering

Since 2010 with Datacolor
2007–2010 Power Medical Interventions, Sr. VP of Engineering-Operations
2006–2007 Kovio, Program / IP Manager
1993–2006 Osirix, Chief Technology Officer

Patrice Jaunasse, 1964, FR
Vice President Sales and Support
MS in Engineering, Electronics, Telecom and Computer

Since 2012 with Datacolor
2002–2011 Tektronix, General Manager and Sales Director EMEA
1998–2002 Nettest Telecom Instrumentation, President and Sales Director
1989–1998 Hewlett Packard Instrumentations, Management roles Sales

Diane Geisler, 1973, USA
Vice President Marketing
MS in Business Administration
BS in Chemical Engineering

Since 2012 at Datacolor
2012–2016 Datacolor, Global Director Product and Market Management
2008–2012 Schneller LLC, Director Marketing and Business Development
2007–2008 The Rinova Group, Vice President of Sales and Marketing



Philipp Hediger, Nimi Meschke, Diane Geisler, Albert Busch, Brian Levey, Patrice Jaunasse, Tae Park

INFORMATION FOR INVESTOR

Share capital

The share capital amounts to CHF 168 044 consisting of 168 044 registered shares with a nominal value of CHF 1 each. The registered shares entitle the holder to one vote at the General Meeting, provided that the shareholder is recorded with voting rights in the Datacolor AG share register.

Authorized capital

There is no authorized capital.

Conditional capital

The share capital can be increased by a maximum amount of CHF 16 804 (previous year: CHF 16 804) by issuing 16 804 registered shares with a nominal value of CHF 1 each. This conditional capital increase was implemented to enable the exercise of option rights by the members of the Board of Directors and the Executive Committee. Shareholders are excluded from this purchasing right.

Changes in capital

In the reporting period and the two preceding periods the capital structure of Datacolor AG remained unchanged. Refer to the consolidated changes of equity and the statement of changes in equity of Datacolor AG.

Participation certificates

There are no participation certificates.

Limitations on transferability and nominee registrations

There are no limitations with regard to transferability and nominee registrations.

Convertible bonds and options

Datacolor AG has no outstanding convertible bonds. Regarding options please refer to the Compensation report of Datacolor AG.

Share listing

Datacolor AG's shares are listed on SIX Swiss Exchange Zurich under security number 853 104. See Information about Datacolor Share on page 2 for an overview of the stock market listing and details of the market capitalization.

Legal status of shareholders

Shareholders in Swiss public limited companies are granted extensive statutory participation and protection rights by law. These participation rights are further supplemented by the company Articles of Association. These ensure that, pursuant to the Code of Obligations, the Annual General Meeting of Shareholders is convened by placing a one-time announcement in the Swiss Official Gazette of Commerce (Schweizerisches Handelsamtsblatt) and by sending a written invitation to the registered shareholders. An item is added to the agenda of the Annual General Meeting of Shareholders if the corresponding request

is received no later than 40 days before the date of the meeting. Every shareholder may, besides the independent proxy provided for by law, allow his or her shares to be represented at the Annual General Meeting by a shareholder with a written proxy form.

Voting rights limitations

Every shareholder entered with voting rights in the share register is entitled to vote - except for the shares of the Members of the Executive Committee in the blocking period. No new entries in the share register are made during the 22 days before the Annual General Meeting of Shareholders. There are no limitations on voting rights.

Entries in the share register

The entry of purchasers in Datacolor AG's share register is not subject to any conditions.

Cross-shareholdings

There are no cross-shareholdings.

Shareholdings in companies

There are no shareholdings in listed companies. Percentage shareholdings in unlisted companies are disclosed on the page 37.

Significant shareholders

Refer to Datacolor share information on page 2.

Duty to make an offer

The company's Articles contain no provisions regarding a duty to make an offer.

Clauses on changes of control

There are no clauses on changes of control.

Auditors

Duration of the mandate and term of office of the lead auditor

Datacolor AG has appointed KPMG AG, Lucerne as auditor. In each case, the mandate is granted by Datacolor AG's Annual General Meeting of Shareholders for a period of one year. The mandate was first given to KPMG in 1992. The auditor in charge started the mandate in fiscal year 2013/14. Rotation corresponds to the legal requirements of seven years.

Audit fee

KPMG received an audit fee of TUSD 241 for the reporting year 2018/19.

Additional fees

In addition to the audit fee, KPMG provided other services for TUSD 184 relating mainly to tax and tariffs consultancy services.

Supervisory and control instruments vis-à-vis the auditors

The Board of Directors holds at least two meetings a year with the auditor in charge of the mandate. The matters dealt with at these meetings include the planning and conduct of audits, the focus points of the audits and the findings thereof, the main points arising from management letters, the reports on special audits and the report of the auditor. The Board of Directors has appointed a Steering Committee to manage the audits and to monitor the implementation of the auditors' recommendations. This Committee is made up of the Chairman, the CEO and the CFO of Datacolor AG and the auditor in charge of the mandate and meets regularly while audit work is being carried out.

Information policy

Publications

Datacolor AG publishes a semi-annual report and an annual report in accordance with Swiss GAAP FER. Additionally, shareholders and the capital market are kept informed of current changes and developments through press releases. As a company listed on SIX Swiss Exchange, Datacolor AG is aware of its duty to disclose events relevant to its share price (ad-hoc disclosure of price-sensitive information). Information of the periodical financial reporting as well as ad-hoc news releases and further information on the Datacolor Group can be accessed through website under the following link:

<https://ir.datacolor.com/en/media/>

Key dates

Shareholder's meeting	December 5, 2019
Semi-Annual report	May 8, 2020
Key Figures	October 27, 2020
Annual Report	November 17, 2020
Shareholder's meeting	December 9, 2020

COMPENSATION REPORT

The Compensation Report contains information on the remuneration of the Board of Directors and the Executive Committee of Datacolor AG. The information provided in this Compensation Report relates to the financial year 2018/19, unless otherwise noted. The remuneration report is prepared in accordance with the following regulatory provisions: Swiss Code of Obligation, Ordinance against Excessive Compensation in Listed Corporations (the „Ordinance“), Directive on Information Relating to Corporate Governance by SIX Swiss Exchange, the „Swiss Code of Best Practice for Corporate Governance“ of *economiesuisse*.

According to the Ordinance, the General Assembly must vote on the remuneration. The statutes of Datacolor AG includes the tasks and responsibilities of the Compensation Committee, the performance-based remuneration and the allocation of equities, to members of the Board of Directors and Executive Committee.

The complete statutory regulations regarding the approval of remuneration of Directors and the Executive Committee by the General Meeting (Art. 21), applicable additional amount for the remuneration of additional members of the Executive Committee (Art. 22), regulation of the principles of the remuneration (Art. 20), rules for loans and credits (Art. 23) and Compensation Committee (Art. 27) can be found on:

<https://ir.datacolor.com/en/corporate-governance/>

The remuneration paid is disclosed in accordance with the accrual basis accounting principle, independent of cash flow), i.e. all remuneration is reported in the financial year in which it is recorded in the annual financial statements.

1. General principles

The success of Datacolor depends to a large extent on the qualification and commitment of its employees. The key objectives of the remuneration policy are to attract, retain and motivate qualified employees. The performance orientated variable compensation the share-based component aim to promote entrepreneurial thinking and action. The key principles are:

- Compensation is performance-based and market-driven.
- Employees participate in the economic success.
- Compensation is fair and transparent.
- Short- and long-term compensation components are incorporated.

2. Principles of the compensation system

Remuneration of the members of the Board of Directors consists of two components:

- fixed basic compensation.
- performance-related bonus in cash (short-term).

Remuneration of the members of the Executive Committee consists of three components:

- fixed basic compensation.
- performance-related bonus in cash (short-term).
- performance-related compensation in shares (non-current).

2.1 Compensation of the Board of Directors

The Compensation Policy for the Board of Directors was issued on December 7, 2017. The members of the Board of Directors (all are non-executive) are remunerated with a fixed cash compensation. Fixed basic compensation includes an annual remuneration, lump sum, other allowances and other payments based on individual agreements (employment agreement of the Chairman of the Board with Datacolor AG Europe) including respective social security deductions. The amount of the fixed compensation is at the discretion of the Board of Directors. Reimbursement of expenses is not deemed as remuneration.

Variable compensation paid in cash, is determined by the Board of Directors after the end of the financial year. The Board of Directors bases its decision on business performance considering organic sales growth (excluding acquisitions and divestitures) and operating profit EBIT.

The Board of Directors complies with the provisions of the corresponding resolution of the Annual General Meeting in determining remuneration.

The Board of Directors has not based its decisions on the compensation for the members of the Board of Directors on benchmarks.

As in the previous fiscal year, the members of the Board of Directors have the right to purchase a number of Datacolor AG registered shares determined by the Board of Directors. The shares are subject to a three-year blocking period. Due to the vesting period, the shares are purchased at a discount. The share price is the closing price of the SIX Swiss Exchange on the day after the publication of the annual report discounted by 6% for each year of the vesting period (in accordance with Circular No. 37 of the Swiss Federal Tax Administration for the Taxation of Employee Stock Ownership). The beneficiaries may only sell off the shares after the vesting period has expired. They are entitled to unlimited voting and dividend rights as of the acquisition of the shares. If a member of the

Board of Directors leaves the Board, is not re-elected or is no longer standing for election, there is no effect on his rights to or from the shares or on the blocking period, as the shares are acquired at the discounted value accepted for tax purposes and entirely from own funds. The acquisition of the discounted shares does not qualify as remuneration according to Art. 14 of the Ordinance.

2.2 Compensation of the Executive Committee

The compensation of the Executive Committee consists of (i) a fixed base salary in cash, (ii) variable performance-based bonus in cash, (iii) a long-term variable compensation based on an equity security component as (iv) contributions to pension funds and social insurances. Reimbursement of expenses is not deemed to be remuneration.

The fixed base salary is mainly determined by the respective organizational function, the accountability level, the qualification and experience and employment market conditions.

Since fiscal 2015/16, 50% of the total variable remuneration is paid out in cash to the CEO. Short-term variable compensation amounts to 60% of the variable compensation for the other members of the Executive Board. The remaining portion of the variable compensation of 50% for the CEO and CFO and 40% for the other Executive team members, is paid out with restricted Datacolor AG registered shares, which are subject to a vesting period of three years for the acquisition of the shares.

The criteria for determining the total variable compensation (short-term and long-term components) are defined in a set of rules issued by the Board of Directors. The regulations were revised on October 1st, 2018. The resulting adjustments were applied initially in financial year 2018/19. Variable remuneration is determined as follows in accordance with the current regulations:

The pool available for the payment of performance-related bonuses is determined on the basis of two financial value drivers, namely organic sales growth compared to the previous year and budget (60% weighting share) and operating EBIT compared to budget (40% weighting share) The Board of Directors sets respective annual targets for the financial value drivers during the budgeting process. The pool for performance related bonus payments is a maximum of 200% of the budgeted target value of short-term component of variable compensation.

If the EBIT achieved falls below the target set by the Board of Directors by more than 50% (minimum threshold), no credit is recorded in the variable compensation pool and there is no entitlement to variable performance-related bonuses. A proposal from the CEO and approval by the Compensation Committee is required for exceptions. If the actual EBIT, the organic sales growth or the return on operating assets exceeds the budgeted targets, 25% of the excess will be credited to the variable compensation pool. There is no minimum threshold for

the targets of organic sales growth and return on operating assets.

From the pool of performance related bonuses, the Executive Committee members and other employees eligible for bonus payments receive individual performance-related bonuses based on the achievement of their respective individual performance goals. Measurable individual goals are agreed during the management-by-objectives process at the beginning of each fiscal year between the Chairman of the Board and the CEO as well as between the CEO and the members of the Executive Committee.

The individual performance-related bonus depends on the accomplishment of individual performance objectives and the financial success of the company (organic sales growth and operating EBIT). For the CEO, the performance-related bonus may be a maximum of 166% and for the other members of the Executive Committee a maximum of 70% to 86% of the annual target salary. The target salary is defined by the total of both fixed basic compensation plus the performance-related variable short-term and long-term compensation.

The achievement of the individual targets is weighted at 100% when determining the performance-related bonus.

The long-term variable compensation to the Executive Committee is paid in Datacolor AG registered shares based on a management share plan. The shares are subject to a vesting period of three years, ownership and voting rights of the shares is not transferred to the plan participants until three years have elapsed since the allocation of the shares. Dividends paid during the vesting period will be paid out to the plan participants after the vesting period has expired. After the end of the vesting period, the acquired shares are generally settled in cash, unless the plan participant submits a written request to continue holding the shares no later than one month before the end of the vesting period. In the event of voluntary termination of employment, the plan participant loses all unvested shares in the event of involuntary termination, retirement by mutual consent or in accordance with local regulations, death or disability, vesting will occur for all shares that have not yet vested. These shares are sold to Datacolor AG one month after termination of employment.

For each year of the vesting period, the relevant share price for the allocation of Datacolor registered shares is discounted by 6% in accordance with Circular No. 37 of the Swiss Federal Tax Administration for the Taxation of Employee Stock Ownership. The relevant price for the allocation of the shares is the volume-weighted average price for the period from April 1st to September 30th prior to the allocation of the shares. If less than 3000 shares were traded during this period, the period is extended to 12 months (October 1st to September 30th).

Pension and social insurance expenses include employer contributions to social security as well as man-

andatory and non-mandatory occupational benefits. The expense regulations for the members of the Executive Committee are basically the same as those applicable for all other employees of the respective group company. Additional rules apply for lump-sum compensation of representatives and petty expenses for the members of the Executive Committee residing in Switzerland that have been approved by the relevant cantonal tax authorities. A company car is made available to one member of the Executive Committee. It's not provided in the employment agreements of the other Executive team members.

The compensation of the Executive Board must be determined in accordance with the provisions of the corresponding resolution of the General Meeting of Shareholders.

Neither benchmarks nor salary comparisons have been applied in determining the compensation of the Executive Board.

Employment agreements have notice periods of a maximum of six months. The employment agreements with the Executive Committee members do not provide for termination pay.

Executive Committee members do not hold permanent executive or consulting functions in any important interest group and do not hold any official or political administrative positions. No management agreement exists.

3. Competences and determination procedures

The overall compensation structure and equity security participation plans are submitted by Corporate Human Resources for review by the CEO and the Compensation Committee. The Board of Directors approves compensation and equity participation plans. In fiscal year 2018/19, no external consultants were utilized.

The Compensation Committee consists of two members of the Board of Directors: Dr. Jvo Grundler (Chairman) and Hanno Elbraechter (Member). Hanno Elbraechter has taken over from Dr. Fritz Gantert, who retired from the Board of Directors as of December 2018.

The Board of Directors approves the conditions of employment and mandate contracts, target remuneration for the Board of Directors (including the Chairman), the CEO and the other members of the Executive Committee and determines the annual variable remuneration for the Board and the other members of the Board of Directors. The Board of Directors determines the compensation system including the elements of fixed and variable compensation.

The Compensation Committee (i) proposes the terms

of employment and mandate contract and the annual fix and variable compensation for the Chairman of the Board, (ii) proposes at the request of the Chairman, the conditions of the employment and mandate contracts and the target remuneration for the remaining members of the Board and the CEO, and (iii) proposes upon the CEO's request amendments to contract terms, the target remuneration and the annual variable compensation for the other members of the Executive Committee. The Compensation Committee is responsible for reviewing and, if necessary, revising the compensation system. Board of Director approval is required for all Compensation Committee proposals.

The Chairman proposes the conditions of employment and mandate contracts and the target remuneration for the members of the Board of Directors (excluding the Chairman) and the CEO for the review by the Compensation Committee and approval by the Board of Directors. The Chairman determines the annual variable remuneration of the CEO.

The CEO proposes the conditions of employment contracts, the target remuneration and the annual variable remuneration for the other Executive Committee members for review by the Compensation Commission and approval by the Board of Directors.

The General Meeting elects the members of the Remuneration Committee individually for a term of one year until the end of the next ordinary General Meeting. Re-election is permitted. The Compensation Committee consists of at least two members. Only the members of the Board of Directors may be elected.

The Compensation Committee meets as often as business requires, a minimum of four times a year. In the year under review, the members of the Compensation Committee met on November 7th, 2018 for one hour, on May 17th, 2019 for one hour and on September 10th, 2019 for one hour. All members of the Committee attended all meetings.

4. Compensation for the fiscal year and previous year

4.1 Board of Directors

The total compensation of the members of the Board of Directors, which are all non-Executive, amounted in the reporting period to TCHF 897 (previous year: TCHF 867). In the year under review, the Board's variable compensation amounted to 13% (previous year: 14%) of the fixed compensation. The details of the compensation in the reporting period and previous year respectively are disclosed in the tables below.

in TCHF	Remuneration fix	Remuneration variable			Pension costs	Total
	cash based	cash based	share based	options basiert		

Compensation for Board of Directors 2018/19

Werner Dubach, Chairman	545	34	-	-	-	579
Dr. Jvo Grundler, Deputy Chairman	70	20	-	-	-	90
Anne Keller Dubach, member	44	13	-	-	-	57
Prof. Dr. Hans Peter Wehrli, member	44	13	-	-	-	57
Dr. Fritz Gantert, member (until 5.12.2018)	7	0	-	-	-	7
Thomas Studhalter, member	44	13	-	-	-	57
Hanno Elbraechter, member (since 5.12.2018)	37	13	-	-	-	50
Total	791	106	-	-	-	897

in TCHF	Remuneration fix	Remuneration variable			Pension costs	Total
	cash based	cash based	share based	options basiert		

Compensation for Board of Directors 2017/18

Werner Dubach, Chairman	517	34	-	-	-	551
Dr. Peter Beglinger, Deputy Chairman (until 7.12.2017)	18	5	-	-	-	23
Dr. Jvo Grundler, Deputy Chairman (since 7.12.2017)	52	15	-	-	-	67
Anne Keller Dubach, member	44	13	-	-	-	57
Prof. Dr. Hans Peter Wehrli, member	44	13	-	-	-	57
Dr. Fritz Gantert, member	44	13	-	-	-	57
Thomas Studhalter, member	44	13	-	-	-	57
Total	763	104	-	-	-	867

4.2 Executive Committee

In the reporting period, the variable compensation of the Executive Committee members ranges between 38% and 176% of the fixed base salary (previous year between 36% and 166%).

in TCHF	Remuneration fix	Remuneration variable		Pension costs	Total
	cash based	cash based	share based		

Compensation for fiscal 2018/19

To seven members of the Executive Committee	1 688	797	633	135	3 253
Thereof highest compensation: Albert Busch	358	315	315	26	1 014

in TCHF	Remuneration fix	Remuneration variable		Pension costs	Total
	cash based	cash based	share based		

Compensation for fiscal 2017/18

To seven members of the Executive Committee	1 589	685	552	142	2 968
Thereof highest compensation: Albert Busch	344	285	285	24	938

5. Proposals to the Annual General Meeting 2019

According to Art. 21 of bylaws the shareholders will vote on the remuneration of the Board of Directors and Execu-

tive Committee separately at the General Meeting 2019 on December 5th, 2019.

5.1 Approval of the remuneration of the Board of Directors

Approval of the total fixed remuneration of the members of the Board by the Annual General Meeting 2019 to the Annual General Meeting 2020: The Board of Directors proposes that the shareholders approve the maximum total amount of the fixed remuneration of the Board members for the period from the Annual General Meeting 2019 to the Annual General Meeting 2020 of TCHF 850 (exclusive statutory employer contributions to AHV / IV / ALV).

Approval of the variable compensation of the members of the Board of Directors for the current fiscal year 2019/20: The Board of Directors proposes that the shareholders approve the maximum total amount of the variable remuneration of the Board members for the current financial year 2019/20 of TCHF 500 (exclusive statutory employer contributions to AHV / IV / ALV).

5.2 Approval of the remuneration of the Executive Committee

Approval of the total fixed remuneration of the members of the Executive Committee of the Annual General Meeting 2019 to the Annual General Meeting 2020: The Board of Directors proposes that the shareholders approve the maximum total amount of the fixed remuneration of the members of the Executive Committee for the period from the Annual General Meeting 2019 to the Annual General Meeting 2020 of TCHF 1 800 (exclusive statutory employer contributions such as AHV / IV / ALV).

Approval of the variable compensation of the members of the Executive Committee for the current fiscal year 2019/20: The Board proposes that the shareholders approve the maximum total amount of the variable remuneration of the members of the Executive Committee for the current fiscal year 2019/20 of TCHF 2 300 (exclusive statutory employer contributions such as AHV / IV / ALV), approve.

According to article 22 of the bylaws of Datacolor, members of the Executive Committee who are appointed after approval of the annual total compensation an additional amount within Art. 19 Ordinance per new member is available to the extent of a maximum of 30% of the most recently approved total for the fixed remuneration

of the Executive Committee per financial year, provided that the total amount approved for the corresponding fiscal year is not sufficient.

6. Compensation of former members of the Board Directors and Executive Committee

No compensation was paid to former members of the Executive Board in the 2018/19 fiscal year (previous year: TCHF 0).

7. Loans and credits

No loans or credits have been granted or are outstanding to the Executive Committee as of September 30th, 2019 (previous year: 0). No loans or credits have been granted or are outstanding to members of the Board of Directors or related parties of current or former members of the Board or Executive Committee (previous year: 0).

Loans and credits to Board members or the Executive Committee have to be provided at-arms-length terms. The total maximum amount of outstanding loans and credits is limited to CHF 2 million.

8. Shareholdings and options

The total number of shares held by the Board of Directors and the Executive Committee amounted to 141 357 (previous year: 140 418). There were no share options outstanding to purchase Datacolor registered shares (previous year 2 139).

The Board of Directors determines, within the limitation of the amounts approved by the shareholders meeting and with the involvement of the Compensation Committee, the number, granting, exercise and buy back conditions such as the minimum blocking period, employment status and buy back terms in case of the termination of the respective employment or a change of control.

No receivables from and payables to related parties were outstanding at the end of the reporting period and previous year with the exception of the independent pension fund.

	2019 Number of shares	2018 Number of shares	2019 Number of options	2018 Number of options
Verwaltungsrat und Geschäftsleitung				
Werner Dubach, Chairman	106 711	105 442	-	369
Dr. Jvo Grundler, Deputy Chairman	162	-	-	-
Anne Keller Dubach, member	32 861	32 523	-	98
Prof. Dr. Hans Peter Wehrli, member	1 473	1 135	-	338
Dr. Fritz Gantert, member (until 5.12.2018)	-	1 218	-	98
Hanno Elbraechter, member (since 5.12.2018)	-	-	-	-
Thomas Studhalter, member	150	100	-	-
Executive Committee	-	-	-	1 088
Total	141 357	140 418	-	1 991



Report of the Statutory Auditor

To the General Meeting of Datacolor AG, Lucern

We have audited the accompanying remuneration report of Datacolor AG for the year ended September 30, 2019. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in the sections 4 and 6 to 8 on pages 16 to 18.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report for the year ended September 30, 2019 of Datacolor AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Toni Wattenhofer
Licensed Audit Expert
Auditor in Charge

Sandro Masciarucci
Licensed Audit Expert

Lucerne, November 12, 2019

CONSOLIDATED INCOME STATEMENT

in TUSD		2018/19		2017/18	
Net sales	3	78 768	100.0%	81 127	100.0%
Cost of goods sold		-26 998	-34.3%	-28 180	-34.7%
Gross profit		51 770	65.7%	52 947	65.3%
Sales and marketing expenses		-25 635	-32.5%	-26 112	-32.2%
Administrative expenses		-12 676	-16.1%	-12 939	-16.0%
Research and development expenses		-7 826	-9.9%	-7 702	-9.5%
Other operating income / expenses		-36	0.0%	-8	0.0%
EBIT		5 597	7.1%	6 186	7.6%
Financial result	6	-1 209	-1.5%	113	0.1%
Profit before income taxes		4 388	5.6%	6 299	7.7%
Income taxes	7	-809	-1.0%	-2 206	-2.7%
Profit for the year		3 579	4.5%	4 093	5.0%
		USD		USD	
Earnings per share	4				
non-diluted		21.84		25.29	
diluted		21.84		25.10	
		CHF		CHF	
Earnings per share¹⁾					
non-diluted		21.70		24.66	
diluted		21.70		24.48	

¹⁾ 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		30.09.2019		30.09.2018	
Assets					
Cash	8	21 005	29.2%	17 647	25.1%
Current financial assets	9	23 159	32.1%	22 965	32.6%
Trade receivables	10	8 889	12.4%	10 452	14.8%
Other receivables	11	1 562	2.2%	1 492	2.1%
Inventories	12	6 263	8.7%	6 141	8.7%
Current tax assets		190	0.3%	129	0.2%
Prepaid expenses		129	0.2%	132	0.2%
Current assets		61 197	85.1%	58 958	83.7%
Property, plant and equipment	13	8 926	12.4%	9 847	14.0%
Intangible assets	14	842	1.2%	456	0.7%
Deferred tax assets	7	908	1.3%	1 144	1.6%
Non-current assets		10 676	14.9%	11 447	16.3%
Assets		71 873	100.0%	70 405	100.0%
Liabilities and shareholders' equity					
Trade payables		3 893	5.4%	3 466	4.9%
Current tax liabilities		1 264	1.8%	2 155	3.1%
Other current liabilities	17	3 136	4.4%	2 271	3.2%
Accrued liabilities	18	16 094	22.4%	16 532	23.5%
Short term provisions	19	243	0.3%	311	0.4%
Current liabilities		24 630	34.3%	24 735	35.1%
Other non-current liabilities	17	1 213	1.7%	759	1.1%
Long term provisions	19	385	0.5%	505	0.7%
Deferred tax liabilities		300	0.4%	328	0.5%
Non-current liabilities		1 898	2.6%	1 592	2.3%
Liabilities		26 528	36.9%	26 327	37.4%
Share capital		153	0.2%	153	0.2%
Treasury shares		-2 863	-4.0%	-3 850	-5.5%
Capital reserves		-4 379	-6.1%	-4 062	-5.8%
Retained earnings		52 434	73.0%	51 837	73.7%
Shareholders' equity		45 345	63.1%	44 078	62.6%
Liabilities and shareholders' equity		71 873	100.0%	70 405	100.0%

CONSOLIDATED CASH FLOW STATEMENT

in TUSD		2018/19	2017/18
Profit before income taxes		4 388	6 299
Depreciation of property, plant and equipment	13	1 862	1 864
Amortization of intangible assets	14	88	309
Result from the disposal of non-current assets	13	27	130
Changes in provisions	19	-171	59
Other non-cash positions ¹⁾		479	769
(Income) or loss from securities	6	716	-620
Interest income	6	-47	-44
Income taxes paid		-1 555	-1 957
Cash flow before changes in working capital		5 787	6 809
Changes in trade receivables	10	1 317	223
Changes in other receivables and prepaid expenses		-101	-61
Changes in inventories	12	-132	-860
Changes in trade payables		463	-88
Changes in other and accrued liabilities	17/18	1 078	217
Cash flow from operating activities		8 412	6 240
Investments in property, plant and equipment	13	-1 069	-1 588
Divestments of property, plant and equipment	13	78	59
Investments in intangible assets	14	-475	-188
Investments in financial assets	9	-20 745	-18 658
Divestments of financial assets	9	18 770	13 984
Interest and dividends received		857	952
Cash flow from investing activities		-2 584	-5 439
Purchase of treasury shares		-448	-1 165
Exercise of stock options		775	1 308
Dividends paid		-2 473	-2 425
Cash flow from financing activities		-2 146	-2 282
Increase/(decrease) in cash		3 682	-1 481
Cash at beginning of the year		17 647	19 436
Translation differences on cash		-324	-308
Cash at end of the year	8	21 005	17 647

¹⁾ Other non-cash positions contain especially forex differences.

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 1.10.2017	153	-4 941	-3 477	51 288	-817	50 471	42 206
Dividends paid ⁵⁾				-2 425		-2 425	-2 425
Share based payment ⁶⁾		2 374	-703	13		13	1 684
Sale of treasury shares to BOD ⁷⁾		1 115	92				1 207
Sale of treasury shares ⁸⁾		44	26				70
Purchase of treasury shares ⁹⁾		-2 442				0	-2 442
Translation differences					-315	-315	-315
Profit for the year				4 093		4 093	4 093
Balance as of 30.09.2018	153	-3 850	-4 062	52 969	-1 132	51 837	44 078
Balance as of 1.10.2018	153	-3 850	-4 062	52 969	-1 132	51 837	44 078
Dividends paid ⁵⁾				-2 473		-2 473	-2 473
Share based payment ⁶⁾		1 395	-476			0	919
Sale of treasury shares to BOD ⁷⁾		943	159			0	1 102
Purchase of treasury shares ⁹⁾		-1 351				0	-1 351
Translation differences					-509	-509	-509
Profit for the year				3 579		3 579	3 579
Balance as of 30.09.2019	153	-2 863	-4 379	54 075	-1 641	52 434	45 345

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

²⁾ Equals the historical purchase value of 3 983 treasury shares (previous year: 5 866). Shares purchased before October 1, 2008 were translated at the CHF/USD closing rate as of September 30, 2008.

³⁾ The capital reserves comprises the reserves from capital contributions confirmed by the Swiss tax authorities (refer to the statutory financial statements of Datacolor AG) and the result of the execution of stock options.

⁴⁾ The retained earnings contain legal reserves that are subject to certain legal restrictions with regard to their distribution.

⁵⁾ A dividend of CHF 15 (previous year: CHF 15) per share was distributed in the reporting period.

⁶⁾ 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. The still outstanding options from the prior financial year were exercised during the financial year 2018/2019 and the relating loss was booked against capital reserves (TUSD 476). For further information regarding the exercise of stock options refer to note 21 to the consolidated financial statements as well as to the remuneration report of Datacolor AG on page 14ff.

⁷⁾ Members of the Board of Directors used their right for the fiscal year 2018/19 to acquire from their own funds 1 452 Datacolor AG registered shares (previous year: 1 537 shares). The difference between the purchase price (CHF 619) and the historical average purchase value as per transaction date (CHF 646) has been booked to capital reserves (Total loss TUSD 40). The discount granted, as such the difference between market price (CHF 755) and purchase price (619), as per FER 31/3 is assessed as share based compensation, and as such accounted for in personnel expenses against capital reserve expensed (TUSD 199).

⁸⁾ 83 treasury shares were sold to third parties. The difference between the purchase price (average of CHF 834) and the historical purchase value as per transaction date (CHF 526) has been booked to capital reserves (Total profit TUSD 26).

⁹⁾ In the period ended September 30, 2019 Datacolor purchased 1 708 (previous year: 3 203) registered shares at an average share price of CHF 795 (previous year: 763) for a total amount of TUSD 1 351 (previous year: TUSD 2 442).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General policies for the consolidated financial statements

General

Datacolor AG is a Swiss limited company, domiciled in Lucerne and is the parent company of the Datacolor Group, a worldwide leading provider of solutions for color measurement, management, communication and calibration.

Basis of preparation

The consolidated financial statements were prepared in accordance with Swiss GAAP FER and comply with Swiss law. The consolidated financial statements have been prepared in US Dollar (USD) and were rounded to the nearest thousand unit. The consolidated financial statements are prepared on a historical cost basis, except for financial current assets and derivative financial instruments which are recorded at market value.

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. Estimates and assumptions are based on management's best judgement at the date of the financial statements. In case such estimates deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate for the year in which the circumstances change.

Scope of consolidation

The consolidated financial statements include the financial statements of Datacolor AG and its subsidiaries that are controlled by Datacolor AG. Control is presumed to exist when Datacolor AG owns, directly or indirectly through subsidiaries, more than one half of the voting power of an enterprise or otherwise exercises management control. Refer to note 28 to the consolidated financial statements for a listing of all Group entities that are included in the consolidation.

On January 17, 2018 Datacolor Vietnam Co. Ltd in Vietnam was established and integrated into the consolidation of the Group. There were no further changes to the scope of consolidation.

The closing date for the financial statements of Datacolor AG and all its subsidiaries is September 30, with the exception of Datacolor Technology (Suzhou) Co., Ltd., China, Datacolor Trading (Shanghai) Co., Ltd., China, Datacolor Color Technologies Trading and Service Company LLC, Turkey and Datacolor Gestão de Soluções em Cores e Imagens Ltda., Brazil (all as of December 31) as well as Datacolor Solutions Private Ltd., domiciled in Mumbai, India (March 31) for which interim financial statements as of September 30 are prepared for consolidation purposes.

Principles of consolidation

The assets and liabilities included in the consolidated financial statements are measured according to uniform principles. Intragroup balances, intragroup transactions and material unrealized profits resulting from intragroup transactions are eliminated during consolidation. Acquired (disposed) subsidiaries are consolidated upon the date of change of control.

Foreign currency translation

The financial statements of Datacolor AG and its subsidiaries are translated into US Dollar (reporting currency) for consolidation purposes. Assets and liabilities of subsidiaries denominated in foreign currency are translated at the exchange rate prevailing at the balance sheet date, the income statement is translated into the reporting currency at average exchange rate of the respective reporting period. Foreign currency differences deriving from the translation of equity and results of subsidiaries are recorded directly in retained earnings.

In the financial statements of the individual subsidiaries transactions in foreign currencies are recorded at the exchange rate prevailing at the date of transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. All resulting differences are recognized as exchange gains or losses in the income statement of the individual subsidiary.

Cash flow statement

The fund 'cash and cash equivalents' form the basis for the disclosure of the cash flow statement. Cash flow from operations is calculated using the indirect method.

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 exclusively 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 financial statements.

2 Accounting principles

Net sales and revenue recognition

Net sales include all invoiced sales and services to third parties. Net sales are considered realized when the economic benefits and risks associated with the ownership

and legal title of sold products or rendered services are transferred to the transacting third party.

Net sales primarily consist of selling hardware products and software. Revenue resulting from such transactions is recognized based on the underlying incoterms. The global customer base and various international distribution channels result in different incoterms. Most maintenance contracts of the service business have a term of 12 months. Therefore, these sales are recognized on a proportional basis over the contract period. Datacolor AG and its subsidiaries are not undertaking project business that would require an estimate of the project realization.

Management participation plan

Share plan

The compensation of the Executive Committee consists of a fixed salary paid in cash, variable performance-based bonus paid in cash and a long-term variable compensation based on equity security component.

The long-term variable compensation to the Executive Committee is paid in Datacolor AG registered shares based on a management share plan. The shares are subject to a vesting period of three years, i.e. ownership of the shares is not transferred to the plan participants until three years have elapsed since the allocation of the shares. The same applies to voting rights. The dividends paid during the vesting period will be paid out to the plan participants after the vesting period has expired. After the end of the vesting period, the acquired shares are generally settled in cash, unless the plan participant submits a written request to continue holding the shares no later than one month before the end of the vesting period. In the event of voluntary termination of employment, the plan participant loses all shares for which the vesting period has not yet expired. In the event of involuntary termination, retirement by mutual consent or in accordance with local regulations, death or disability, vesting will occur for all unvested shares. These shares are then sold to Datacolor AG one month after the termination of the employment relationship.

For each year of the vesting period, the relevant share price for the allocation of Datacolor registered shares is discounted by 6% (in accordance with Circular No. 37 of the Swiss Federal Tax Administration for the Taxation of Employee Stock Ownership). The relevant price for the allocation of the shares is the volume-weighted average price for the period from April 1st to September 30th prior to the allocation of the shares. If less than 3000 shares were traded during this period, the period is extended to 12 months (October 1st to September 30th).

Share-based payments to the members of the Executive Committee are revalued each year at the average market price of the Datacolor registered shares for the last 6 months or 12 months and booked on personnel expenses over the vesting period of three years and accrued as liabilities.

Options plan

For the current financial year exercised option's the premium was fixed and the exercise price was determined by using the Black-Scholes model. The options were subject to a vesting period of three years after issued. After the three year vesting period, the options can be exercised within seven years. Settlement of Datacolor shares occurs when exercised. The options are not linked to other conditions.

The option premium of the expected option allocation is recognized as personnel expense in the period in which the service was rendered. The fair value of the option premium at the grant date is recorded annually to the same extent as a personnel expense in the respective period over the three-year vesting period and recorded in the income statement. The fair value is the difference between the option value at undiscounted share price and discounted share price used in the financial model. Subsequent evaluations are made when the exercise and subscription conditions are changed. The value of the respective liability for options exercisable or with a blocking period less than twelve months is recorded as an accrued liability.

Deferred income taxes

Deferred income taxes are provided following the comprehensive balance sheet liability-method and reflect future temporary differences. The measurement of deferred taxes is based on current tax rates applicable for the respective taxable entity

Deferred tax assets deriving from tax losses carried forward are only capitalized when the likelihood of recoverability is high and future taxable profits are sufficient to recover tax benefits stemming from the tax losses.

Impairment of assets

The carrying amounts of non-current assets are reviewed for impairment at each balance sheet date or if there are indications that an asset may be impaired. If an indication of impairment exists, the recoverable amount of the respective asset is determined. Assets are written down to their recoverable amounts, if the carrying values exceed their recoverable amounts. Impairment losses are recognized in the income statement. The recoverable amount is the higher of the estimated asset's net selling price or its value in use. The net selling price is the amount recoverable from the sale of an asset in an arm's length transaction between independent parties less the cost of disposal. The value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

Employee benefit obligations

The subsidiaries of Datacolor Group have different employee benefit plans in accordance with local regulations and customs in the respective countries. These plans are organized in legally independent and autonomous foundations. The plans cover most of the employees and provide benefits in case of death, disability, retirement or termina-

tion of employment. Plans are funded predominantly by a combination of employee and employer contributions. Contributions are based on a certain percentage of the insured salary.

Employee benefits of Datacolor Group are organized with external insurance providers and savings institutions, where Datacolor is not exposed to any further contribution commitments beyond contributions owed and recognized.

Cash

Cash includes cash, bank accounts, demand deposits, money market instruments. Cash is recorded at nominal value.

Financial assets

Current financial assets are investments in marketable securities that can be permanently liquidated in efficient markets. They are measured at fair value, unrecognized gains or losses are recorded in the financial result of the income statement.

Trade receivables

The net trade receivables balance represents invoiced amounts less an allowance for specific debtor risk and general allowance based on experience of the specific aging structure. The general allowance assumes that the risk of default increases as overdue receivables age.

Inventories

Inventories are measured at the lower of acquisition, production cost or net realizable value. Cash discounts are considered as a decrease in acquisition cost.

Property, plant and equipment

Tangible fixed assets are comprised of the categories of buildings, machinery and equipment and vehicles.

Property, plant and equipment are recorded at acquisition cost less accumulated depreciation and impairment loss. Land is depreciated only if periodic appraisals reveal a sustained impairment loss. Material elements of specific fixed asset items with different useful lifetimes are depreciated as separate objects. Property, plant and equipment are depreciated on a straight-line basis according to economic criteria corresponding to the estimated useful life:

Buildings	30 – 40 years
Machinery and equipment	3 – 10 years
Equipment	10 – 20 years
Instruments for demonstration use	3 years
ITS	3 – 7 years
Installations	10 – 20 years
Vehicles	5 – 12 years

Intangible assets

Intangible assets are comprised of goodwill, trademarks, licenses and patents, capitalized development costs and other intangibles.

Goodwill represents the difference between the cost of the acquisition and the fair value of the identifiable assets acquired less liabilities assumed. Material goodwill is amortized on a straight-line-basis over a life time of five to a maximum of twenty years.

Trademarks, licenses, and patents: Trademarks, licenses, and patents are initially recorded at acquisition cost. Expenditures for internally generated trademarks are recognized as an expense in the current period. Acquired trademarks, licenses, and patents are amortized on a straight-line basis of five to ten years.

Capitalized development costs and other intangible assets: Research costs are charged to the Income statement. Development costs are only capitalized, if the following criteria are cumulatively fulfilled: Development costs are identifiable and controlled by Datacolor, will generate a measurable future benefit for more than one year, the expenses can be captured and measured separately and it is likely that sufficient funds are available for completion and commercially exploiting developed products.

Other intangible assets primarily represents software capitalized at their acquisition costs and amortized on a straight-line basis of five to ten years.

Derivative financial instruments

Derivative financial instruments are recognized as current or non-current financial assets or liabilities, depending on the term. Datacolor AG and its subsidiaries are not applying Hedge Accounting. Therefore, market gains and losses on the hedging instruments are recognized directly in financial result in the income statement until the underlying transaction of a hedged risk is recognized in the balance sheet. Derivative financial instruments are disclosed at market value in the balance sheet.

Liabilities

Liabilities are recorded at their nominal value.

Provisions

Provisions are made for potential obligations with uncertain timing or amounts as a result of a past event and for which a future outflow of resources is probable. The amount is based on the best possible estimate of the expected outflow of resources. The break down of short-term and long-term provision is based on the expected liability within one year.

Treasury shares

Treasury shares are reported at historical acquisition cost and shown as a deduction from equity.

Contingent liabilities

Contingent liabilities are measured on the basis of the probability and impact of future cash outflows and are disclosed in the notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The figures below are stated in thousands of US dollars (TUSD) unless otherwise indicated.

3 Additional Information

Geographical Information

in TUSD	2018/19	in % of Totals	2017/18	in % of Totals
Net sales to third parties	78 768	100.0%	81 127	100.0%
Europe	26 983	34.3%	27 567	34.0%
Americas	23 237	29.5%	25 614	31.6%
Asia/Pacific	28 548	36.2%	27 946	34.4%
in TUSD	30.09.2019	in % of Totals	30.09.2018	in % of Totals
Assets	71 873	100.0%	70 405	100.0%
Europe	44 223	61.6%	40 496	57.5%
Americas	11 954	16.6%	12 577	17.9%
Asia/Pacific	15 696	21.8%	17 332	24.6%
	2018/19	in % of Totals	2017/18	in % of Totals
Average number of employees	426	100.0%	417	100.0%
Europe	85	20.0%	90	21.6%
Americas	143	33.6%	141	33.9%
Asia/Pacific	198	46.5%	186	44.5%

4 Earnings per share (EPS)

in TUSD	2018/19	2017/18
Profit for the year	3 579	4 093
Average number of shares outstanding	163 861	161 845
Basic earnings per share in USD	21.84	25.29
Effect of dilution: Number of share	0	1 198
Adjusted average number of shares for diluted earnings per share	163 861	163 043
Diluted earnings per share in USD	21.84	25.10

Earnings per share is calculated by dividing the profit for the year by the average number of shares outstanding (issued shares less treasury shares).

Diluted earnings per share include the effect of dilution, which would arise as a result of exercising stock options.

5 Personnel expenses

in TUSD		2018/19	2017/18
Salaries		28 919	29 461
Social security costs		5 160	5 731
Pension costs	20	743	918
Other personnel expenses		1 577	1 604
Personnel expenses		36 399	37 714

6 Financial result

in TUSD		2018/19	2017/18
Interest income		47	44
Earnings from securities		-716	620
Foreign exchange gains		688	1 194
Foreign exchange losses		-1 228	-1 745
Financial result		-1 209	113

7 Income taxes

in TUSD		2018/19	2017/18
Current income taxes		-605	-2 374
Deferred income taxes		-204	168
Income taxes		-809	-2 206

Deferred tax assets amounting to TUSD 908 (previous year: TUSD 1 144) consist primarily of temporary differences between tax and Swiss GAAP FER balance sheets.

Deferred tax assets and liabilities are recorded on the basis of local tax rates with an average tax rate of 20% (previous year: 25%).

The effect of the change in tax-deductible loss carry forwards on income taxes is shown in the following table:

in TUSD	2018/19	%
Taxes before the tax effect from the use of unrecognized loss carry forwards	-1 132	26%
Tax effect from unrecognized losses	0	0%
Tax effect from the use of unrecognized loss carry forwards	323	-8%
Taxes after the tax effect from the use of unrecognized loss carry forwards	-809	18%

in TUSD	2017/18	%
Taxes before the tax effect from the use of unrecognized loss carry forwards	-1 247	20%
Tax effect from unrecognized losses	-1 070	17%
Tax effect from the use of unrecognized loss carry forwards	111	-2%
Taxes after the tax effect from the use of unrecognized loss carry forwards	-2 206	35%

The capitalization of tax-usable losses carried forward is reassessed annually based on management's current assumptions and estimates. The total amount of tax losses carried forward is USD 12.1 million (previous year: USD 13.3 million) and the predominant part can be used without any time restrictions. However, no deferred tax assets were capitalized for these loss carry forwards, the tax value of these loss carry forwards amounts to USD 3.5 million (previous year: USD 3.6 million)

8 Cash

in TUSD	30.09.2019	30.09.2018
Cash on hand, postal accounts	30	10
Cash at bank	20 975	17 637
Cash	21 005	17 647

Bank accounts and postal accounts generate interest at market rates.

9 Financial assets

in TUSD	30.09.2019	30.09.2018
Securities held for trading	23 159	22 965
Current financial assets	23 159	22 965

In the reporting period the net amount of TUSD 1 975 have been invested in marketable short-term financial assets. In previous year the net amount of TUSD 4 674 have been invested. This financial assets are subject to different investment risks. Refer to note 15 risk management and internal controls.

10 Trade receivables

in TUSD	30.09.2019		30.09.2018	
Trade receivables, gross	9 845	100%	11 355	100%
Allowance for doubtful debts	-956	-10%	-903	-8%
Trade receivables, net	8 889	90%	10 452	92%

11 Other receivables

in TUSD	30.09.2019		30.09.2018	
Other receivables from				
– Third parties	488	31%	470	31%
– Government	286	18%	231	15%
– Pension funds	27	2%	29	2%
– Related parties	49	3%	53	4%
Prepayments to third parties	712	46%	709	48%
Other receivables	1 562	100%	1 492	100%

12 Inventories

in TUSD	30.09.2019		30.09.2018	
Semi-finished and finished goods	5 287	61%	5 553	61%
Trading goods	3 387	39%	3 529	39%
Gross inventories	8 674	100%	9 082	100%
Allowances	-2 411	-28%	-2 941	-32%
Net inventories	6 263	72%	6 141	68%

13 Property, plant and equipment

in TUSD	Operating properties	Other mobile fixed assets	Total property, plant and equipment
Acquisition or production costs			
Balance as of 1.10.2017	13 634	9 929	23 563
Additions	19	1 569	1 588
Disposals	0	-1 064	-1 064
Translation differences	-3	-165	-168
Balance as of 30.09.2018	13 650	10 269	23 919
Additions	94	975	1 069
Disposals	0	-1 398	-1 398
Translation differences	-10	-141	-151
Balance as of 30.09.2019	13 734	9 705	23 439
Accumulated depreciation			
Balance as of 1.10.2017	6 591	6 588	13 179
Additions	560	1 304	1 864
Adjustments	0	0	0
Disposals	0	-874	-874
Translation differences	-7	-90	-97
Balance as of 30.09.2018	7 144	6 928	14 072
Additions	556	1 306	1 862
Adjustments	0	0	0
Disposals	0	-1 293	-1 293
Translation differences	-10	-118	-128
Balance as of 30.09.2019	7 690	6 823	14 513
Net carrying amount			
Balance as of 30.09.2018	6 506	3 341	9 847
Balance as of 30.09.2019	6 044	2 882	8 926

Other mobile fixed assets contain primarily machines, furnishings, equipment and vehicles.

The loss on the disposal of property, plant and equipment in the fiscal year 2018/19 amounted to TUSD 27 (previous year: loss of TUSD 130).

In the reporting period other mobile fixed assets in the amount of TUSD 975 (previous year TUSD 1 569) have been capitalized. As in the previous year, the additions relate primarily to vehicles, instruments for demo use, equipment and machines.

14 Intangible assets

in TUSD	Capitalized development costs and other intangible assets	Trademarks, licenses, patents	Total
Balance as of 01.10.2017	8 848	221	9 069
Additions	188	0	188
Disposals	0	0	0
Translation differences	-51	0	-51
Balance as of 30.09.2018	8 985	221	9 206
Additions	451	24	475
Disposals	0	0	0
Translation differences	-122	0	-122
Balance as of 30.09.2019	9 314	245	9 559
Accumulated amortization			
Balance as of 01.10.2017	8 424	66	8 490
Additions	307	2	309
Disposals	0	0	0
Translation differences	-49	0	-49
Balance as of 30.09.2018	8 682	68	8 750
Additions	77	11	88
Disposals	0	0	0
Translation differences	-121	0	-121
Balance as of 30.09.2019	8 638	79	8 717
Net carrying amount			
Balance as of 30.09.2018	303	153	456
Balance as of 30.09.2019	676	166	842

Capitalized development costs and other intangible assets include primarily the group-wide utilized ERP system and software-solutions.

As in the previous year from the total research and development expenses amounting to TUSD 7 826 (previous year: TUSD 7 702 no expenses were capitalized because not all criteria for a capitalization were met (refer to note 2 Accounting principles).

In the reporting period capitalized development costs and other intangible assets in the amount of TUSD 451 (previous year: TUSD 188) have been capitalized. The additions relate primarily to consultant software.

15 Risk management and Internal controls

Due to its international business, the Datacolor Group is exposed to different operational and strategic risks which are assessed on an ongoing basis in a centralized risk management process. The risks classifications are based on the analysis of the likelihood and impact. Action plans to mitigate and transfer risks are developed. On a yearly basis, a consolidated risk report is presented to the Board of Directors for approval.

A risk assessment is performed, for identified risks relating to financial reporting and accounting. The group wide internal controls framework for the financial reporting defines relevant key controls that reduce financial risks. Moreover, the Datacolor Group is targeting to develop a control environment that ensures a disciplined management of the existing risks.

Financial risks include credit, investment, illiquidity, foreign exchange and interest risks.

Credit

Credit risk is the risk of financial losses consist of customers or a counterparty of a financial instrument are unable to meet their obligations.

Credit risks are managed by credit management for extending credit terms to customers.

The default risk in terms of trade receivables is limited, since the customer base of the Datacolor Group consists of a large number of customers from various geographical regions. Nevertheless, the risk management process stipulates an individual customer risk assessment in case of excess of certain credit limits for transactions or outstanding balances.

Financial assets

Datacolor invests excess liquidity in various short-term financial asset classes to generate financial returns. The financial performance of individual investments is impacted by various factors. Investment decisions follow an internal investment policy, that stipulates guidelines with respect to permissible financial asset categories and investment diversification.

Liquidity

Centralized cash management ensures that the Datacolor Group has sufficient liquidity for obligations. The Executive Committee implemented guidelines and processes for liquidity planning meeting the Group requirements.

Foreign currency

The Datacolor Group is exposed to foreign currency risks by virtue of its international business and supply chain. These risks occur in transactions which take place in currencies other than the functional currency of the company, particularly in purchasing and selling goods. Transactions are primarily settled in EUR and USD. The individual companies plan cash flows on a regular basis and report these to the Group Executive Committee.

The difference between incoming and outgoing payments in a specific foreign currency, particularly in USD and EUR, is considered material. Remaining net positions are monitored by Group Management and hedged on a selective basis if deemed necessary.

The following exchange rates of the most important currencies for the Group were used for translation into US Dollar:

Currency	Unit	Balance Sheet		Income Statement	
		30.09.2019	30.09.2018	2018/19	2017/18
CHF	1	1.01	1.02	1.01	1.03
EUR	1	1.09	1.16	1.13	1.20
GBP	1	1.23	1.30	1.28	1.35
CNY	1	0.14	0.15	0.15	0.15

Interest

Interest risk comprise an interest-rate related cash flow risk, i.e. the risk that future interest payments will change due to fluctuations in the market interest rate, together with an interest rate related risk of a change in fair value, i.e. the risk that the fair value of a financial instrument changes due to fluctuations in the market interest rate.

The consolidated financial statements of the Datacolor Group as per September 30, 2019 do not include any financial liabilities that are subject to an interest rate change risk.

16 Financial liabilities

in TUSD	30.09.2019	30.09.2018
Credit lines available (CHF 6.75 million)	6 784	6 969
Unused credit lines (CHF 6.75 million)	6 784	6 969

Available and unused credit lines for Datacolor Group CHF 6.75 million (previous year: CHF 6,75 million).

17 Other liabilities

in TUSD	30.09.2019	30.09.2018
Other current liabilities against		
– Government	692	464
– Management	291	0
Prepayments from third parties	2 153	1 807
Other current liabilities	3 136	2 271
Other non-current liabilities	1 213	759
Other liabilities	4 349	3 030

The liability from the management participation plan (share plan) amounts to TUSD 688 as of September 2019, from which the short term portion TUSD 291 is shown as other current liabilities and the long term portion TUSD 397 as other non-current liabilities.

Refer to note 2 Accounting principles and note 21 management participation plan.

18 Accrued liabilities

in TUSD	30.09.2019	30.09.2018
Deferred revenue for service contracts and shipments	7 781	7 362
Employee related accruals	5 702	6 095
Stock option plan	0	211
Year-end closing (audit, tax consulting, bookkeeping)	406	205
Other accrued expenses	2 205	2 659
Accrued liabilities	16 094	16 532

The liability resulting from the stock option plan amounts to TUSD 0 (previous year: TUSD 211), as the outstanding options from prior year were fully exercised during the current financial year.

Refer to note 2 Accounting principles and note 21 management participation plan.

19 Provisions

in TUSD	Warranty	Other	Total
Balance as of 1.10.2017	439	318	757
Additions	405	214	619
Used	-439	-132	-571
Translation differences	0	11	11
Balance as of 30.09.2018	405	411	816

Disclosed in the consolidated balance sheet as:

Short term provision	311	0	311
Long term provision	94	411	505

Balance as of 1.10.2018	405	411	816
Additions	351	3	354
Used	-405	-121	-526
Translation differences	0	-16	-16
Balance as of 30.09.2019	351	277	628

Disclosed in the consolidated balance sheet as:

Short term provision	243	0	243
Long term provision	108	277	385

Provisions for warranty cover potential warranty claims, which are likely to incur based on the experience of past warranty cases. The calculation is based on realized sales transactions for which a warranty promise has been given, the probability of warranty cases and associated internal and external warranty costs.

20 Employee benefits

Economic benefit / economic liability and pension expenses

in TUSD	Surplus / deficit according to pension plans under Swiss GAAP FER 26			Economic share of the company	Change compared to previous year, recognized in the period	Accrued contributions for the period		Pension plan expenses in personnel expenses
	30.09.19	30.09.19	30.09.18			2018/19	2018/19	
Pension plans without own assets (abroad)	0	-126	-136		-10	648	638	769
Pension plans with surplus / deficit (Switzerland)	0	0	0		0	105	105	149
Total	0	-126	-136		-10	753	743	918

Most pension plans are financed through contributions from the employer and employee. Contributions are calculated as a percentage of the insured salary.

In Switzerland the pension plan is regulated through an independent fund („Gemeinschaftsstiftung“). The actuarial coverage according to Art. 44 BVV2 was at 113.1% as of September 30, 2019, at 106.4% as of December 31, 2018 and 111.1% as of September 30, 2018. In contrary to an independent collective foundation („Sammelstiftung“), the community foundation („Gemeinschaftsstiftung“), is not required to prepare individual statements for each associated company in accordance with Art. 48b BVV2. Therefore no economic share of the company is disclosed.

The pension liability of TUSD 126 (previous year: TUSD 136) relates to contractual pension commitments of the subsidiary in Germany. An actuarial report is prepared annually to calculate the necessary provision on the basis of the annual pension. Other plans outside Switzerland are defined contribution plans.

21 Management participation plan

Share plan (first allocation in fiscal 2015/16)

One of the components of the compensation of the Executive Committee is based on an equity security component (see further Compensation Report, 2.2 Compensation of the Executive Committee). In November 2018, 737 registered shares were allocated to the members of the Executive Committee, including prior years (878 shares) a total of 1 615 registered shares allocated. The book value of the 1 615 shares as per September 30, 2019 was determined by using the average price for Datacolor shares over the past 12 months (October 1, 2018 to September 30, 2019) and the corresponding yearly expense for the vesting period of TUSD 327 (previous year: TUSD 308) was booked as personnel expense. The total liability amounts to TUSD 688 (previous year: TUSD 405), from which the short term portion TUSD 291 is shown as other current liabilities and the long term portion TUSD 397 is shown as other non-current liabilities.

Stock option plan (last allocation in fiscal 2014/15)

Outstanding option rights conditional share capital of CHF 16 804 for 16 804 registered shares with a nominal value of CHF 1 each is available (see page 12 Information for Investors). The strike price and option repurchase values are calculated using the financial option pricing model Black-Scholes. The option premium is set at CHF 125 for members of the Board of Directors and at CHF 50 for beneficiaries from the Executive team.

The stock options outstanding as per previous financial year, were exercised during the financial year 2018/2019 and the resulting financial loss was booked against capital reserve (refer to consolidated statement of changes in equity.)

The exercise price of options granted for fiscal 2014/15 was determined by using the Black-Scholes valuation model. The following relevant input patterns were used: The average share price of CHF 574.05, a discount of 6% per year of the blocking period, exercise prices shown in the table, the standard deviation of expected share price returns of 24.1%, a dividend yield of 4.0%, the option term of ten years and the annual risk-free interest rate of -0.11%. The volatility variable applied in the valuation model is based on the actual volatility since January 1, 2011 using weekly share prices.

Grant	Number of outstanding options 1.10.2018	Exercise price (CHF) ¹⁾	Expiration of blocking period	Expiration of exercise period	Number of options exercised 2018/19	Number of options repurchased 2018/19	Number of outstanding options 30.09.2019
Fiscal Year							
2014 (strike price CHF 170)	240	297	1.10.17	1.10.24	-240		0
2015 (strike price CHF 500)	1 088	550	2.10.18	2.10.25	-1 088		0
2015 (strike price CHF 240)	811	365	2.10.18	2.10.25	-811		0
Total	2 139				-2 139	0	0

¹⁾ including the option premium of CHF 125 or CHF 50 respectively.

Grant	Number of outstanding options 1.10.2017	Exercise price (CHF) ¹⁾	Expiration of blocking period	Expiration of exercise period	Number of options exercised 2017/18	Number of options repurchased 2017/18	Number of outstanding options 30.09.2018
Fiscal Year							
2014 (strike price CHF 360)	2 700	410	1.10.17	1.10.24	-2 700		0
2014 (strike price CHF 170)	1 980	297	1.10.17	1.10.24	-1 740		240
2015 (strike price CHF 500)	1 088	550	2.10.18	2.10.25			1 088
2015 (strike price CHF 240)	811	365	2.10.18	2.10.25			811
Total	6 579				-4 440	0	2 139

¹⁾ including the option premium of CHF 125 or CHF 50 respectively.

22 Related parties and companies

in TUSD	Transactions		Liabilities as per	
	2018/19	2017/18	30.09.2019	30.09.2018
BDO AG, Luzern: Consulting services (Thomas Studhalter, Member of the Board of Directors, is Partner of BDO AG)	214	58	27	27
Sale of 1 452 (prior year: 2 055) registered shares to members of the Board of Directors (see also Consolidated statement of changes in equity on page 23).	1 102	1 207	0	0

For Compensation to the Board of Directors and the Executive Committee please refer to the Compensation Report of Datacolor AG page 14ff. The shareholdings and options are disclosed in Note 4.2 of the statutory report of Data-color AG.

23 Leasing liabilities

As in the previous year, no obligations from finance lease contracts existed at the balance sheet date.

The leasing expenses in the financial year amount to TUSD 107 (previous year: TUSD 115).

The following overview shows future liabilities arising from non-capitalized operating lease contracts arranged in order of the due dates:

in TUSD	30.09.2019	30.09.2018
Due in reporting period + 1 year	85	93
Due in reporting period + 2 years	83	81
Due in reporting period + 3 years	62	78
Due in reporting period + 4 years	186	198
Total operating lease liabilities	416	450

24 Contingent liabilities

There were no sureties, guarantee obligations or pledged assets in favour of third parties neither in the reporting period nor in the previous year.

The company is involved in legal disputes, lawsuits and court cases in the ordinary course of business. As far as the company can ascertain at the current point in time, such disputes are not expected to exceed existing provisions or otherwise exert a material influence on its financial situation or operating result.

25 Securing of own liabilities

No assets were pledged to secure own liabilities either in the reporting period or in the previous period.

26 Acquisitions

No acquisitions were made in the reporting period or in the and previous period.

27 Subsequent events

The consolidated financial statements were approved for publication by the Board of Directors on November 5, 2019. They have yet to be approved in the general meeting.

The Board of Directors is to propose to the general meeting that a dividend of CHF 15 per share paid for the of financial year 2018/19. Refer to the proposed appropriation of available earnings in the report of Datacolor AG.

Between the balance sheet date and November 12, 2019 no further significant events occurred which might have an influence on the information presented in the 2018/19 annual financial statements or require disclosure in this note of the report.

28 Group entities

Company	Location	Currency	Share capital in '000	interest in %
Datacolor				
Datacolor AG Europe ¹⁾	CH-Risch	CHF	2 000	100
Datacolor International France SAS	FR-Paris	EUR	274	100
Datacolor GmbH	DE-Marl	EUR	256	100
Datacolor Asia Pacific (HK) Ltd.	HK-Hong Kong	HKD	10	100
Datacolor Inc.	US-Lawrenceville	USD	35 808	100
Datacolor International Ltd.	GB-Cheshire	GBP	75	100
Datacolor Belgium BVBA	BE-Gentbrugge	EUR	186	100
Datacolor Italia S.r.l.	IT-Bergamo	EUR	20	100
Datacolor Industrial S.r.l.	IT-Reggio Emilia	EUR	10	100
Datacolor Technology (Suzhou) Co., Ltd.	CN-Suzhou	USD	3 200	100
Datacolor Trading (Shanghai) Co., Ltd.	CN-Shanghai	CNY	1 364	100
Datacolor Solutions Private Ltd.	IN-Mumbai	INR	100	100
Datacolor Color Technologies Trading and Service Company LLC	TR-Istanbul	TRL	100	100
Datacolor Gestão de Soluções em Cores e Imagens Ltda.	BR-Sao Paulo	BRL	350	100
Datacolor Vietnam Co., Ltd.	VIE-Ho Chi Minh City	VND	2 273	100

¹⁾ The company is held directly by Datacolor AG.



Statutory Auditor's Report

To the General Meeting of Datacolor AG, Lucerne

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Datacolor AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at September 30, 2019 and the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 20 to 37) give a true and fair view of the consolidated financial position of the Group as at September 30, 2019, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority



Revenue recognition

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key Audit Matter

Total consolidated net sales of the financial year 2018/19 amounted to CHF 78.8 million. Net sales are a key performance indicator for assessing Datacolor Group's performance and therefore in the focus of internal and external stakeholders. Revenues comprise the sale of color measurement & calibration instruments as well as the respective service & maintenance contracts, whereas in the context of revenue recognition different characteristics need to be considered

Sales for the color measurement & calibration instruments are based on sales arrangements with standardized international commercial terms and conditions (incoterms), which govern the transfer of risks and rewards.

The majority of the underlying contracts of the service & maintenance business have a term of 12 months. For these contracts the correct recognition as well as the recognition in the appropriate period of revenue is particularly relevant. The service & maintenance contracts are invoiced in advance, accrued and recognized in the income statement on a pro-rata basis over the contract period. The correct recognition of accrued revenue in the appropriate period is highly dependent on data extracted from the IT-system for calculating the revenue recognition and revenue accrual.

Our response

We gained an understanding of the revenue recognition process for the different types of revenues from the purchase order to the receipt of payment and assessed whether transactions are completely and accurately recorded in the financial statements.

We tested, on a sample basis, the operating effectiveness of key controls relating to revenue recognition and revenue accrual identified by Datacolor.

In addition, we performed, amongst others, for the revenues of the color measurement & calibration instruments the following procedures:

- Based on a sample of delivery notes and corresponding receipts of payment we tested whether the correct transfer of risks and rewards related to the goods sold to the client has taken place and if the revenues were recognized in the correct period.
- We furthermore performed analytical procedures including, amongst others, margin analysis.

Amongst others, our procedures for service & maintenance contracts comprised the following:

- We tested, on a sample basis, on the basis of the orders and invoices the accuracy of the underlying data used for the calculation of the accrued revenue.
- We furthermore completely re-performed the calculation of the accrued revenue as per September 30, 2019 and compared it with Datacolor's calculation.

Moreover, we assessed the appropriateness of the disclosure.

For further information on revenue recognition refer to the following:

- Accounting principles on page 24
- Note 17 Other liabilities on page 33
- Note 18 Accrued liabilities on page 33



Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Toni Wattenhofer
Licensed Audit Expert
Auditor in Charge

Sandro Mascarucci
Licensed Audit Expert

Lucerne, November 12, 2019

FINANCIAL STATEMENTS OF DATACOLOR AG

BALANCE SHEET

in TCHF		30.09.2019		30.09.2018	
Assets					
Cash	3.1	57		45	
Other current receivables					
– from investments		4 692		3 956	
Prepaid expenses		12		14	
Current assets		4 761	22.1%	4 015	19.3%
Loans from investments	3.2	6 800		6 800	
Investments	3.2	10 000		10 000	
Non-current assets		16 800	77.9%	16 800	80.7%
Assets		21 561	100.0%	20 815	100.0%
Liabilities and shareholders' equity					
Other current liabilities					
– to third parties		147		57	
– to investments		2 577		2 787	
Accrued liabilities	3.3	688		935	
Current liabilities		3 412	15.8%	3 779	18.2%
Liabilities		3 412	15.8%	3 779	18.2%
Share capital		168		168	
Statutory capital reserves from tax capital contributions		19		19	
Statutory legal reserves		84		84	
Retained earnings		20 692		20 557	
Treasury shares	3.4	-2 814		-3 792	
Shareholders' equity		18 149	84.2%	17 036	81.8%
Liabilities and shareholders' equity		21 561	100.0%	20 815	100.0%

INCOME STATEMENT

in TCHF	2018/19	2017/18
Income from investments	3 000	2 000
Service income	1 225	1 203
Total operating income	4 225	3 203
Personal expenses	-1 296	-1 483
Administrative expenses	-510	-553
Total operating expenses	-1 806	-2 036
Operating profit	2 419	1 167
Financial income	259	210
Financial expenses	-80	-3
Profit before taxes	2 598	1 374
Direct taxes	-1	-2
Profit for the year	2 597	1 372

STATEMENT OF CHANGES IN EQUITY

in TCHF	Share capital	Statutory capital reserves from tax capital contributions	Statutory legal reserves	Retained earnings	Treasury shares	Total Shareholders' equity
Balance as of 1.10.2017	168	19	84	21 631	-4 864	17 038
Dividends paid				-2 446		-2 446
Profit for the year				1 372		1 372
Changes in treasury shares					1 072	1 072
Balance as of 30.09.2018	168	19	84	20 557	-3 792	17 036
Balance as of 1.10.2018	168	19	84	20 557	-3 792	17 036
Dividends paid				-2 462		-2 462
Profit for the year				2 597		2 597
Changes in treasury shares					978	978
Balance as of 30.09.2019	168	19	84	20 692	-2 814	18 149

NOTES

1 General information

1.1 Legal form, registered office and capital

Datacolor AG was established as a joint-stock company in Switzerland and is domiciled in Lucerne.

The share capital of Datacolor AG amount to CHF 168 044 and is made up of 168 044 registered shares with a par value of CHF 1 each. The shares are listed on the SIX Swiss Exchange Zurich under security ID 853 104.

The financial statements were approved by the Board of Directors on November 5, 2019 and will be submitted to the Annual General Meeting on December 5, 2019.

2 Key accounting and valuation principles

The present financial statements for Datacolor AG have been prepared in accordance with the regulations of Swiss financial reporting law. It is possible to create and dissolve hidden reserves in order to ensure the company's continued prosperity. The main accounting and valuation principles used, which are not already specified by the Code of Obligation, are described below.

2.1 Foreign currency items

The currency in which Datacolor AG operates is Swiss Francs (CHF). Transactions in foreign currencies are converted into the currency in which the company operates at the exchange rate on the day the transaction takes place.

Monetary assets and liabilities in foreign currencies are converted into the currency in which the company operates at the exchange rate on the balance sheet date. Any profits or losses resulting from the exchange are recorded in the income statement.

Non-monetary assets and liabilities are converted at the foreign exchange rate at the time of the transaction. Any foreign exchange profits are deferred in the balance sheet as not having an effect on net income. Foreign exchange losses, on the other hand, are recorded in the income statement.

2.2 Related parties

Related parties include subsidiary companies, members of the Board of Directors and Datacolor AG shareholders. Transactions with related parties must take place under proper market conditions (dealing at an arm's length).

2.3 Loans and investments

Loans and investments are valued at acquisition costs less accumulated amortization.

2.4 Treasury shares

Treasury shares are recorded at acquisition costs on the balance sheet as negative items in the shareholders' equity. If they are resold at a later date, the profit or loss is recorded as financial income or financial expenses having an effect on net income.

2.5 Share based payments

The difference between the acquisition cost and the market value is recorded as personnel expenses, if treasury shares are used for share-based payments.

2.6 Renounce cash flow statement and additional disclosures in the notes

Datacolor has refrained in accordance with the new Swiss reporting law from disclosing the notes for interest-bearing liabilities and audit fees as well as the cash flow statement, since the company has prepared consolidated financial statements in accordance with an accepted accounting standard (Swiss GAAP FER).

3 Information relating to items on the balance sheet and income statement

3.1 Cash

in TCHF		30.09.2019	30.09.2018
in CHF		49	24
in EUR		8	21
Total		57	45

3.2 Investments and loans

Loans to Group companies are granted on a long-term basis for financing purposes. The significant direct and indirect investments of Datacolor AG in Group companies are disclosed in note 28 of the consolidated financial statements.

3.3 Liabilities resulting from management participation plan

Information with respect to the management participation plan is disclosed in note 2 accounting principles to the consolidated financial statements. There are no liabilities outstanding as of September 30, 2019, as all the outstanding stock options were exercised in the current financial year

In the prior year, the short term portion of the liability (TCHF 416) is included in the accrued liabilities.

3.4 Treasury shares

Datacolor AG holds a total of 3 983 (previous year: 5 866) treasury shares, carried at TCHF 2 814 (previous year: TCHF 3 792). All treasury shares are reserved for the management participation plan of the Datacolor Group. A portion of treasury shares are blocked shares for the members of the Executive Committee according to the management participation plan.

In financial year 2018/19 1 708 registered shares were purchased at an average price of CHF 795 and 1 452 registered shares were sold at a price CHF 619, as well 2 139 registered shares were exercised from the stock option plan. The average price of the registered shares from the management participation was CHF 653.

In financial year 2017/18 3 203 registered shares were purchased at an average price of CHF 754 and 4 440 registered shares were exercised from the stock option plan. The average price of the registered shares from the management participation was CHF 526.

in TCHF	2019			2018		
	Nominal	Book value	Number	Nominal	Book value	Number
Balance as of 01.10	6	3 792	5 866	9	4 864	9 241
Shares purchased	1	419	256	1	1 265	1 065
Shares allotted	-4	-1 397	-2 139	-4	-2 337	-4 440
Balance as of 30.09	3	2 814	3 983	6	3 792	5 866

The share capital entitled to dividend payments amounts to CHF 165 676 as per September 30, 2019 (previous year: CHF 163 108).

4 Other information

4.1 Information on full-time positions on annual average

Datacolor AG has an annual average of below 10 full-time positions (previous year: below 10 full-time positions).

4.2 Shareholdings and stock options

	2019 Numbers of shares ¹⁾	2018 Numbers of shares ¹⁾	2019 Numbers of options	2018 Numbers of options
Board of Directors and Executive Committee				
Werner Dubach, Präsident	106 711	105 442	0	369
Dr. Jvo Grundler, Deputy President	162	0	0	0
Anne Keller Dubach, member	32 861	32 523	0	98
Prof. Dr. Hans Peter Wehrli, member	1 473	1 135	0	338
Dr. Fritz Gantert, member (until 5.12.2018)	-	1 218	0	98
Hanno Elbraechter, member (since 5.12.2018)	0	0	0	0
Thomas Studhalter, member	150	100	0	0
Executive Committee	0	0	0	1 088
Total	141 357	140 418	0	1 991

¹⁾ 1) A portion of the shares is blocked (refer to 2.1 compensation of the Board of Directors in the Compensation Report).

4.3. Remuneration to Board of Directors and Executive Committee

Information concerning compensation, loans and advances, given to current and former members of the Board of Directors and members of the Executive Committee are disclosed in the Compensation Report of Datacolor AG on page 14ff.

4.4. Significant shareholders

The Board of Directors of Datacolor AG is aware of the following individual shareholders and jointly voting shareholders' groups whose holdings exceed 5% of all voting shares:

	30.09.2019	30.09.2018
Werner Dubach	63.50%	62.75%
Anne Keller Dubach	19.55%	19.35%

The shareholders Werner Dubach and Anne Keller Dubach form a group of shareholders.

4.5. VAT taxation group

In the context of the taxation group for the Swiss value added tax Datacolor AG is jointly liable for the group company Datacolor AG Europe, Risch.

PROPOSED APPROPRIATION OF RETAINED EARNINGS

Proposal of the Board of Directors

Appropriation of retained earnings

Following retained earnings can be used by the general assembly for the distribution:

Retained earnings as per 30.09.2019	TCHF	20 692
Treasury shares as per 30.09.2019	TCHF	-2 814
Retained earnings available for distribution by the general assembly	TCHF	17 878

The Board of Directors proposes that the retained earnings of TCHF 20 692 of Datacolor AG are distributed as follows:

Distribution of a dividend on dividend-entitled share capital	TCHF	2 485
Carry forward to new account	TCHF	18 207

The gross dividend of CHF 15 per dividend-entitled share corresponds to a total expected distribution of TCHF 2 485. If this earnings appropriation proposal is approved, the dividend will be paid free of expense net of 35% Swiss withholding tax on December 12, 2019. The effective dividend distribution is based on the dividend-entitled share at the record day.



Statutory Auditor's Report

To the General Meeting of Datacolor AG, Lucerne

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Datacolor AG, which comprise the balance sheet as at September 30, 2019, the income statement and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 42 to 46) for the year ended September 30, 2019 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Toni Wattenhofer
Licensed Audit Expert
Auditor in Charge

Sandro Mascarucci
Licensed Audit Expert

Lucerne, November 12, 2019

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