

DATACOLOR AG

FINANCIAL REPORT 2020



datacolor 

This English version of the Datacolor AG annual report is a translation from German and is provided solely for reader's convenience. Only the German version in binding.

DATACOLOR AG

FINANCIAL REPORT 2020

Financial year from October 1, 2019 through September 30, 2020

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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 11, 2020
Listing	SIX Swiss Exchange (Zurich)
Security ID	853 104
ISIN	CH0008531045
Reuters	DCN.S
Bloomberg	DCN
Investdata	DCN

Capital structure

	30.09.2020	30.09.2019
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 %)

	30.09.2020	30.09.2019
Werner Dubach*	64.04%	63.50%
Anne Keller Dubach*	19.70%	19.55%

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

Shareholders by category (in %)

	30.09.2020	30.09.2019
Significant shareholders	83.74%	83.05%
Private investors	95.13%	95.15%
Corporate investors	4.87%	4.85%
Non-registered shareholders	1.48%	1.66%

Share distribution

	30.09.2020	30.09.2019
Number of registered shares	Number of shareholders	Number of shareholders
1 – 100	482	483
101 – 1 000	23	24
1 001 – 10 000	6*	6*
>10 000	2	2
Total	513	515

*including treasury shares of Datacolor AG

Share price data in CHF

	2019/20	2018/19
First trading day	665.00 (02.10.2019)	815.00 (10.10.2018)
Low	510.00 (08.09.2020)	630.00 (18.04.2019)
High	740.00 (13.01.2020)	820.00 (different dates)
Last trading day	520.00 (29.09.2020)	655.00 (30.09.2019)
Average share price	590.72	706.47
Market capitalization in CHF million as of September 30	85.90	107.50

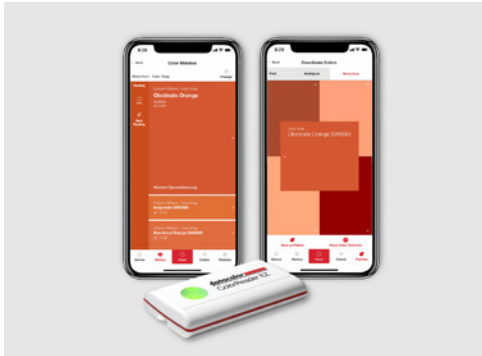
KEY FIGURES GROUP

in USD million	2019/20	2018/19
Net sales	61.0	78.8
Change relative to previous year in %	-22.5%	-2.9%
EBITDA	1.8	7.5
Change relative to previous year in %	-75.5%	-9.7%
as a % of net sales	3.0%	9.6%
EBIT	0.3	5.6
Change relative to previous year in %	-95.5%	-9.5%
as a % of net sales	0.4%	7.1%
Loss/profit for the year	-0.6	3.6
Change relative to previous year in %	-118.0%	-12.6%
as a % of net sales	-1.1%	4.5%
as a % of average shareholders' equity	-1.4%	8.0%
Cash flow from operating activities	-1.3	8.4
Change relative to previous year in %	-115.6%	34.8%
as a % of net sales	-2.1%	10.7%
Cash flow from investing activities	-5.0	-2.6
Change relative to previous year in %	92.7%	-52.5%
as a % of cash flow from operating activities	380.5%	-30.7%
Free Cash Flow	-6.3	5.8
Change relative to previous year in %	-207.9%	627.3%
as a % of net sales	-10.3%	7.4%
Average number of employees	401	426
Personnel expenses	30.2	36.4
Total assets	65.9	71.9
Shareholders' equity	45.3	45.3
as a % of assets	68.7%	63.1%
Net liquidity (including current financial assets)	41.6	44.2
Per share data ¹⁾		
Average number of shares	165 589	163 861
Loss/earnings per share in USD (non-diluted)	-3.88	21.84
Free Cash Flow per share in USD	-37.98	35.56
Shareholders' equity per share in USD	273.38	276.73
Dividend per share in CHF ²⁾	7.00	15.00
Share price data as of 30.09. in CHF	520.00	655.00
Yield in % ³⁾	1.0%	2.3%

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 3, 2020.

³⁾ Distribution in percentage of the share price as of September 30, 2020.



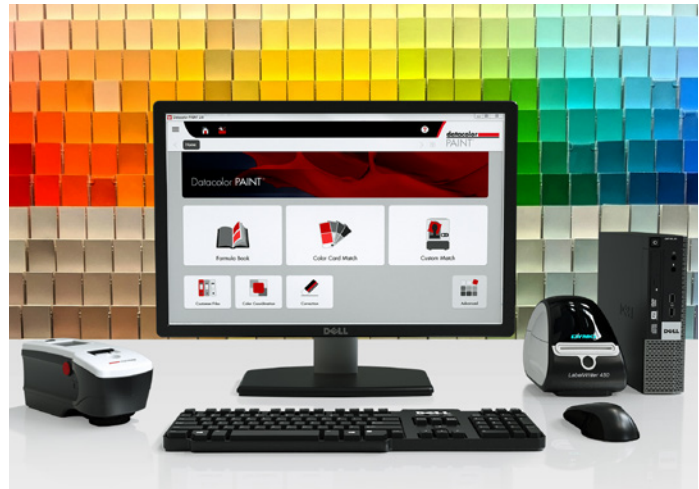
ColorReader EZ



ColorReader Family



ColorReader EZ



Datacolor 20D



Datacolor SpectraVision V



Datacolor 800 Spectrophotometer



Datacolor SpiderX Elite



SpyderX Photo Kit

Report of the Board of Directors

Datacolor celebrated a special milestone in fiscal 2019/20, namely our 50th anniversary. We owe this success story to the loyalty of our customers and partners as well as the commitment of our employees. However, because of the pandemic, many anniversary activities have been postponed until next year.

Following an encouraging start to the anniversary year, the tide turned in the second quarter. The four-week business lockdown imposed by the Chinese government between January and February 2020, designed to contain the pandemic, impacted Datacolor's production operations in Suzhou and its sales activities. Order intake already started levelling off toward the end of the first year half, and the global economic decline caused by the pandemic clearly left its mark on Datacolor's sales and result in the second half. With business operations severely restricted worldwide, sales slumped by more than half at the start of the second six months.

Datacolor had already initiated a program to streamline the organization and increase efficiency at the end of 2019. This allowed management to respond to the economic downturn quickly and effectively with targeted organizational measures and cost reductions. Although the substantial one-off reorganization costs put a strain on the income statement, Datacolor recorded an operational plus in fiscal 2019/20. Despite a positive performance by the investment portfolio, unfavorable exchange rates led to a negative financial result and a minor net loss.

Strategic investments in the long-term development of innovative color management technology and in expanding the comprehensive range of Datacolor products remained largely exempt from the radical cost-cutting drive. In the year under review, Datacolor launched several high-precision products for customers in the textile and apparel, paint, dye and plastics industries as well as for the consumer market. The sales organization in China was reinforced after this key market had staged a solid recovery from the economic consequences of the pandemic, and sales were virtually back to their earlier levels.

With its scaled-down rejuvenated management, streamlined organization, high liquidity and solid equity base as well as its successful range of user-friendly hardware and software products for precision color management, Datacolor is well equipped to return to a growth trajectory and achieve its ambitious return targets. The Board of Directors is convinced that Datacolor has the necessary financial and personnel resources to dynamically grow its global leadership. It therefore proposes to the general assembly meeting that a one-time anniversary dividend of CHF 7 per share be distributed.



Werner Dubach
Chairman of the Board of Directors

DATACOLOR IN FISCAL 2019/20

Challenging economic climate impacts fiscal year, organization streamlined

Datacolor reached its 50th year of operation in fiscal 2019/20, a remarkable anniversary. However, Datacolor has postponed most of the activities related to the celebration of this milestone until next year due to the pandemic.

After a good start to fiscal 2019/20, Datacolor's production and sales in Suzhou were severely affected by China's decision to close down the economy completely for four weeks in January and February 2020 in connection with the pandemic. The global economic downswing, caused by further lockdowns in other markets, also had a strong impact on Datacolor's sales and earnings in fiscal 2019/20. Incoming orders already flattened off towards the end of the first semester and remained at a low level during the second half-year. At USD 61.0 million (fiscal 2018/19: USD 78.8 million), net sales were down -22.5% on the previous year and -21.3% in local currency. Nevertheless, strict cost management allowed for an appealing gross profit margin of 61.8% (65.7%). Thanks to the program to increase efficiency already initiated at the end of 2019 and lower compensation, Datacolor posted a positive operating result despite one-off costs of USD 1.7 million in connection with the reorganization. EBITDA was USD 1.8 million (USD 7.5 million), the EBITDA margin was 3.0% (9.6%), EBIT USD 0.3 million (USD 5.6 million) and the EBIT margin was 0.4% (7.1%). Unfavorable exchange rates led to a negative financial result of USD -0.9 million (USD -1.2 million) despite a positive development of the investment portfolio. This resulted in a net loss of USD -0.6 million (USD 3.6 million), or USD -3.88 (USD 21.84) per share. Due to the necessary reduction in personnel, the average number of employees decreased to 401 in the year under review.

Executive Committee downsized and rejuvenated

As part of the efficiency improvement program and the streamlining of the organization, human resources and marketing functions now report directly to the Chief Executive Officer. In this regard, Datacolor has reduced the Executive Committee to five members and rejuvenated it with the arrival of Kevin Quinn on October 1, 2020. He took over the Sales and Marketing Consumer Solutions division from Brian Levey, who will retire early 2021.

Fast recovery in China

With China recovering faster than other markets from the economic impact of the pandemic, Datacolor's sales in this market almost reached their previous level by the end of the year under review. The positive trend in China is reflected in the geographical sales breakdown. The Asia-Pacific region's share increased

to 38.3% (36.2%). Datacolor generated 34.7% (34.3%) of sales in Europe, while the contribution from North and South America fell to 27.0% (29.5%).

New products introduced for efficient workflows at customers

The significant cost savings do not affect the strategic investments in the long-term development of innovative color management technology and the expansion of the comprehensive Datacolor product range. In the year under review, Datacolor considerably broadened the number of online distribution channels and extended its range of products. Furthermore, the Company launched several high-precision color measurement products for customers in the textile and clothing, paint, coatings and plastics industries and for the consumer market. In its anniversary year, Datacolor also launched a new Spyder product bundle and introduced extensions to SpectraVision and the chip-based ColorReader product family. The new SpectraVision V is a refinement of the successful Datacolor spectrophotometer. It enables objective measurement on multicolor, structured, small-format and irregularly shaped materials such as plastic granules and digital communication of the measured color. With ColorReader EZ, Datacolor has introduced the third member of the successful, compact ColorReader product family, which already includes ColorReader and ColorReader Pro for professional users. This very small measuring instrument combines Datacolor's advanced color measurement technology in an exceptionally attractively priced and easy-to-use product for the consumer market. It is compatible with smartphones via Bluetooth with the ColorReader app. In addition, the ColorReader technology has been integrated into the workflows of several customers, including a leading North American manufacturer of premium coatings. The new products have met with strong demand and Datacolor expects them to make a significant contribution to sales in the medium term.

Strong balance sheet

As at September 30, 2020, Datacolor had a sound balance sheet with a substantial net cash (including financial assets) of USD 41.6 million (September 30, 2019: USD 44.2 million). Datacolor remains debt-free. Shareholders' equity was unchanged year-on-year at USD 45.3 million. The equity ratio increased sharply to 68.7% (September 30, 2019: 63.1%).

Datacolor AG

The holding company Datacolor AG posted a profit of CHF 1.1 million (2018/19: CHF 2.6 million) for fiscal 2019/20. Following the distribution of a dividend of CHF 2.5 million to shareholders in December 2019, Datacolor

AG had shareholders' equity of CHF 17.5 million as at September 30, 2020 (September 30, 2019: CHF 18.2 million).

Outlook

The Management is confident that Datacolor, with its lean and efficient organization, its strong cash position and sound equity base plus its successful product

portfolio, is well equipped to return to the growth path and achieve its ambitious profit targets. Datacolor has the financial power and the people to continuously expand its leading global position with its high-precision hardware and software products for measuring and communicating color tailored to customer needs, and its efficient and customer-focused sales, service and support organization.

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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 2019/20 is as at September 30th, 2020 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

Since 2009 Chairman of the Board, Entrepreneur Partners AG

1981–2009 CEO and Chairman, Eichhof Holding AG

Jvo Grundler, 1966, CH

Deputy Chairman, Board member since 2017

Dr. iur. University of St. Gallen

LL.M. University of Cambridge

Since 2020 Deputy Chairman, Villiger Söhne Holding AG

Since 2020 Board Member, Lifortis AG

Since 2019 Board Member, Serto Holding AG

Since 2017 General Counsel and Board Member, HIAG Immobilien Holding AG

Since 2017 Of Counsel, Prager Dreifuss AG

2002–2017 Ernst & Young Legal Services

Anne Keller Dubach, 1956, CH

Board member since 2012

Lic. phil. I, University of Zurich

SEP Stanford Graduate School of Business

Since 1997 Chairwoman of the Board of Trustees, Swiss Institute for Art Research SIK-ISEA

2014–2020 Head Art, Swiss Re

2007–2014 Head Corporate Citizenship, Swiss Re

Hans Peter Wehrli, 1952, CH

Board member since 2001

Prof. em. Dr. oec. publ. University of Zurich

Since 2017 emeritus Professor of Business Administration, University of Zurich

Since 2014 Board Member, Gebäudeversicherung Bern

Since 1991 Board Member, Hårdi Holding AG

2002–2020 Chairman of the Board, Swiss Prime Site AG

1997–2019 Chairman of the Board, Belimo Holding AG

Thomas Studhalter, 1969, CH

Board member since 2016

MS in Business Administration, Swiss Certified Accountant, HWV Lucerne

Since 2019 Board Member, Eisner Holding AG

Since 2019 Board Member, Bataillard AG

Since 2018 Board Member, Swiss Prime Site AG

Since 2014 Member of the Regional Management Central Switzerland, Partner, BDO AG

2007–2014 Head of the Central Switzerland region, Partner, KPMG AG

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, Member of Executive Committee, DKSH

2004–2014 CEO Asia, Deckel Maho Gildemeister



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

Datacolor Executive Committee

Albert Busch, 1967, NL/USA

CEO

BS & MS in Electrical Engineering, University of Ghent
MS in Industrial Management, Catholic University Leuven

Since 2008 with Datacolor

Since January 2009 CEO

1991–2008 Management roles, NV Bekaert SA

Philipp Hediger, 1975, CH

CFO

MS in Business Administration, University of Fribourg

Since 2018 with Datacolor

2016–2017 COO/CFO and Member of Executive Management Team, Sequel

2010–2016 CFO, Sequel

2007–2009 Director Financial Reporting, Kofax Group

Nimi Srivastava Meschke, 1974, USA

Vice President Human Resources

*until December 2019

BS in Management, Rutgers University

MS in Human Resources Management, Rutgers University

2015–2019 Vice President Human Resources, Datacolor

2011–2015 Director Human Resources, Johnson & Johnson

2009–2011 HR Generalist, Mc Master-Carr Supply Company

2006–2009 Senior Manager HR, The Campbell Soup

Brian Levey, 1957, USA

Vice President Consumer Solutions

BS in Chemistry, University of Connecticut

Since 1996 with Datacolor

1984–1996 Management roles, Beckmann Instruments

Tae Park, 1963, USA

Vice President R&D and Operations

BS in Electrical Engineering/Biomedical Engineering, University of Pennsylvania

Since 2010 with Datacolor

2007–2010 VP of Engineering-Operations, Power Medical Interventions

2006–2007 Program / IP Manager, Kovio

Patrice Jaunasse, 1964, FR

Vice President Sales and Support

MS in Engineering, Electronics, Telecom and Computer, ESEO

Since 2012 with Datacolor

2002–2011 General Manager and Sales Director EMEA,

Tektronix

1998–2002 President and Sales Director, Nettest Telecom Instrumentation

Diane Geisler, 1973, USA

Vice President Marketing

*until March 2020

MBA, Washington University St. Louis

BS in Chemical Engineering, Washington University St. Louis

2016–2020 Vice President Marketing, Datacolor

2012–2016 Global Director Product and Market Management, Datacolor

2008–2012 Director Marketing and Business Development, Schneller LLC



Philipp Hediger, Albert Busch, Brian Levey, Patrice Jaunasse, Tae Park

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 HR and 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 HR and 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 HR and Compensation Committee, this member shall withdraw from the proceedings.

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

HR and 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 whole day.

In 2019/20, the following number of meetings was held:

– Board of Directors	4
– Finance and Audit Committee	8
– HR and Compensation Committee	5

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 one time a year in accordance with Swiss law and Swiss auditing standards. External auditor meets with the Finance and Audit Committee minimum one time a year to discuss specifically relevant topics.
- 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. Internal Audit is carried out at least once a year throughout the Datacolor Group, however, it is conducted on a topic-

specific and unit-by-unit basis. Further information can be found in note 15 on pages 31–32.

Permitted activities

The number of activities permitted for members of the Board of Directors and Executive Committee is governed by Art. 24 of Datacolor's Articles of Association. The Articles of Association can be obtained online on the following website:

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

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 amounts to a maximum of CHF 16 804, which corresponds to 10% of the actual share capital.

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 or options.

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 protec-

tion 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. Information on changes in ownership and voting rights can be found on the website of the Disclosure Office: https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#. There were no disclosures made during the reporting period.

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 231 for the reporting year 2019/20.

Additional fees

In addition to the audit fee, KPMG provided other services for TUSD 54 relating mainly to tax and customs 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 risks and controls of the Datacolor, 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' proposals. 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. During the reporting period, three meetings of the auditors were held with the Board of Directors.

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 9, 2020
Semi-Annual report	May 7, 2021
Key Figures	October 27, 2021
Annual Report	November 17, 2021
Shareholder's meeting	December 7, 2021

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 2019/20, 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 HR and 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 HR 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 is 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 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, 2019. The resulting adjustments were applied initially in financial year 2019/20. 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 HR and 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 (or-

ganic sales growth, operating EBIT, return on operating assets). 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 mandatory 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 HR and Compensation Committee. The Board of Directors approves compensation and equity participation plans. In fiscal year 2019/20, no external consultants were utilized.

The HR and Compensation Committee consists of two members of the Board of Directors: Dr. Jvo Grundler (Chairman) and Hanno Elbraechter (Member).

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 HR and 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 HR

and Compensation Committee is responsible for reviewing and, if necessary, revising the compensation system. Board of Director approval is required for all HR and 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 HR and 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 Remuneration Committee consists of at least two members. Only the members of the Board of Directors may be elected.

The HR and Compensation Committee meets as often as business requires, a minimum of four times a year. In the year under review, the members of the HR and Compensation Committee met on November 5th, 2019 for one hour, on December 5th, 2019 for one hour, on May 12th, 2020, June 17th, 2020 and on September 1st, 2020 for one to two hours. 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 696 (previous year: TCHF 897). In the year under review, the Board's variable compensation amounted to 0% (previous year: 13%) 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 cash	Remuneration variable cash	Pension costs	Total
Compensation for Board of Directors 2019/20				
Werner Dubach, Chairman	500	0	-	500
Dr. Jvo Grundler, Deputy Chairman	56	0	-	56
Anne Keller Dubach, Member	35	0	-	35
Prof. em. Dr. Hans Peter Wehrli, Member	35	0	-	35
Thomas Studhalter, Member	35	0	-	35
Hanno Elbraechter, Member	35	0	-	35
Total	696	0	-	696

in TCHF	Remuneration fix cash	Remuneration variable cash	Pension costs	Total
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. em. 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 (from 5.12.2018)	37	13	-	50
Total	791	106	-	897

4.2 Executive Committee

In the reporting period, the variable compensation of the

Executive Committee members was 0% of the fixed base salary (previous year between 38% and 176%).

in TCHF	Remuneration fix	Remuneration variable		Pension costs	Total
	cash based	cash based	share based		
Compensation for fiscal 2019/20					
To seven members of the Executive Committee	1 275	-	-	105	1 380
Thereof highest compensation: Albert Busch	324	-	-	21	345

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

5. Proposals to the Annual General Meeting 2020

According to Art. 21 of bylaws the shareholders will vote on the remuneration of the Board of Directors and Executive Committee separately at the General Meeting 2020 on December 9th, 2020.

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 2020 to the Annual General Meeting 2021: 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 2020 to the Annual General Meeting 2021 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 2020/21: 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 2020/21 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 2020 to the Annual General Meeting 2021: 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 2020 to the Annual General Meeting 2021 of TCHF 1 500 (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 2020/21: 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 2020/21 of TCHF 1 800 (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 2019/20 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, 2020 (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.

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 142 797 (previous year: 141 357).

The Board of Directors determines, within the limitation of the amounts approved by the shareholders meeting and with the involvement of the HR and 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.

	2020 Number of shares	2019 Number of shares
Board of Directors and Executive Committee		
Werner Dubach, Chairman	107 611	106 711
Dr. Jvo Grundler, Deputy Chairman	262	162
Anne Keller Dubach, Member	33 101	32 861
Prof. em. Dr. Hans Peter Wehrli, Member	1 573	1 473
Hanno Elbraechter, Member	100	-
Thomas Studhalter, Member	150	150
Executive Committee	-	-
Total	142 797	141 357



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, 2020. 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, 2020 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 Mascarucci
Licensed Audit Expert

Lucerne, November 10, 2020

CONSOLIDATED INCOME STATEMENT

in TUSD		2019/20		2018/19	
Net sales	3	61 036	100.0%	78 768	100.0%
Cost of goods sold		-23 305	-38.2%	-26 998	-34.3%
Gross profit		37 731	61.8%	51 770	65.7%
Sales and marketing expenses		-19 861	-32.6%	-25 635	-32.5%
Administrative expenses		-11 746	-19.2%	-12 676	-16.1%
Research and development expenses		-5 888	-9.6%	-7 826	-9.9%
Other operating income/expenses		15	0.0%	-36	0.0%
EBIT ¹⁾		251	0.4%	5 597	7.1%
Financial result	6	-920	-1.5%	-1 209	-1.5%
Loss/profit before income taxes		-669	-1.1%	4 388	5.6%
Income taxes	7	26	0.0%	-809	-1.0%
Loss/profit for the year		-643	-1.1%	3 579	4.5%
		USD		USD	
Earnings per share	4				
non-diluted		-3.88		21.84	
diluted		-3.88		21.84	
		CHF		CHF	
Earnings per share ²⁾					
non-diluted		-3.75		21.70	
diluted		-3.75		21.70	

¹⁾ Interest includes other financial items that are reported in the financial result.

²⁾ 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

		30.09.2020		30.09.2019	
Assets					
Cash	8	13 493	20.5%	21 005	29.2%
Current financial assets	9	28 119	42.6%	23 159	32.1%
Trade receivables	10	5 768	8.8%	8 889	12.4%
Other receivables	11	1 218	1.8%	1 562	2.2%
Inventories	12	6 716	10.2%	6 263	8.7%
Current tax assets		70	0.1%	190	0.3%
Prepaid expenses		167	0.3%	129	0.2%
Current assets		55 551	84.3%	61 197	85.1%
Property, plant and equipment	13	7 952	12.1%	8 926	12.4%
Intangible assets	14	1 386	2.1%	842	1.2%
Deferred tax assets	7	990	1.5%	908	1.3%
Non-current assets		10 328	15.7%	10 676	14.9%
Assets		65 879	100.0%	71 873	100.0%
Liabilities and shareholders' equity					
Trade payables		2 960	4.5%	3 893	5.4%
Current tax liabilities		457	0.7%	1 264	1.8%
Other current liabilities	17	2 922	4.4%	3 136	4.4%
Accrued liabilities	18	12 031	18.3%	16 094	22.4%
Short term provisions	19	180	0.3%	243	0.3%
Current liabilities		18 550	28.2%	24 630	34.3%
Other non-current liabilities	17	1 133	1.7%	1 213	1.7%
Long term provisions	19	623	0.9%	385	0.5%
Deferred tax liabilities		305	0.5%	300	0.4%
Non-current liabilities		2 061	3.1%	1 898	2.6%
Liabilities		20 611	31.3%	26 528	36.9%
Share capital		153	0.2%	153	0.2%
Treasury shares		-2 037	-3.1%	-2 863	-4.0%
Capital reserves		-4 433	-6.7%	-4 379	-6.1%
Retained earnings		51 585	78.3%	52 434	73.0%
Shareholders' equity		45 268	68.7%	45 345	63.1%
Liabilities and shareholders' equity		65 879	100.0%	71 873	100.0%

CONSOLIDATED CASH FLOW STATEMENT

in TUSD

		2019/20	2018/19
Loss/profit before income taxes		-669	4 388
Depreciation of property, plant and equipment	13	1 535	1 862
Amortization of intangible assets	14	63	88
Result from the disposal of non-current assets	13	-7	27
Changes in provisions	19	174	-171
Other non-cash positions ¹⁾		1 196	479
(Income) or loss from securities	6	-237	716
Interest income	6	-38	-47
Income taxes paid		-735	-1 555
Cash flow before changes in working capital		1 282	5 787
Changes in trade receivables	10	3 225	1 317
Changes in other receivables and prepaid expenses		327	-101
Changes in inventories	12	-397	-132
Changes in trade payables		-985	463
Changes in other and accrued liabilities	17/18	-4 761	1 078
Cash flow from operating activities		-1 309	8 412
Investments in property, plant and equipment	13	-588	-1 069
Divestments of property, plant and equipment	13	74	78
Investments in intangible assets	14	-603	-475
Investments in financial assets	9	-15 624	-20 745
Divestments of financial assets	9	10 827	18 770
Interest and dividends received		933	857
Cash flow from investing activities		-4 981	-2 584
Purchase/sale of treasury shares		611	-448
Exercise of stock options		0	775
Dividends paid		-2 569	-2 473
Cash flow from financing activities		-1 958	-2 146
(Decrease)/Increase in cash		-8 248	3 682
Cash at beginning of the year		21 005	17 647
Translation differences on cash		736	-324
Cash at end of the year	8	13 493	21 005

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 01.10.2018	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				919
Sale of treasury shares to BOD ⁷⁾		943	159				1 102
Purchase of treasury shares ⁸⁾		-1 351					-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
Balance as of 01.10.2019	153	-2 863	-4 379	54 075	-1 641	52 434	45 345
Dividends paid ⁵⁾				-2 569		-2 569	-2 569
Sale of treasury shares to BOD ⁷⁾		1 053	-54				999
Purchase of treasury shares ⁸⁾		-227					-227
Translation differences					2 363	2 363	2 363
Loss for the year				-643		-643	-643
Balance as of 30.09.2020	153	-2 037	-4 433	50 863	722	51 585	45 268

¹⁾ The share capital as of September 30, 2020 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 2 917 treasury shares (previous year: 3 983). 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, as well the result from sale of own shares.

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 2018/19 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 to acquire from their own funds 1 440 Datacolor AG registered shares (previous year: 1 452 shares). The difference between the purchase price (CHF 563) and the historical average purchase value as per transaction date (CHF 706) has been booked to capital reserves (Total loss TUSD 214). The discount granted, as such the difference between market price (CHF 670) and purchase price (CHF 563), as per FER 31/3 is assessed as share based compensation, and as such accounted for in personnel expenses against capital reserve expensed (TUSD 160).

⁸⁾ In the period ended September 30, 2020 Datacolor purchased 374 (previous year: 1 708) registered shares at an average share price of CHF 588 (previous year: 795) for a total amount of TUSD 227 (previous year: TUSD 1 351).

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 February 4, 2020 Datacolor Holding AG in Switzerland 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 and cash flow 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 3 000 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

The option premium for the option plan expired in the previous year it 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 issuance. After the three year vesting period, the options

could have been exercised within seven years. Settlement of Datacolor shares occurred when exercised. The options were not linked to other conditions.

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 termination 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 include cash, bank accounts, demand deposits. 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. Valuation allowances on inventories are made specifically on the basis of necessary business justifications and at a flat rate based on the turnover of the warehouse.

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 lifetime 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 breakdown 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	2019/20	in % of Totals	2018/19	in % of Totals
Net sales to third parties	61 036	100.0%	78 768	100.0%
Europe	21 216	34.7%	26 983	34.3%
Americas	16 467	27.0%	23 237	29.5%
Asia/Pacific	23 353	38.3%	28 548	36.2%
in TUSD	30.09.2020	in % of Totals	30.09.2019	in % of Totals
Assets	65 879	100.0%	71 873	100.0%
Europe	38 440	58.3%	44 223	61.6%
Americas	10 795	16.4%	11 954	16.6%
Asia/Pacific	16 644	25.3%	15 696	21.8%
	2019/20	in % of Totals	2018/19	in % of Totals
Average number of employees	401	100.0%	426	100.0%
Europe	86	21.4%	85	20.0%
Americas	121	30.2%	143	33.5%
Asia/Pacific	194	48.4%	198	46.5%

4 Loss/Earnings per share (EPS)

in TUSD	2019/20	2018/19
Loss/profit for the year	-643	3 579
Average number of shares outstanding	165 589	163 861
Basic loss/earnings per share in USD	-3.88	21.84
Effect of dilution: Number of share	0	0
Adjusted average number of shares for diluted earnings per share	165 589	163 861
Diluted loss/earnings per share in USD	-3.88	21.84

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

Diluted loss/earnings per share include the effect of dilution, which would arise as a result of exercising stock options. There are no unexercised stock options open.

5 Personnel expenses

in TUSD		2019/20	2018/19
Salaries		22 298	28 919
Social security costs		4 632	5 160
Pension costs	20	802	743
Other personnel expenses		2 427	1 577
Personnel expenses		30 159	36 399

6 Financial result

in TUSD		2019/20	2018/19
Interest income		38	47
Earnings from securities		237	-716
Foreign exchange gains		2 644	688
Foreign exchange losses		-3 839	-1 228
Financial result		-920	-1 209

The net foreign exchange loss of TUSD 1 195 results mainly from translation losses on marketable securities.

7 Income taxes

in TUSD		2019/20	2018/19
Current income taxes		-61	-605
Deferred income taxes		87	-204
Income taxes		26	-809

Deferred tax assets amounting to TUSD 990 (previous year: TUSD 908) 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: 20%).

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

in TUSD	2019/20	%
Taxes before the tax effect from the use of unrecognized loss carry forwards	-643	96%
Tax effect from unrecognized losses	554	-83%
Tax effect from the use of unrecognized loss carry forwards	115	-17%
Taxes after the tax effect from the use of unrecognized loss carry forwards	26	-4%

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%

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 13.9 million (previous year: USD 12.1 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 3.1 million (previous year: USD 3.5 million).

8 Cash

in TUSD	30.09.2020	30.09.2019
Cash on hand, postal accounts	0	30
Cash at bank	13 493	20 975
Cash	13 493	21 005

Bank accounts and postal accounts generate interest at market rates.

9 Financial assets

in TUSD	30.09.2020	30.09.2019
Securities held for trading	28 119	23 159
Current financial assets	28 119	23 159

In the reporting period the net amount of TUSD 4 797 has been invested in marketable short-term financial assets. In previous year the net amount of TUSD 1 975 has 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	30.09.2020		30.09.2019	
Trade receivables, gross	6 593	100%	9 845	100%
Allowance for doubtful debts	-825	-13%	-956	-10%
Trade receivables, net	5 768	87%	8 889	90%

11 Other receivables

in TUSD	30.09.2020		30.09.2019	
Other receivables from				
– Third parties	455	37%	488	31%
– Government	315	26%	286	18%
– Pension funds	37	3%	27	2%
– Related parties	60	5%	49	3%
Prepayments to third parties	351	29%	712	46%
Other receivables	1 218	100%	1 562	100%

12 Inventories

in TUSD	30.09.2020		30.09.2019	
Semi-finished and finished goods	6 652	62%	5 287	61%
Trading goods	4 133	38%	3 387	39%
Gross inventories	10 785	100%	8 674	100%
Allowances	-4 069	-38%	-2 411	-28%
Net inventories	6 716	62%	6 263	72%

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 01.10.2018	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
Additions	114	474	588
Disposals	0	-400	-400
Translation differences	15	180	195
Balance as of 30.09.2020	13 863	9 959	23 822
Accumulated depreciation			
Balance as of 01.10.2018	7 144	6 928	14 072
Additions	556	1 306	1 862
Disposals	0	-1 293	-1 293
Translation differences	-10	-118	-128
Balance as of 30.09.2019	7 690	6 823	14 513
Additions	395	1 140	1 535
Disposals	0	-333	-333
Translation differences	15	140	155
Balance as of 30.09.2020	8 100	7 770	15 870
Net carrying amount			
Balance as of 30.09.2019	6 044	2 882	8 926
Balance as of 30.09.2020	5 763	2 189	7 952

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

The profit on the disposal of property, plant and equipment in the reporting period amounted to TUSD 7 (previous year: loss of TUSD 27).

14 Intangible assets

in TUSD	Capitalized development costs and other intangible assets	Trademarks, licenses, patents	Total
Acquisition or production costs			
Balance as of 01.10.2018	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
Additions	570	33	603
Disposals	0	0	0
Translation differences	376	0	376
Balance as of 30.09.2020	10 260	278	10 538
Accumulated amortization			
Balance as of 01.10.2018	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
Additions	63	0	63
Disposals	0	0	0
Translation differences	372	0	372
Balance as of 30.09.2020	9 073	79	9 152
Net carrying amount			
Balance as of 30.09.2019	676	166	842
Balance as of 30.09.2020	1 187	199	1 386

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 5 888 (previous year: TUSD 7 826) no expenses were capitalized, with the exception of the items listed below, because not all criteria for a capitalization were met (refer to note Accounting principles).

In the reporting period capitalized development costs and other intangible assets in the amount of TUSD 570 (previous year: TUSD 451) 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.

In the area of credit risks, risk management is generally based on appropriate ongoing monitoring of day-to-day business and a corresponding risk assessment when a transaction is concluded.

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 in local currency 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	
		30.09.2020	30.09.2019	2019/20	2018/19
CHF	1	1.09	1.01	1.03	1.01
EUR	1	1.17	1.09	1.11	1.13
GBP	1	1.29	1.23	1.27	1.28
CNY	1	0.15	0.14	0.14	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, 2020 do not include any financial liabilities that are subject to an interest rate change risk.

16 Financial liabilities

in TUSD	30.09.2020	30.09.2019
Credit lines available (CHF 14.75 million)	16 011	6 784
Unused credit lines (CHF 14.75 million)	16 011	6 784

Available and unused credit lines for Datacolor Group CHF 14.75 million (previous year: CHF 6.75 million).

17 Other liabilities

in TUSD	30.09.2020	30.09.2019
Other current liabilities against		
– Government	337	692
– Third parties	296	273
– Management	246	291
Prepayments from third parties	2 043	1 880
Other current liabilities	2 922	3 136
Other non-current liabilities	1 133	1 213
Other liabilities	4 055	4 349

The liability from the management participation plan (share plan) amounts to TUSD 718 (previous year: TUSD 688), from which the short term portion TUSD 246 (previous year: TUSD 291) is shown as other current liabilities and the long term portion TUSD 472 (previous year: TUSD 397) as other non-current liabilities.

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

18 Accrued liabilities

in TUSD	30.09.2020	30.09.2019
Deferred revenue for service contracts and shipments	7 510	7 781
Employee related accruals	1 909	5 702
Year-end closing (audit, tax consulting, bookkeeping)	524	406
Other accrued expenses	2 088	2 205
Accrued liabilities	12 031	16 094

19 Provisions

in TUSD	Warranty	Other	Total
Balance as of 01.10.2018	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

Balance as of 01.10.2019	351	277	628
Additions	471	24	495
Used	-351	0	-351
Translation differences	9	22	31
Balance as of 30.09.2020	480	323	803

Disclosed in the consolidated balance sheet as:

Short term provision	180	0	180
Long term provision	300	323	623

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 to customers, the probability of warranty cases and associated internal and external warranty costs.

20 Employee benefits

Economic benefit / economic liability and pension expenses

	Surplus/deficit according to pen- sion 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		
in TUSD	30.09.2020	30.09.2020	30.09.2019	2019/20	2019/20	2018/19	
Pension plans without own assets (abroad)	0	-132	-126	6	697	703	638
Pension plans with surplus/ deficit (Switzerland)	0	0	0	0	99	99	105
Total	0	-132	-126	6	796	802	743

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 109.9% as of September 30, 2020, at 115.3% as of December 31, 2019 and 113.1% as of September 30, 2019. 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 132 (previous year: TUSD 126) 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 2019, 1 067 registered shares were allocated to the members of the Executive Committee. In the financial year 2019/20 two members of the Executive Committee left the company, who received 125 shares. The 942 registered shares and the prior years allocation (1 016 shares) result in a total of 1 958 registered shares allocated. The book value of the 1 958 shares as per September 30, 2020 was determined by using the average price for Datacolor shares over the past 12 months (October 1, 2019 to September 30, 2020) and the corresponding yearly expense for the vesting period was booked as personnel expense. The corresponding personnel expenses for the financial year 2019/20 amounts to TUSD 402 (previous year: TUSD 327) The total liability amounts to TUSD 718 (previous year: TUSD 688), from which the short term portion TUSD 246 is shown as other current liabilities and the long term portion TUSD 472 is shown as other non-current liabilities.

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

Conditional share capital of CHF 16 804 for 16 804 registered shares with a nominal value of CHF 1 each is available for the exercise of option rights (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.

All outstanding stock options were exercised during the financial year 2018/19 and the resulting financial loss was booked against capital reserve (refer to consolidated statement of changes in equity.) No options were issued in financial year 2019/20 and no options were outstanding.

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.

22 Related parties and companies

Material transactions with related parties were:

	Transactions		Liabilities as per	
	2019/20	2018/19	30.09.2020	30.09.2019
in TUSD				
BDO AG, Lucerne Consulting services (Thomas Studhalter, Member of the Board of Directors, is Partner of BDO AG)	94	214	0	27
Sale of 1 440 (prior year: 1 452) registered shares to members of the Board of Directors (see also Consolidated statement of changes in equity on page 23)	999	1 102	0	0

For Remuneration to the Board of Directors and the Executive Committee please refer to the Remuneration Report of Datacolor AG page 14ff. The shareholdings are disclosed in Note 4.2 of the statutory report of Datacolor 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 117 (previous year: TUSD 107).

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

in TUSD	30.09.2020	30.09.2019
Due in reporting period + 1 year	138	85
Due in reporting period + 2 years	116	83
Due in reporting period + 3 years	116	62
Due in reporting period + 4 years	233	186
Total operating lease liabilities	603	416

24 Contingent liabilities

In the reporting year, a guarantee obligation in the amount of TUSD 20 in favour of third parties exists, valid until January 15, 2021.

There were no sureties, guarantee obligations or pledged assets in favour of third parties 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

In the financial year the securities held for trading were pledged as a collateral for a credit line. No assets were pledged to secure own liabilities in the previous period.

26 Acquisitions

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

27 Subsequent events

The consolidated financial statements were approved for publication by the Board of Directors on November 10, 2020. 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 7 per share paid for the financial year 2019/20. Refer to the proposed appropriation of available earnings in the report of Datacolor AG.

Between the balance sheet date and November 10, 2020 no further significant events occurred which might have an influence on the information presented in the 2019/20 annual financial statements or require disclosure in this note of the report.

28 Group entities

Company	Location	Currency	Share capital in 000	Ownership interest in %
Datacolor AG Europe ¹⁾	CH-Risch	CHF	2 000	100
Datacolor Holding AG ²⁾	CH-Risch	CHF	100	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	13	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 the only entity held directly by Datacolor AG.

²⁾ This company was established in the reporting period on February 4, 2020.



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, 2020 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, 2020, 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.



Revenue Recognition

Key Audit Matter

Total consolidated net sales of the financial year 2019/20 amounted to USD 61.0 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, 2020 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



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 10, 2020

FINANCIAL STATEMENTS OF DATACOLOR AG

BALANCE SHEET

in TCHF		30.09.2020		30.09.2019	
Assets					
Cash and cash equivalents	3.1	21		57	
Other current receivables					
– from third parties		10		0	
– from investments		3 732		4 692	
Prepaid expenses		2		12	
Current assets		3 765	18.3%	4 761	22.1%
Loans from investments	3.2	6 800		6 800	
Investments	3.2	10 000		10 000	
Non-current assets		16 800	81.7%	16 800	77.9%
Assets		20 565	100.0%	21 561	100.0%
Liabilities and shareholders' equity					
Other current liabilities					
– to third parties		104		147	
– to investments		2 454		2 577	
Accrued liabilities	3.3	473		688	
Current liabilities		3 031	14.7%	3 412	15.8%
Liabilities		3 031	14.7%	3 412	15.8%
Share capital		168		168	
Statutory capital reserves from tax capital contributions		19		19	
Statutory legal reserves		84		84	
Retained earnings		19 279		20 692	
Treasury shares	3.4	-2 016		-2 814	
Shareholders' equity		17 534	85.3%	18 149	84.2%
Liabilities and shareholders' equity		20 565	100.0%	21 561	100.0%

INCOME STATEMENT

in TCHF	2019/20	2018/19
Income from investments	1 500	3 000
Service income	592	1 225
Total operating income	2 092	4 225
Personal expenses	-462	-1 296
Administrative expenses	-404	-510
Total operating expenses	-866	-1 806
Operating profit	1 226	2 419
Financial income	51	259
Financial expenses	-208	-80
Profit before taxes	1 069	2 598
Direct taxes	0	-1
Profit for the year	1 069	2 597

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 1.10.2018	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
Balance as of 1.10.2019	168	19	84	20 692	-2 814	18 149
Dividends paid				-2 482		-2 482
Profit for the year				1 069		1 069
Changes in treasury shares					798	798
Balance as of 30.09.2020	168	19	84	19 279	-2 016	17 534

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 10, 2020 and will be submitted to the Annual General Meeting on December 9, 2020.

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 (32nd title of the Swiss code of obligations). 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 and cash equivalents

in TCHF	30.09.2020	30.09.2019
in CHF	12	49
in EUR	6	8
in USD	3	0
Total	21	57

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. All the outstanding stock options were exercised in the previous financial year.

3.4 Treasury shares

Datacolor AG holds a total of 2 917 (previous year: 3 983) treasury shares. These are carried at TCHF 2 016 (previous year: TCHF 2 814) and valued at cost. In total 1 958 treasury shares are reserved for the management participation plan for the Executive Committee of the Group. These are subject to a blocking period according to the management participation plan.

In financial year 2019/20 374 registered shares were purchased at an average price of CHF 588 and 1 440 registered shares were sold to the Board of Directors, with a book value of CHF 706.

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 plan was CHF 653.

in TCHF	2020			2019		
	Nominal	Book value	Number	Nominal	Book value	Number
Balance as of 01.10	4	2 814	3 983	6	3 792	5 866
Shares purchased/sold	0	219	374	2	1 358	1 708*
Shares allotted	0	0	0	-2	-1 397	-2 139
Shares sold to Board of Directors	-1	-1 017	-1 440	-1	-939	-1 452*
Balance as of 30.09	3	2 016	2 917	4	2 814	3 983

* In the financial report 2019 these two positions were disclosed on a net basis.

The share capital entitled to dividend payments amounts to CHF 167 085 as per September 30, 2020 (previous year: CHF 165 676).

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

	2020 Numbers of shares ¹⁾	2019 Numbers of shares ¹⁾
Board of Directors and Executive Committee		
Werner Dubach, President	107 611	106 711
Dr. Jvo Grundler, Deputy President	262	162
Anne Keller Dubach, Member	33 101	32 861
Prof. em. Dr. Hans Peter Wehrli, Member	1 573	1 473
Hanno Elbraechter, Member	100	-
Thomas Studhalter, Member	150	150
Executive Committee	-	-
Total	142 797	141 357

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:

	30.09.2020	30.09.2019
Werner Dubach	64.04%	63.50%
Anne Keller Dubach	19.70%	19.55%

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.

4.6 Solidarity guarantee

Datacolor AG as sole guarantor is jointly and severally liable for Datacolor AG Europe up to a maximum amount of CHF 3 575 000 for all claims in connection with UBS business relationships.

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 30.09.2020	TCHF	19 279
Treasury shares as per 30.09.2020	TCHF	-2 016
Retained earnings available for distribution by the general assembly	TCHF	17 263

The Board of Directors proposes that the retained earnings of TCHF 17 263 of Datacolor AG are distributed as follows:

Distribution of a dividend on dividend-entitled share capital	TCHF	1 170
Carry forward to new account	TCHF	18 109

The gross dividend of CHF 7 per dividend-entitled share corresponds to a total expected distribution of TCHF 1 170. If this earnings appropriation proposal is approved, the dividend will be paid free of expense net of 35% Swiss withholding tax on December 16, 2020. 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, 2020, and 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, 2020 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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 10, 2020

ADDRESSES

Headquarter Holding

Datacolor AG
Habsburgerstrasse 26
6003 Lucerne
Switzerland
Phone +41 44 488 40 19
www.datacolor.com

Datacolor

USA

Datacolor Inc.
5 Princess Road
08648 Lawrenceville NJ, USA
Phone +1 609 924 21 89
Fax +1 609 895 74 72
www.datacolor.com

Europe

Datacolor AG Europe
Grundstrasse 12
6343 Rotkreuz
Switzerland
Phone +41 44 835 38 99
www.datacolor.com

Asia

Datacolor Asia Pacific (HK) Limited
Unit E, 15 / F Billion Plaza 2
10 Cheung Yue Street
Cheung Sha Wan, Kowloon
Hong Kong
Phone +852 2 420 82 83
Fax +852 2 420 83 20
www.datacolor.com