

DATACOLOR AG

FINANCIAL REPORT 2017

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

DATACOLOR AG

FINANCIAL REPORT 2017

Financial year from October 1, 2016 through September 30, 2017

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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, 2017
Listing	SIX Swiss Exchange (Zurich)
Security ID	853 104
ISIN	CH0008531045
Reuters	DCN.S
Bloomberg	DCN
Investdata	DCN

Capital structure	30.09.2017	30.09.2016
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 %)	30.09.2017	30.09.2016
Werner Dubach*	61.68%	55.84%
Anne Keller Dubach*	19.07%	16.86%
Corisol Holding AG	0.00%	7.13%

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

Shareholders by category (in %)	30.09.2017	30.09.2016
Significant shareholders	80.75%	79.83%
Private investors	96.22%	83.77%
Corporate investors	3.78%	16.23%
Non-registered shareholders	1.59%	2.26%

Share distribution	30.09.2017	30.09.2016
Number of registered shares	Number of Shareholders	Number of Shareholders
1 – 100	517	550
101 – 1 000	25	18
1 001 – 10 000	6*	4
>10 000	2	4*
Total	550	576

*including treasury shares of Datacolor AG

Share price data in CHF	2016/17	2015/16
First trading day	559.50 (03.10.2016)	650.00 (02.10.2015)
Low	553.00 (18.10.2016)	510.00 (29.04.2016)
High	819.00 (16.08.2017)	705.00 (27.10.2015)
Last trading day	762.00 (18.09.2017)	550.00 (26.09.2016)
Average share price	704.45	570.95
Market capitalization in CHF million as of September 30	121.0	86.6

KEY FIGURES GROUP

in USD million	2016/17	2015/16
Net sales	72.8	69.3
Change relative to previous year in %	5.0%	3.8%
EBITDA	8.9	8.7
Change relative to previous year in %	2.0%	32.8%
as a % of net sales	12.2%	12.6%
EBIT	6.4	6.2
Change relative to previous year in %	2.7%	43.4%
as a % of net sales	8.8%	9.0%
Profit for the year	6.8	6.0
Change relative to previous year in %	13.0%	91.1%
as a % of net sales	9.4%	8.7%
as a % of average shareholders' equity	17.0%	16.5%
Cash flow from operating activities	8.5	10.9
Change relative to previous year in %	-22.0%	194.0%
as a % of net sales	11.7%	15.7%
Cash flow from investing activities	-2.9	-6.2
Change relative to previous year in %	-53.7%	838.1%
as a % of cash flow from operating activities	-33.6%	-56.7%
Free Cash Flow	5.6	4.7
Change relative to previous year in %	19.7%	54.7%
as a % of net sales	7.7%	6.8%
Average number of employees	382	364
Personnel expenses	32.0	30.3
Total assets	68.1	60.5
Shareholders' equity	42.2	37.9
as a % of assets	62.0%	62.7%
Net liquidity	38.2	32.6
Per share data¹⁾		
Average number of shares	158 716	157 383
Earnings per share in USD (non-diluted)	42.78	38.30
Free Cash Flow in USD	35.55	29.96
Shareholders' equity in USD	265.92	240.95
Dividend in CHF ²⁾	15.00	13.00
Share price data as of 30.09. in CHF	762.00	550.00
Yield in % ³⁾	2.0%	2.4%

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 7, 2017.

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



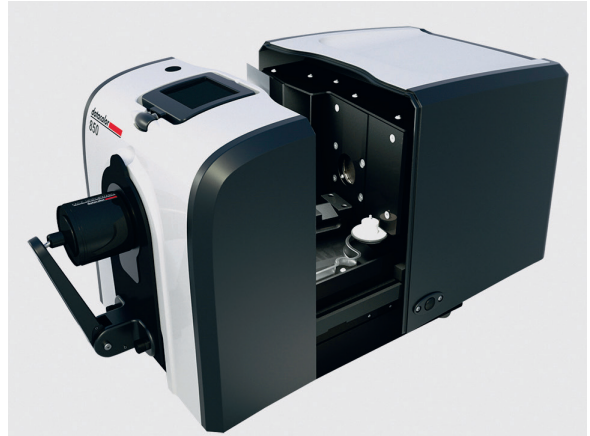
ColorReaderPro



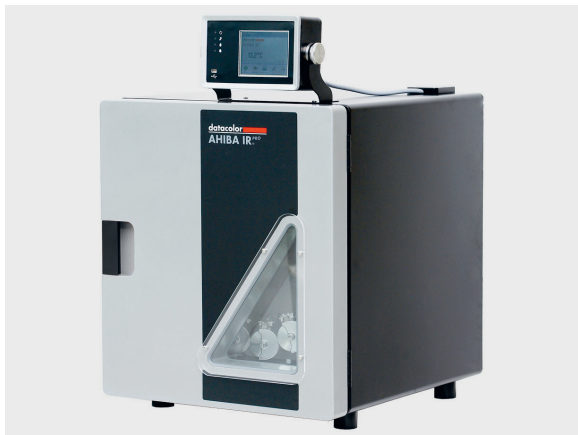
Datacolor 45G



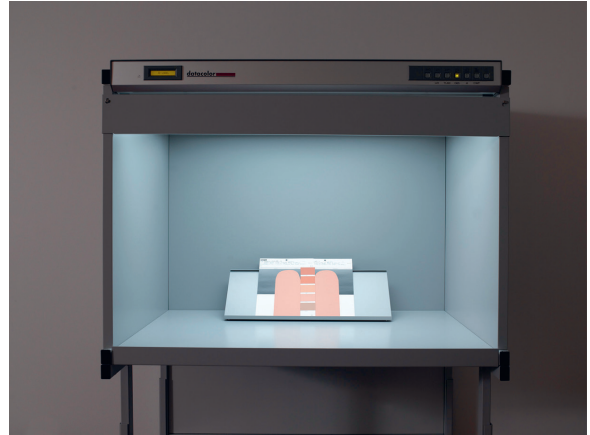
Datacolor 500



Datacolor 850



Ahiba IRPro



Datacolor Lightbooth



Spyder5 Products

REPORT OF THE BOARD OF DIRECTORS

The past few months showed a continuation of the positive economic momentum in recent years, despite a still highly volatile global currency system. Even game-changing political events were unable to dampen the encouraging economic trend seen in 2017. Interest rates remained extraordinarily low given the excess availability of money caused by the national banks continued loose monetary stance. In addition, the monetary regime of negative interest rates on substantial assets had a positive impact on investment and consumer behavior. Datacolor utilized these favorable conditions in fiscal 2016/17 to successfully continue its growth strategy.

Thanks to systematic investments in product and market development, Datacolor has a well-filled pipeline of technologically highly advanced customer-focused solutions. The Datacolor 800 family of high-precision color management systems for industrial customers in the textile market was among the products successfully introduced in fiscal 2016/17. In fiscal year 2017/18, Datacolor will launch the next generation of its Spyder product family, tailored to the needs of photographers and designers. It will satisfy professional requirements as well as support the high camera and display quality of modern premium smartphones, which are increasingly replacing the high-end DSLR cameras in this market segment.

The strong sales performance in the year under review allowed Datacolor to further increase its profitability in conjunction with strict cost management. In order to expand its leading position in the international market for color management solutions over the longer term, Datacolor will continue to make substantial investments in developing and marketing new products and strengthening customer relations.

Assuming that the global economy remains on a positive track, the Board of Directors believes that the Datacolor will increase again sales and earning in fiscal 2017/18. It proposes to the Annual General Meeting due to the gratifying Annual Financial Statement and good business prospects, the distribution of a dividend increased to CHF 15.00 (previous year: CHF 13.00) per share.



Werner Dubach
Präsident des Verwaltungsrats

DATACOLOR IN FISCAL 2016/17

Continued sales growth and investment in the future

In fiscal 2016/17, Datacolor grew net sales by 5% to USD 72.8 million (2015/16: USD 69.3 million), and 7% in local currency. Increased profitability, driven by sales growth and improved efficiencies again was invested in marketing and development to support future growth. EBITDA rose to USD 8,9 million (USD 8,7 million), EBIT increased to USD 6,4 million (USD 6,2 million) and net income to USD 6,8 million (USD 6,0 million). Gross profit margin was further increased at a high level to 67.1% (65.2%), EBITDA margin amounted to 12,2% (12,6%) and the EBIT margin was 8,8% (9,0%). During fiscal 2016/17 Datacolor expanded its net liquidity position (including financial assets) to USD 38,2 million (September 30, 2016: USD 32,6 million) and on September 30, 2017 has a solid equity ratio of 62.0% (September 30, 2016: 62.7%).

Changes in Executive Committee

To further strengthen the efficiency and collaboration, Marketing and Product Management were consolidated in the Marketing department. Diane Geisler was promoted to Vice President Marketing and member of the Executive Committee, effective October 1, 2016. Effective as of January 1, 2017 the Board of Directors appointed Annet van der Laan as new CFO. To provide increased focus to Datacolor's consumer market, Brian Levey, up to March 1, 2017 Vice President Business Development, was appointed to the newly-created function of Vice President Consumer Solutions. Business Development now reports to the CEO in a staff function.

Asia Pacific region leading growth

Datacolor is an international leader in user-friendly, digital color management solutions, with market-leading products and services and a customer-focused, internationally positioned sales and service organization. Over 38% (2015/16: 35%) of Group sales in fiscal 2016/17 were generated in the Asia Pacific region. It has thus further strengthened its position in this dynamic market. In Europe, too, sales increased by significant new orders, which resulted in an unchanged 35% (35%) share of Group sales. The North and South America region's share declined to 27% (30%), mainly due to weaker demand in an economically troubled South America and declining sales of Consumer products in the United States.

New solutions based on state-of-the-art technology

In April 2017, Datacolor launched ColorReaderPRO, an ultra-portable, Bluetooth® connected color measurement device that works standalone or connected to the ColorReaderPRO mobile app, available for iPhone® or

Android™ smartphones. ColorReaderPRO allows painters, designers and "do-it-yourselfers" to read color of any object and immediately return the corresponding paint color. In this new solution, Datacolor combines a multitude of new, state-of-the-art technologies in one innovative and powerful color measurement system.

In July 2017, Datacolor introduced the CONDITIONER MB2, a next generation conditioning cabinet. It enables color labs to realize the right sample condition in 5-10 minutes, with precise temperature, humidity control and conformance to industry standards to assure accurate color measurement. The compact unit is designed to fit into any factory, laboratory or office environment.

In September 2017, Datacolor released two new versions of its Datacolor 200 spectrophotometer family. The Datacolor® 200R is a compact desktop spectrophotometer with a modern design. It was developed with the retail paint store in mind, maximizing in-store productivity and ease of use. The Datacolor® 200M, in combination with Datacolor's color matching and quality control software, gives Textiles, Paint & Coatings, as well as Plastics manufacturers a cost-effective way to take full benefit of digital color control, leading to greater efficiencies in their production process and quick return on investment.

During Fiscal 2016/17 multiple software upgrades were made available for Datacolor's Paint, Match Textile, Match Pigment and Tools software, delivering over 80 new features to meet ever-changing customer needs.

Solid financial structure

As per September 30, 2017, cash and cash equivalents including financial assets amounted to USD 38.2 million (USD 32.6 million), corresponding to 56% (54%) of total assets of USD 68.1 million (USD 60.5 million). The yearly impairment assessment of the asset value of Datacolor's manufacturing site in China, located in the Export Zone of the Singapore Industrial Park in Suzhou, showed the need for an impairment of USD -0.5 million. The adjustment was required, due to the declining value of properties in the SIP Export Zone mainly because of reduced tax benefits and increased complexity of export to China regulations. On September 30, 2017, Datacolor had a consolidated net equity of USD 42.2 million (September 30, 2016: USD 37.9 million).

Expanding the organization to drive long-term growth

During fiscal 2016/17, Datacolor accelerated its recruitment in marketing, sales and R&D, investing in long-term growth. The average number of employees increased from 364 to 382 to keep pace with its growth strategy. The company also focused on improving its onboarding and training processes, while continuing to drive employee engagement.

Datacolor AG

In fiscal 2016/17, the parent company Datacolor AG (holding company for Datacolor investments) posted an increase in profit to CHF 3.3 million (2015/16: CHF 2.4 million), in part due to investment income of CHF 4.0 million in its statutory financial statements. After distribution of a dividend of CHF 2.1 million (representing 34% of the consolidated profit for 2015/16), as at September 30, 2017, the shareholders' equity of Datacolor AG amounted to CHF 17.0 million (CHF 15.4 million).

Outlook

In order to drive long-term growth, Datacolor continued to invest in the development and introduction of innovative instruments and software solutions as well as in the further expansion of its organization in fiscal year 2016/17. With its strong market presence, continued drive for innovation and solid financial structure, Datacolor is well placed to achieve its ambitious objectives for growth and profitability, in conjunction with selected acquisitions.

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

The 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 2016/17 is as at 30 September 2017 or for the year then ended.

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

Roles and duties of Datacolor AG

Datacolor AG, top holding company of the Datacolor Group, manages its business by means of objectives. It is involved in the planning process and monitors adherence to the budget. Once the three-year plan and the budget have been approved by the Board of Directors, 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 products and services worldwide to industrial as well as professional and hobby applications in the area of color measurement, color management, color communication 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 significant 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

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

Chairman of the Board, Entrepreneur Partners AG, Zurich
Member of the Board, Conzetta AG, Zurich

Anne Keller Dubach, 1956, CH

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

Since 2014 Head Art & Cultural Engagement, Swiss Re, Zurich
2007–2014 Head Corporate Citizenship, Swiss Re, Zurich
2000–2007 Head Corporate Sponsorship / Head Brand Communication, Swiss Re, Zurich
1995–2000 Project Lead Marketing Services / Head Cultural Sponsoring Credit Suisse

Swiss Institute for Art Research SIK-ISEA, Zurich, Chairman of the Board of Trustees

Hans Peter Wehrli, 1952, CH

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

Chairman of the Board, Belimo Holding AG, Hinwil
Chairman of the Board, Swiss Prime Site AG, Olten

Peter Beglinger, 1945, CH

Deputy Chairman, Board member since 1992
Dr. iur. University of Zurich

Until 2007 law office in Zurich, Counsel
1979–2006 own law office in Zurich
1976–1978 legal adviser to the executive management of Jacobs AG
1974–1976 law office Wenger & Vieli, Zurich
1974 admitted to the bar

Member of the Board, Würth Finance International B.V., NL

Fritz Gantert, 1958, CH

Board member since 2004
Dr. sc. techn., Dipl. Masch. Ing. ETH Zurich

Since 2012 Entrepreneur, Independent Board Member
2007–2012 General Manager Security Communication Division, Member of the Executive Board, Ascom Holding AG
2001–2006 Chairman of the Board and CEO of Schaffner Group
1998–2001 Sarna Kunststoff Holding AG
1988–1998 Ascom

Thomas Studhalter, 1969, CH

Board member since 2016
MS in Business Administration, Swiss Certified Accountant
Since 2014 Member of the Regional Management Central Switzerland, Partner, BDO AG
2007–2014 Head of the Central Switzerland region, Partner, KPMG AG, Lucerne-Zug
1998–2014 KPMG Audit, Lucerne

Vice-President of the Board, Ruderzentrum Luzern-Rotsee



Peter Beglinger, Hans Peter Wehrli, Anne Keller Dubach, Fritz Gantert, Werner Dubach, Thomas Studhalter

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 Committee as well as the Finance and Audit Committee as well as the Compensation Committee. Furthermore, the Steering Committee acts as a supervisory and control instrument.

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

Finance and Audit Committee: Werner Dubach, Albert Busch, Thomas Studhalter (since May 9, 2017) and Annet van der Laan (without voting right).

The Compensation Committee: Dr. Peter Beglinger and Dr. Fritz Gantert.

Principles of operation of the Board of Directors and its committees

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

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

In 2016/17, the following number of meetings was held:

– Board of Directors	5
– Finance and Audit Committee	13
– Compensation Committee	4

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 delegates 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: <http://dev.ir.datacolor.eu/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. At the four meetings of the Board of Directors during the year, the Executive Committee reports on significant business transactions and on the results of the group-wide management of financial and operating risks.

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

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

Datacolor Executive Committee

Albert Busch, 1967, NL/USA
CEO

BS/MS in Electrical Engineering
MS in Industrial Management

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

Annet van der Laan, 1972, NL
CFO

BSc Biochemistry for Industry, University of London, UK
Banking Diploma, American Institute of Banking, New York, USA

Since 2017 with Datacolor
2015–2016 JAO S.A., CFO and Member of the Board
2010–2014 Swissgrid AG, Head of the Corporate Finance Department
2002–2010 Head of Project focused on funding, financial planning and M&A

Nimi Srivastava Meschke, 1974, USA

Vice President Human Resources
BS in Management, MS in Human Resources Management

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

Brian Levey, 1957, USA

Vice President Consumer Solutions
BS in Chemistry

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

Tae Park, 1963, USA

Vice President R&D and Operations
BS in Electrical Engineering/Biomedical Engineering

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

Patrice Jaunasse, 1964, FR

Vice President Sales and Support
MS in Engineering, Electronics, Telecom and Computer

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

Diane Geisler, 1973, USA

Vice President Marketing
MS in Business Administration, Olin School of Business, Washington University, USA
BS in Chemical Engineering, Washington University, USA

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



Tae Park, Annet van der Laan, Patrice Jaunasse, Albert Busch, Nimi Meschke, Diane Geisler, Brian Levey

INFORMATION FOR INVESTOR

Share capital

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

Authorized capital

There is no authorized capital.

Conditional capital

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

Changes in capital

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

Participation certificates

There are no participation certificates.

Limitations on transferability and nominee registrations

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

Convertible bonds and options

Datacolor AG has no outstanding convertible bonds. Please refer to the Compensation report of Datacolor AG regarding 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 protection rights by law. These participation rights are further supplemented by the company Articles of Association. These ensure that, pursuant to the Code of Obligations, the Annual General Meeting of Shareholders is convened by placing a one-time announcement in the Swiss Official Gazette of Commerce (Schweizerisches Handelsamtsblatt) and by sending a written invitation to the registered shareholders. An item is added to the agenda of the Annual General Meeting of Shareholders if the corresponding request

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

Voting rights limitations

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

Entries in the share register

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

Cross-shareholdings

There are no cross-shareholdings.

Shareholdings in companies

There are no shareholdings in listed companies. Percentage shareholdings in unlisted companies are disclosed in note 28 to the consolidated financial statements.

Significant shareholders

Refer to Datacolor share information on page 2.

Duty to make an offer

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

Clauses on changes of control

There are no clauses on changes of control.

Auditors

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

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

Audit fee

KPMG received an audit fee of TUSD 224 for the reporting year 2016/17.

Additional fees

In addition to the audit fee, KPMG provided other services for TUSD 198 relating mainly to tax 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, focus points of the audits and the findings thereof, main points arising from management letters, reports on special audits and the reports of the auditor. The Board of Directors has appointed a Steering Committee to manage audits and monitor the implementation of the auditors' proposals. The Committee is made up of the Finance and Audit Committee and the auditor in charge of the mandate and meets regularly while audit work is being carried out.

Information policy

Publications

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

Key dates

Shareholder's meeting	December 7, 2017
Semi-annual report	May 4, 2018
Key Figures	October 23, 2018
Annual Report	November 13, 2018
Shareholder's meeting	December 5, 2018

COMPENSATION REPORT

The Compensation Report contains information on the remuneration of the Board of Directors and the Executive Committee. In terms of regulation against excessive compensation of publicly listed companies (so called "VegüV"), in force on January 1, 2014, all information on the remuneration of the members of the Board of Directors and Executive Committee is restated in the remuneration report. The information provided in this Compensation Report relates to the financial year 2016/17, unless otherwise noted. The remuneration report is prepared in accordance with the following regulatory provisions: VegüV, Directive on Information Relating to Corporate Governance by SIX Swiss Exchange, the „Swiss Code of Best Practice for Corporate Governance» of *economiesuisse*. According to VegüV, the General Assembly must vote on the remuneration. In addition, the statutes approved by the General Assembly on December 12, 2014 contain newly, among other principles of the tasks and responsibilities of the Compensation Committee, the performance-based remuneration and the allocation of equities, convertible and option rights to members of the Board of Directors and Executive Committee.

The complete statutory regulations regarding the approval of the remuneration of Directors and the Executive Committee by the General Meeting (Art. 21), the applicable additional amount for the remuneration of additional members of the Executive Committee, if approved total amount is not sufficient (Art. 22), the regulation of the principles of the remuneration (Art. 20), concerning the rules for loans and credits (Art. 23) and the Human Resources and Compensation Committee (Art. 27) can be found on our website at the following URL:

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

1. General principles

The economic 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 qualified employees, motivate and retain them. The performance orientated variable compensation and in particular the share-based component of the compensation aim to promote entrepreneurial thinking and action. The key principles are:

- The compensation is performance-based and market-driven.
- Employees participate in the economic success.
- The compensation determination is fair and transparent.
- Short- and long-term compensation components are in a balanced ratio.

2. Principles of the compensation system

The remuneration of the members of the Board of Directors and the members of the Executive Committee essentially consists of three components:

- Fixed basic compensation,
- Performance-related bonus in cash (short-term),
- Performance-related compensation in equity securities (non-current).

The Board has restructured the system of long-term incentive compensation for the Board and the Executive Committee in the reporting period.

In financial year 2015/16, the Board of Directors decided to restructure the system of long-term performance-related remuneration for the Board of Directors and the Executive Committee, as the existing option model was outdated. The long-term variable compensation to the Executive Committee is paid in Datacolor registered shares based on a management share plan. The Board of Directors has the right to choose variable compensation in cash or in Datacolor registered shares based on the same plan. In addition, the Board of Directors has the right to buy in the aforementioned share plan at a later date with the variable compensation in cash. The shares are subject to a three-year blocking period. Thus, the beneficiaries can only dispose the blocked shares after the vesting period has expired. The voting rights are transferred to the members of the Executive Committee after the end of the vesting period of three years. The dividends paid during the vesting period will be paid out to the entitled members of the Executive Committee after the vesting period has expired. Members of the Board of Directors have unlimited voting and dividend rights from the date of allotment of the shares.

At the end of the vesting period a cash settlement is foreseen, unless the share plan participant submits a written request to hold the shares no later than one month before the end of the vesting period. In the event of voluntary termination of employment, the Executive Committee member loses all outstanding blocked shares. In the case of involuntary termination, retirement by mutual agreement or in accordance with local regulations, death or disability, the vesting period for all shares ends. These shares will be sold to Datacolor AG one month after the termination of the employment relationship. If a director leaves the board, is not re-elected or is not standing for election, this has no impact on the vesting period.

The Board of Directors decides at its own discretion on the share-based remuneration component for the Board of Directors. The CEO will receive 50% of the total performance-related compensation in the form of Datacolor registered shares and the other members of the Executive Committee 40%. The amount of the performance-based remuneration of the Executive Committee and thus the number of shares to be issued to the respective beneficiary is based on the achievement of

the company's goals as described in detail below and the individual target achievement of the beneficiary for the current financial year.

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 the requirements of the Swiss Federal Tax Administration for the Taxation of Employee Stock Ownership (Circular No 37).

Members of the Board of Directors and Executive Committee were offered in fiscal 2015/16 the final opportunity to buy into the stock option plan with the stock option emission of October 1, 2015 (refer to the information in note 21 of the annex to the consolidated financial statements on the stock option plan). The relevant economic assumptions for determining the execution price, the number of granted options and general terms followed the principles applied for in previous emissions in conformity with the stock option plan regulations. The execution of the 1 899 options on Datacolor registered shares granted in fiscal 2015/16 has to be effected at the latest on October 1, 2025.

2.1 Compensation of the Board of Directors

The members of the Board of Directors (all are non-executive) are remunerated with a fixed cash compensation. This fixed basic compensation includes a quarterly Board remuneration, lump sum representation and other allowances and other payments based on individual agreements (namely the employment agreement of Werner Dubach with Datacolor Holding AG) and respective social security deductions. The amount of the fixed compensation is at the discretion of the Board of Directors, which must comply with the requirements of the relevant resolution of the General Meeting.

The variable compensation depends on the company's financial success, reflected in the organic growth of sales as well as the operating profit EBIT compared to budget. The weighing of these metrics is at the discretion of the Board of Directors. The Board of Directors' decisions on the compensation for the Board are not based on benchmarks.

In fiscal 2014/15 the Board suspended the variable long-term compensation based on stock options for Datacolor registered shares as the Board decided to assess alternative forms for a long-term performance oriented variable compensation.

As from fiscal year 2015/16, the Board of Directors for the first time introduced a restricted share-based plan as a long-term variable compensation component. The terms of this new plan are disclosed under 2. "Principles of the compensation system".

In financial year 2015/16, the Board of Directors was given for the last time the opportunity to buy into the stock option plan emission October 1, 2015 with a portion of the compensation that was set by the Board of Directors at its discretion. For further conditions of this stock option emission on Datacolor registered shares refer to note 21 Stock option plan in the notes to the consolidated financial statements.

2.2 Compensation of the Executive Committee

The compensation of the Executive Committee consists of a fixed base salary in cash, a variable performance-based bonus in cash, a long-term variable compensation based on an equity security component as well as contributions to pension funds and social insurances. In fiscal 2014/15 the Board suspended the variable long-term compensation based on stock options for Datacolor registered shares as the Board decided to assess alternative forms for a long-term performance oriented variable compensation. As from fiscal year 2015/16, the Board of Directors for the first time introduced a restricted share-based plan as a long-term variable compensation component. The terms of this new plan are disclosed under 2. "Principles of the compensation system".

In financial year 2015/16, the Executive Committee was given the final opportunity to buy into the stock option plan emission October 1, 2015 with a portion of the compensation that was set by the Board of Directors at its discretion. For further conditions of this stock option emission on Datacolor registered shares refer to note 21 Stock option plan in the notes to the consolidated financial statements.

The fixed base salary is mainly determined by the respective organizational function, the accountability level, the qualification and experience, as well as the employment market conditions. In determining the remuneration of the Executive Committee, the Compensation Committee is not based on benchmarks and salary comparisons.

The criteria for determining the total variable compensation (short- and long-term performance-related bonus/compensation) are defined in the respective regulations adopted by the Compensation Committee. These criteria are valid for several years and were last reviewed by the Compensation Committee in 2017 with deriving amendments being effective in fiscal 2016/17 for the first time.

Initially, the total bonus pool available for performance-related compensation payments is determined based on two financial value drivers, namely organic sales growth (without acquisitions or divestitures) compared to previous year figures and budget (60% weighting) as well as the operating profit EBIT compared to budget (40% weighting). The Board of Directors sets respective targets for the financial value drivers during the budgeting process for a period of one fiscal year. The pool for performance related bonus payments may reach a maximum of 200% of the budgeted target value of the variable compensation.

In case the actual realized EBIT 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 the payment of a variable performance-related bonus is subject to approval by the Compensation Committee. No minimum threshold is determined for the achievement of the organic sales growth component. If actual realized EBIT exceeds the budgeted EBIT target, 25% of the exceeding amount is allocated to the variable compensation pool.

From the pool of performance related bonuses, the Executive Committee members (and other employees eligible to 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. For the CEO, the performance-related bonus may be a maximum of 83% and for the other members of the Executive Committee a maximum of 73% to 83% 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 decisive for participation in the variable compensation pool and was therefore weighted at 100% when determining the performance-related bonus.

The variable compensation, consisting of a short-term and a long-term variable compensation component, is generally paid out in cash and equity instruments (Datacolor registered shares). Since fiscal 2015/16, 50% of the total variable remuneration is paid out in cash to the CEO. The short-term variable compensation amounts to 60% of the variable compensation for the other members of the Executive Board. The residual portion of the variable compensation, which is 50% for the CEO and 40% for the other Executive team members, is paid out with restricted Datacolor registered shares, which are subject to the conditions described at the outset. A vesting period of three years on the registered shares should reward the long-term success of the company.

The pension and social insurance expenses include employer contributions to social security as well as the 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 on 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 as this is principally not provided in the respective employment agreements of the Executive team members.

No employment agreement includes notice periods exceeding six months. The employment agreements with the Executive Committee members do not provide for termination pay.

Executive Committee members do not hold any permanent executive nor consulting function 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 system and the equity security participation plans are drawn up by Corporate Human Resources and submitted to examination by the CEO, the Compensation Committee for final approval by the Board of Directors. In fiscal year 2016/17, no external consultants were called in.

The Compensation Committee consists of two members of the Board of Directors: Dr. Peter Beglinger (Chairman) and Dr. Fritz Gantert (Member).

The Compensation Committee (i) proposes the terms of the employment and mandate contract and the annual fix and variable compensation for the Chairman of the Board for approval by the Board of Directors, (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 for approval by the Board of Directors, 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 for approval by the Board of Directors. For the determination of the performance-related variable compensation of the Executive Committee, the Compensation Commission does not draw on benchmarks.

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

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

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

The Directors hold at the meetings of the Board or the Compensation Committee, which are to decide on their individual remuneration, an attendance right, but no say.

4. Compensation for fiscal 2015/16 and 2016/17

In the year under review, the Board's variable compensation amounted to 23% (previous year: 114%) of the fixed compensation. The details of the compensation in the reporting period and previous year respectively are disclosed in the tables below.

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 540 (previous year: TCHF 652).

in TCHF	Remuneration fix		Remuneration variabel		Pension	Total
	cash based	cash based	share based	option based	costs	
Compensation for Board of Directors 2016/17						
Werner Dubach, Chairman	291	34	0	0	0	325
Dr. Peter Beglinger, Deputy Chairman	39	20	0	0	0	59
Anne Keller Dubach, member	22	13	0	0	0	35
Prof. Dr. Hans Peter Wehrli, member	22	13	0	0	0	35
Dr. Fritz Gantert, member	24	13	0	0	0	37
Thomas Studhalter, member	40	9	0	0	0	49
Total	438	102	0	0	0	540

in TCHF	Remuneration fix		Remuneration variabel		Pension costs	Total
	cash based	cash based	share based	option based		
Compensation for Board of Directors 2015/16						
Werner Dubach, Chairman	195	0	112	46	0	353
Dr. Peter Beglinger, Deputy Chairman	40	0	45	19	0	104
Anne Keller Dubach, member	22	0	30	12	0	64
Prof. Dr. Hans Peter Wehrli, member	22	0	30	12	0	64
Dr. Fritz Gantert, member	25	0	30	12	0	67
Total	304	0	247	101	0	652

4.2 Executive Committee

In the reporting period, the variable compensation of the Executive Committee members amounts 32% to 76% of

the fixed base salary (previous year between 27% and 78%).

in TCHF	Remuneration fix	Remuneration variabel		Pension	Total
	cash based	cash based	share based	option based	costs
Compensation for fiscal 2016/17					
To six members of the Executive Committee	1 552	425	326	0	102
Thereof highest compensation: Albert Busch	339	130	130	0	20

in TCHF	Remuneration fix		Remuneration variabel		Pension	Total
	cash based	cash based	share based	option based	costs	
Compensation for fiscal 2015/16						
To six members of the Executive Committee	1 297	405	195	54	97	2 048
Thereof highest compensation: Albert Busch	330	128	107	21	18	604

5. Proposals to the Annual General Meeting 2017

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 2017 on December 7, 2017.

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 2017 to the Annual General Meeting 2018: The Board of Directors proposes that the shareholders approve the

maximum total amount of the fixed remuneration of Board members for the period from the Annual General Meeting 2017 to the Annual General Meeting 2018 of TCHF 800 (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 2017/18: The Board proposes that the shareholders approve the maximum total amount of the variable remuneration of the Directors for the current financial year 2017/18 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 2017 to the Annual General Meeting 2018: 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 2017 to the Annual General Meeting 2018 of TCHF 1800 (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 2017/18: The Board proposes that the shareholders approve the maximum total amount of the variable remuneration of the members of the Executive Committee for the fiscal year 2017/18 of TCHF 1900 (exclusive statutory employer contributions such as AHV/IV/ALV), approve.

According to article 22 of the bylaws of Datacolor, for members of the Executive Committee, who are appointed after approval of the annual total compensation, an additional amount within the meaning of Art. 19 VegüV 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 enough.

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

A compensation of TCHF 112 was made in fiscal 2016/17 to former members of the Executive Committee (previous year: TCHF 0).

7. Loans and credits

No loans or credits to the Executive Committee are outstanding as at September 30, 2017 (previous year: TCHF 54). 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 138 024 (previous year: 125 607).

The Board of Directors determines, with the limitations of the amounts approved by the shareholders meeting and with the involvement of the Human Resources 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 or payables to related parties were outstanding at the end of the reporting period and previous year with the exception of the independent pension fund.

	2017 Numbers of shares ¹⁾	2016 Numbers of shares ¹⁾	2017 Numbers of options	2016 Numbers of options
Board of Directors and Executive Committee				
Werner Dubach, Chairman	103 642	93 832	1 269	2 169
Dr. Peter Beglinger, Deputy Chairman	208	1 660	508	868
Anne Keller Dubach, member	32 043	28 340	338	578
Prof. Dr. Hans Peter Wehrli, member	1 053	850	338	578
Dr. Fritz Gantert, member	1 078	925	338	578
Thomas Studhalter, member	0	0	0	0
Executive Committee	0	0	3 788	7 088
Total	138 024	125 607	6 579	11 859

¹⁾ According to the management participation plan, a portion of the shares is blocked (refer to 2.1 compensation of the Board of Directors).



Report of the Statutory Auditor to the General Meeting of Datacolor AG, Lucerne

We have audited the accompanying remuneration report dated November 7, 2017 of Datacolor AG for the year ended September 30, 2017. 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 17 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, 2017 of Datacolor AG complies with Swiss law and articles 14–18 of the Ordinance.

KPMG AG

Toni Wattenhofer
Licensed Audit Expert
Auditor in Charge

Sandro Masciarucci
Licensed Audit Expert

Lucerne, November 13, 2017

CONSOLIDATED INCOME STATEMENT

in TUSD		2016/17		2015/16	
Net sales	3	72 805	100.0%	69 344	100.0%
Cost of goods sold		-23 982	-32.9%	-24 143	-34.8%
Gross profit		48 823	67.1%	45 201	65.2%
Sales and marketing expenses		-22 617	-31.1%	-22 106	-31.9%
Administrative expenses		-12 026	-16.5%	-10 277	-14.8%
Research and development expenses		-7 797	-10.7%	-6 497	-9.4%
Other operating income / expenses		35	0.0%	-72	-0.1%
EBIT¹⁾		6 418	8.8%	6 249	9.0%
Financial result	6	2 626	3.6%	1 334	1.9%
Profit before income taxes		9 044	12.4%	7 583	10.9%
Income taxes	7	-2 232	-3.0%	-1 555	-2.2%
Profit for the year		6 812	9.4%	6 028	8.7%
		USD		USD	
Earnings per share	4				
non-diluted		42.78		38.30	
diluted		41.82		37.01	
		CHF		CHF	
Earnings per share²⁾					
non-diluted		42.28		37.62	
diluted		41.33		36.36	

¹⁾ Interest include other financial items disclosed in the financial results.

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

in TUSD		30.09.2017		30.09.2016	
Assets					
Cash and cash equivalents	8	19 436	28.6%	16 570	27.4%
Current financial assets	9	18 755	27.5%	16 063	26.6%
Trade receivables	10	10 835	15.9%	8 808	14.6%
Other receivables	11	1 425	2.1%	1 959	3.2%
Inventories	12	5 282	7.8%	4 440	7.3%
Current tax assets		146	0.2%	156	0.3%
Prepaid expenses		138	0.2%	126	0.2%
Current assets		56 017	82.3%	48 122	79.6%
Property, plant and equipment	13	10 384	15.2%	10 183	16.8%
Intangible assets	14	579	0.9%	1 169	1.9%
Deferred tax assets	7	1 109	1.6%	1 006	1.7%
Non-current assets		12 072	17.7%	12 358	20.4%
Assets		68 089	100.0%	60 480	100.0%
Liabilities and shareholders' equity					
Financial liabilities	16	0	0.0%	0	0.0%
Trade payables		3 565	5.3%	2 193	3.6%
Current tax liabilities		1 801	2.6%	1 241	2.1%
Other liabilities	17	2 455	3.6%	2 609	4.3%
Accrued liabilities	18	15 782	23.2%	14 423	23.8%
Short term provisions	19	439	0.6%	524	0.9%
Current liabilities		24 042	35.3%	20 990	34.7%
Other liabilities	17	1 108	1.6%	892	1.5%
Long term provisions	19	318	0.5%	313	0.5%
Deferred tax liabilities		415	0.6%	363	0.6%
Non-current liabilities		1 841	2.7%	1 568	2.6%
Liabilities		25 883	38.0%	22 558	37.3%
Share capital		153	0.2%	153	0.3%
Treasury shares		-4 941	-7.3%	-5 423	-9.0%
Capital reserves		-3 477	-5.1%	-2 469	-4.1%
Retained earnings		50 471	74.2%	45 661	75.5%
Shareholders' equity		42 206	62.0%	37 922	62.7%
Liabilities and shareholders' equity		68 089	100.0%	60 480	100.0%

CONSOLIDATED CASH FLOW STATEMENT

in TUSD

		2016/17	2015/16
Profit before income taxes		9 044	7 583
Depreciation of property, plant and equipment	13	1 862	1 540
Amortization of intangible assets	14	622	938
Result from the disposal of non-current assets	13	-17	64
Changes in provisions	19	-97	189
Other non-cash positions		-337	-77
Income from securities and dividends, net	6	-1 939	-943
Interest paid	6	-26	-19
Change in fair value of derivatives	15	10	11
Income taxes paid		-1 673	-1 265
Cash flow before changes in working capital		7 449	8 021
Changes in trade receivables	10	-2 206	-103
Changes in other receivables and prepaid expenses		514	-373
Changes in inventories	12	-856	872
Changes in trade payables		1 390	-730
Changes in other and accrued liabilities	17/18	2 211	3 210
Cash flow from operating activities		8 502	10 897
Investments in property, plant and equipment	13	-2 065	-1 334
Divestments of property, plant and equipment	13	59	40
Investments in intangible assets	14	-19	-61
Investments in financial assets		-18 209	-12 308
Divestments of financial assets		16 448	6 794
Interest and dividends received		926	687
Cash flow from investing activities		-2 860	-6 182
Purchase of treasury shares		-2 088	-2 722
Exercise of stock options		1 204	992
Repurchase of stock options		-87	0
Dividends paid		-2 108	-1 750
Cash flow from financing activities		-3 079	-3 480
Increase in cash and cash equivalents		2 563	1 235
Cash and cash equivalents at beginning of the year		16 570	15 616
Translation differences on cash and cash equivalents		303	-281
Cash and cash equivalents at end of the year	8	19 436	16 570

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 October 1, 2015	153	-5 274	-1 357	42 203	-561	41 642	35 164
Dividends paid ⁵⁾				-1 750		-1 750	-1 750
Share based payment ⁶⁾		2 573	-1 112	23		23	1 484
Purchase of treasury shares		-2 722				0	-2 722
Translation differences					-282	-282	-282
Profit for the year				6 028		6 028	6 028
Balance as of September 30, 2016	153	-5 423	-2 469	46 504	-843	45 661	37 922
Balance as of October 1, 2016	153	-5 423	-2 469	46 504	-843	45 661	37 922
Dividends paid ⁵⁾				-2 108		-2 108	-2 108
Share based payment ⁶⁾		2 570	-1 008	80		80	1 642
Purchase of treasury shares		-2 088				0	-2 088
Translation differences					26	26	26
Profit for the year				6 812		6 812	6 812
Balance as of September 30, 2017	153	-4 941	-3 477	51 288	-817	50 471	42 206

¹⁾ The share capital as of September 30, 2017 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 9 241 treasury shares (previous year: 10 586). In the period ended September 30, 2017 Datacolor purchased 3 335 (previous year: 4 077) registered shares at an average share price of CHF 577.99 (previous year: CHF 612.88) for a total amount of TUSD 2 088 (previous year: TUSD 2 722).

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

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

⁵⁾ A dividend of CHF 13 (previous year: CHF 11) 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 fair value in the reporting period of TUSD 80 represents the difference between the option value with the undiscounted and discounted share price based on the Black-Scholes valuation model. 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.

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. Such 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.

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 (deconsolidated) upon the date of change of control.

Foreign currency translation

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

The major portion of net sales is made by 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 results in different incoterms. Most maintenance contracts of the service business have a term of 12 months. Therefore, these sales

are recognized on a proportioned 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

The Board of Directors restructured the system of long-term performance-based compensation for the Board of Directors and the Executive Committee in fiscal 2015/16, as the existing option model has been revised and assessed as obsolete. The long-term variable compensation has been paid out to the Executive Committee in the form of a share plan with Datacolor registered shares from fiscal 2015/16 (see further explanations in the Datacolor remuneration report). The Board of Directors has the right to choose variable compensation in cash or in the form of Datacolor registered shares. The Board of Directors also has the right to use its cash compensation in a later stage to buy shares of the above-mentioned share plan (see further explanations in the Datacolor remuneration report).

The shares are subject to a vesting period of 3 years. No shares can be subscribed before the end of the vesting period. The voting rights are transferred to the members of the Executive Board only after the end of the blocking period of three years. The dividends paid during the vesting period will be paid to the eligible members of the Executive Committee after the vesting period has expired. Members of the Board of Directors have unlimited voting and dividend rights from the date of allotment of the shares.

The process of allocating the blocked shares under the management participation plan is as follows. The process begins with the calculation of the value of the long-term variable remuneration for the respective beneficiaries. In order to calculate the number of shares that can be allocated to the beneficiary, the value of the long-term variable compensation is divided by the share price. The share price is calculated with the average market price of Datacolor registered shares during the 6-month period between April 1 and September 30 of the fiscal year minus a discount of 6% per annum during the vesting period. If less than 3,000 shares have been traded during the 6-month period, the period will be extended to 12 months. Share-based payments to the members of the Board of Directors and 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.

After the end of the vesting period, a settlement in cash is foreseen at the average market price of the Datacolor registered shares of the last 6 months or 12 months (refer to information above) unless the share plan participant submits a written request no later than one month before the end of the vesting period to retain shares. In the event of voluntary termination of employment, the Executive Committee member loses all outstanding blocked shares. In the case of involuntary termination, retirement by mutual agreement or in accordance with local regulations, death or disability, the vesting period for all shares

ends. These shares will be sold to Datacolor AG one month after the termination of the employment relationship. If a director leaves the board of directors, is not re-elected or is no longer eligible to vote, this has no effect on the vesting period.

The option premium is fixed for the old and not yet expired option plan and the exercise price is determined by using the Black-Scholes model. The options are subject to a vesting period of three years after the issue. After three years, the options can be exercised within a further seven years. The settlement by Datacolor shares is foreseen when exercising. The options are not linked to any other conditions.

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

For options with a vesting period of one year or greater the value of the personnel expenses recognized under the grant of the option under other non-current liabilities. At the date of termination of an employment relationship of an option holder and when a cash settlement becomes apparent, the Group records the expected fair value compensation less the initial payroll expense. If the termination of the employment relationship occurs after the balance sheet date but before the external reporting date, material transactions will be disclosed as post balance sheet events.

In fiscal 2015/16 the members of the Board of Directors and the Executive Committee were offered the final opportunity to purchase in the stock option plan with the emission date October 1, 2015. As part of variable performance-oriented remuneration, Board of Directors and Executive Committee of Datacolor were given the opportunity to use a portion of their performance-related salary component for acquisition of options to purchase Datacolor shares. The number of maximum options to be acquired has been determined by the Human Resources and Compensation Committee and was depending on the individual achievement of the past period and the economic success of the Datacolor Group.

Deferred income taxes

Deferred income taxes are provided following the comprehensive balance sheet liability-method and reflect in general all 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 potential impairment exists, the recoverable amount of the respective asset is determined. If the carrying values exceed the estimated recoverable amounts, the assets are written down to 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 and 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 pension insurance solutions or savings institutions respectively, where Datacolor is not exposed to any further contribution commitments beyond the regular contributions owed and recognized.

Cash and cash equivalents

Cash and cash equivalents include cash, bank accounts, demand deposits, money market instruments as well as short-term deposits with terms not exceeding a period of three months. Cash and cash equivalents are recorded at nominal value

Financial assets

Current financial assets are investments in marketable securities that can be permanently liquidated at efficient markets. They are measured at fair value, whereas 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 economically determined allowance for specific debtor risk and less general allowance based on experience and reflection of the specific aging structure. The general allowance assumes that the risk of default is increasing the more the receivable is overdue.

Inventories

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

Property, plant and equipment

Tangible fixed assets comprise the categories buildings, machinery and equipment and vehicles.

Property, plant and equipment are recorded at acquisition cost less accumulated depreciation and any 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. Essentially, these are:

Buildings	30 – 40 years
Machinery and equipment	3 – 10 years
Equipment	10 – 20 years
Instruments for demonstration use	3 years
IT	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: Goodwill represents the difference between the cost of the acquisition and the fair value of the identifiable assets acquired less liabilities assumed. Material goodwill is amortized on a straight-line-basis over a life time of five to a maximum of twenty years.

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

Capitalized development costs and other intangible assets: Research costs are charged to the Income statement. Development cost 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 represent software and are 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 present obligations with uncertain timing or amounts as a result of a past event and for which a future outflow of resources is probable. The amount is based on the best possible estimate of the expected outflow of resources. The break down into short-term and long-term provision is based on the expected use 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 respective probability and impact of future unilateral 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	2016/17	in % of Totals	2015/16	in % of Totals
Net sales to third parties	72 805	100.0%	69 344	100.0%
Europe	25 217	34.6%	24 319	35.1%
Americas	19 699	27.1%	20 806	30.0%
Asia Pacific	27 889	38.3%	24 219	34.9%
in TUSD	30.09.17	in % of Totals	30.09.16	in % of Totals
Assets	68 089	100.0%	60 480	100.0%
Europe	38 749	56.9%	31 912	52.8%
Americas	13 195	19.4%	14 814	24.5%
Asia Pacific	16 145	23.7%	13 754	22.7%
	2016/17	in % of Totals	2015/16	in % of Totals
Average member of employees	382	100.0%	364	100.0%
Europe	87	22.8%	87	23.9%
Americas	125	32.7%	117	32.1%
Asia Pacific	170	44.5%	160	44.0%

4 Earnings per share (EPS)

in TUSD	2016/17	2015/16
Profit for the year	6 812	6 028
Average number of shares outstanding	159 234	157 383
Basic earnings per share in USD	42.78	38.30
Effect of dilution: Number of share options	3 673	5 484
Adjusted average number of shares for diluted earnings per share	162 907	162 867
Diluted earnings per share in USD	41.82	37.01

Earnings per share is calculated by dividing the profit for the year by the average number of shares outstanding (issued shares less treasury shares). Diluted earnings per share include the effect of dilution, which would arise as a result of exercising stock options.

5 Personnel expenses

in TUSD		2016/17	2015/16
Salaries		24 977	24 042
Social security costs		4 908	4 754
Pension costs	20	571	692
Other personnel expenses		1 508	789
Personnel expenses		31 964	30 277

6 Financial result

in TUSD		2016/17	2015/16
Interest income		26	19
Earnings from securities		1 939	943
Foreign exchange gains		2 115	1 015
Foreign exchange losses		-1 454	-643
Financial result		2 626	1 334

7 Income taxes

in TUSD		2016/17	2015/16
Current income taxes		-2 283	-1 482
Deferred income taxes		51	-73
Income taxes		-2 232	-1 555

Deferred tax assets amounting to TUSD 1 109 (previous year: TUSD 1 006) 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 24% (previous year: 23%).

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

in TUSD	2016/17	%
Taxes before the tax effect from the use of unrecognized loss carry forwards	-2 358	26%
Tax effect from the use of unrecognized loss carry forwards	126	1%
Taxes after the tax effect from the use of unrecognized loss carry forwards	-2 232	25%

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 10,2 million (previous year: USD 10,0 million) and the predominant part can be used without any time restrictions. However, no deferred tax assets were capitalized for these loss carry forwards.

8 Cash and cash equivalents

in TUSD	30.09.2017	30.09.2016
Cash on hand, postal accounts	8	6
Cash at bank	19 428	16 564
Cash and cash equivalents	19 436	16 570

Bank and postal accounts and short-term deposits generated interest at market rates.

9 Financial assets

in TUSD	30.09.2017	30.09.2016
Securities held for trading	18 755	16 052
Positive replacement value of derivative instruments	0	11
Current financial assets	18 755	16 063

In the reporting period the net amount of TUSD 1 761 have been invested in marketable short-term financial assets. In previous year the net amount of TUSD 5 514 have been invested. This financial assets are subject to different investment risks. Refer to note 15 risk management and internal controls.

10 Trade receivables

in TUSD	30.09.2017		30.09.2016	
Trade receivables, gross	11 637	100%	9 617	100%
Allowance for doubtful debts	-802	-7%	-809	-8%
Trade receivables, net	10 835	93%	8 808	92%

11 Other receivables

in TUSD	30.09.2017		30.09.2016	
Other receivables from				
– Third parties	379	27%	439	22%
– Government	242	17%	537	27%
– Pension funds	27	2%	18	1%
– Related parties	58	4%	56	3%
Prepayments to third parties	719	50%	909	47%
Other receivables	1 425	100%	1 959	100%

12 Inventories

in TUSD	30.09.2017		30.09.2016	
Work in progress	0	0%	7	1%
Semi-finished and finished goods	5 016	58%	5 085	67%
Trading goods	3 569	42%	2 480	32%
Gross inventories	8 585	100%	7 572	100%
Allowances	-3 303	-38%	-3 132	-41%
Net inventories	5 282	62%	4 440	59%

13 Property, plant and equipment

in TUSD	Operating properties	Other mobile fixed assets	Total property, plant and equipment
Acquisition or production costs			
Balance as of 1.10.2015	13 473	8 655	22 128
Additions	195	1 139	1 334
Disposals	-491	-1 025	-1 516
Translation differences	1	-89	-88
Balance as of 30.09.2016	13 178	8 680	21 858
Additions	505	1 560	2 065
Disposals	-58	-384	-442
Translation differences	9	73	82
Balance as of 30.09.2017	13 634	9 929	23 563
Accumulated depreciation			
Balance as of 1.10.2015	5 829	5 745	11 574
Additions	374	1 166	1 540
Disposals	-491	-921	-1 412
Translation differences	1	-28	-27
Balance as of 30.09.2016	5 713	5 962	11 675
Additions	460	935	1 395
Impairment	467	0	467
Disposals	-58	-342	-400
Translation differences	9	33	42
Balance as of 30.09.2017	6 591	6 588	13 179
Net carrying amount			
Balance as of 30.09.2016	7 465	2 718	10 183
Balance as of 30.09.2017	7 043	3 341	10 384

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

The yearly impairment assessment of the asset value of the manufacturing site, located in the Export Zone in China, by an independent auditor showed the need for an exceptional impairment of TUSD 467. This impairment was driven by the declining value of properties in the Export Zone due to reduced tax benefits and increased complexity of regulations. This impairment was booked in cost of goods sold.

The gain on the disposal of property, plant and equipment in the fiscal year 2016/17 amounted to TUSD 17 (previous year: loss of TUSD 64).

In the reporting period other mobile fixed assets in the amount of TUSD 1 560 (previous year TUSD 1 139) have been capitalized. As in the previous year, the additions relate primarily to vehicles, instruments for demo use, equipment and machines. The fire insurance value of the tangible fixed assets amounted to USD 22.5 million (previous year: USD 27.1 million).

14 Intangible assets

in TUSD	Capitalized development costs and other intangible assets	Trademarks, licenses, patents	Total
Balance as of 1.10.2015	8 712	221	8 933
Additions	61	0	61
Disposals	-1	0	-1
Translation differences	10	0	10
Balance as of 30.09.2016	8 782	221	9 003
Additions	19	0	19
Disposals	0	0	0
Translation differences	47	0	47
Balance as of 30.09.2017	8 848	221	9 069
Accumulated amortization			
Balance as of 1.10.2015	6 819	60	6 879
Additions	934	4	938
Disposals	-1	0	-1
Translation differences	18	0	18
Balance as of 30.09.2016	7 770	64	7 834
Additions	620	2	622
Disposals	0	0	0
Translation differences	34	0	34
Balance as of 30.09.2017	8 424	66	8 490
Net carrying amount			
Balance as of 30.09.2016	1 012	157	1 169
Balance as of 30.09.2017	424	155	579

Capitalized development costs and other intangible assets include primarily the group-wide utilized ERP system and the acquired software solution of the Media Logic Group (in fiscal year 2014/15).

As in the previous year from the total research and development expenses amounting to TUSD 7 797 (previous year: TUSD 6 497) no expenses were capitalized because not all criteria for a capitalization were met (refer to note 2 Accounting principles).

In the reporting period capitalized development costs and other intangible assets in the amount of TUSD 19 (previous year: TUSD 61) have been capitalized. As in the previous year, the additions relate primarily to group-wide utilized ERP.

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 by a centralized risk management process. The risks classifications are based on the analysis of the probability and exposure. As a result, action plans to reduce or avoid risks are prepared. On a yearly basis, a consolidated risk report is presented to the Board of Directors for approval.

For identified risks relating to financial reporting and accounting, a risk assessment is performed. 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 to incur financial losses and arise when customers or a counterparty of a financial instrument are unable to meet their obligations as agreed.

Credit risks are managed by adequate ongoing management of daily business and a risk assessment before extending credit terms.

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 not necessary to fund operating activities in various short-term financial assets to generate financial returns. The financial performance of individual investments is impacted by various influencing factors. Investment decisions follow an internally issued 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 always sufficient liquidity to settle outstanding liabilities on time. The Executive Committee implemented guidelines and processes for liquidity planning meeting to the Group's 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, in particular in purchasing or selling goods. Such transactions are primarily settled in EUR and USD. The individual companies plan their expected payment flows on a regular basis and report these to the Group Executive Committee.

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

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

Currency	Unit	Balance Sheet		Income Statement	
		30.09.17	30.09.16	2016/17	2015/16
CHF	1	1.03	1.03	1.01	1.02
EUR	1	1.18	1.12	1.10	1.11
GBP	1	1.34	1.30	1.27	1.44
CNY	1	0.15	0.15	0.15	0.15

Interest

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

The consolidated financial statements of the Datacolor Group as per September 30, 2017 do not include any financial liabilities that are subject to an interest rate change risk.

Forward exchange contracts

In the course of its business activities, Datacolor generates cash surpluses in EUR that are exchanged by foreign currency forward instruments into USD or CHF.

As of September 30, 2017 foreign exchange contracts in the amount of TUSD 0 (previous year: TUSD 685) were pending. The replacement value amounts to TUSD 0 (previous year: TUSD 11).

Forward exchange contracts	Contract value		Positive fair value		Negative fair value		Purpose
	30.09.17	30.09.16	30.09.17	30.09.16	30.09.17	30.09.16	
in TUSD							
Forward exchange contracts	0	685	0	11	0	0	Hedging

16 Financial liabilities

in TUSD	30.09.2017	30.09.2016
Financial liabilities - banks	0	0
Current financial liabilities	0	0
Credit lines available (CHF 6.5 million)	6 703	6 703
Unused credit lines (CHF 6.5 million)	6 703	6 703

Available and unused credit lines for Datacolor Group remain unchanged at CHF 6,5 million (previous year: CHF 6,5 million).

17 Other liabilities

in TUSD	30.09.2017	30.09.2016
Other current liabilities against		
– Third parties	0	5
– Government	560	906
Prepayments from third parties	1 895	1 698
Other current liabilities	2 455	2 609
Other non-current liabilities	1 108	892
Other liabilities	3 563	3 501

The non-current liabilities include the long-term portion of the management participation plan of TUSD 376 (previous year: TUSD 585). Refer to note 2 Accounting principles.

18 Accrued liabilities

in TUSD	30.09.2017	30.09.2016
Deferred revenue for service contracts and shipments	7 363	6 535
Employee related accruals	5 652	5 198
Stock option plan	393	394
Year-end closing (audit, tax consulting, bookkeeping)	381	477
Other accrued expenses	1 993	1 819
Accrued liabilities	15 782	14 423

The liability resulting from the stock option plan amounts to TUSD 769 (previous year: TUSD 979) of which the non-current part is disclosed under other non-current liabilities.

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

19 Provisions

in TUSD	Warranty	Other	Total
Balance as of 1.10.2015	346	295	641
Additions	474	227	701
Used	-346	-142	-488
Reversed	0	-10	-10
Translation differences	0	-7	-7
Balance as of 30.09.2016	474	363	837

Disclosed in the consolidated balance sheet as:

Short term provision	474	50	524
Long term provision	0	313	313

Balance as of 1.10.2016	474	363	837
Additions	439	87	526
Used	-474	-149	-623
Reversed	0	0	0
Translation differences	0	17	17
Balance as of 30.09.2017	439	318	757

Disclosed in the consolidated balance sheet as:

Short term provision	439	0	439
Long term provision	0	318	318

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

20 Employee benefits

Economic benefit / economic liability and pension expenses

	Surplus/deficit according to pension plans under Swiss GAAP FER 26	Economic share of the company	Change compared to previous year, recognized in the period	Accrued contributions for the period	Pension plan expenses in personnel expenses		
in TUSD	30.09.17	30.09.17	30.09.16	2016/17	2016/17	2015/16	
Pension plans without own assets (abroad)	0	-141	-148	-7	0	487	597
Pension plans with surplus / deficit (Switzerland)	0	0	0	0	0	84	95
Total	0	-141	-148	-7	0	571	692

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 BVV 2 was at 110.1% as of September 30, 2017, at 107.4% as of December 31, 2016 and 111.1% as of September 30, 2016. 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 141 (previous year: TUSD 148) originates from pension plans of the German subsidiary. The amount of service duration depending pension liabilities is based on actuarial calculations. Other foreign plans are pure defined contribution plans. In the previous reporting period a pension entitlement based on actuarial valuation has been paid out without any effect on the income statement.

21 Management participation plan

Share plan (first allocation in fiscal 2015/16)

In November 2016, 518 registered shares were allocated to the members of the Board of Directors and 404 registered shares of Datacolor AG to the members of the Executive Committee. The market value for determining the number of shares granted was determined using the average price of the Datacolor share during the last 6 months (April 1 to September 30, 2016), which was additionally discounted by 6% per vesting year. This market value was CHF 479.39 per share on September 30, 2016.

The 922 registered shares were valued at the average price of the Datacolor share for the last 12 months (October 1, 2016 to September 30, 2017) as of September 30, 2017 recorded as personnel expenses in the income statement pro rata for the expired year of the vesting period. Personnel expenses for the share plan in fiscal 2016/17 amount to TUSD 217. The total disclosed liability amounts to TUSD 217 (previous year: TUSD 0), of which the entire amount is shown as a non-current portion under other non-current liabilities.

Stock option plan (last allocation in fiscal 2015/16)

For the exercise of the outstanding option rights conditional share capital of CHF 16 804 for 16 804 registered shares with a nominal value of CHF 1 each is available (see page 10 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.

In fiscal 2016/17 TUSD 80 were recorded in the income statement (previous year: TUSD 182). The total liability for the stock option plan recorded amounts to TUSD 552 (previous year: TUSD 979) of which the current portion of TUSD 393 (previous year: TUSD 394) is disclosed as accrued liabilities and the non-current portion of TUSD 159 (previous year: TUSD 585) is recorded in other non-current liabilities. In the reporting period 600 options were repurchased by employees who had left the company (previous year: 0) and 4 680 options were exercised (previous year: 5 580).

The exercise price of options granted for fiscal 2015/16 have been determined by using the Black-Scholes valuation model. The following relevant input patterns were used: The average share price of CHF 574.05, a discount of 6% per

year of the blocking period, exercise prices shown in the table, the standard deviation of expected share price returns of 24,1%, a dividend yield of 4,0%, the option term of ten years and the annual risk-free interest rate of -0,11%. The volatility variable applied in the valuation model is based on the actual volatility since January 1, 2011 using weekly share prices.

Ausgabe	Number of outstanding options 1.10.2016	Exercise price (CHF) ¹⁾	Expiration of blocking period	Expiration of exercise period	Number of options exercised 2016/17	Number of options re- purchased 2016/17	Number of outstanding options 30.09.2017
Fiscal Year							
2013 (strike price CHF 288)	2 700	338	1.10.16	1.10.23	-2 700		0
2013 (strike price CHF 128)	1 980	253	1.10.16	1.10.23	-1 980		0
2014 (strike price CHF 360)	3 300	410	1.10.17	1.10.24		-600	2 700
2014 (strike price CHF 170)	1 980	297	1.10.17	1.10.24			1 980
2016 (strike price CHF 500)	1 088	550	2.10.18	2.10.25			1 088
2016 (strike price CHF 240)	811	365	2.10.18	2.10.25			811
Total	11 859				-4 680	-600	6 579

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

Ausgabe	Number of outstanding options 1.10.2015	Exercise price (CHF) ¹⁾	Expiration of blocking period	Expiration of exercise period	Number of options exercised 2015/16	Number of options re- purchased 2015/16	Number of outstanding options 30.09.2016
Fiscal Year							
2010 (strike price CHF 194)	300	244	1.10.13	1.10.20	-300		0
2011 (strike price CHF 210)	600	260	1.10.14	1.10.21	-600		0
2012 (strike price CHF 210)	2 700	260	1.10.15	1.10.22	-2 700		0
2012 (strike price CHF 77)	1 980	202	1.10.15	1.10.22	-1 980		0
2013 (strike price CHF 288)	2 700	338	1.10.16	1.10.23			2 700
2013 (strike price CHF 128)	1 980	253	1.10.16	1.10.23			1 980
2014 (strike price CHF 360)	3 300	410	1.10.17	1.10.24			3 300
2014 (strike price CHF 170)	1 980	297	1.10.17	1.10.24			1 980
2016 (strike price CHF 500)		550	2.10.18	2.10.25			1 088
2016 (strike price CHF 240)		365	2.10.18	2.10.25			811
Total	15 540				-5 580	0	11 859

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

22 Related parties and companies

There were no material transactions with related parties in financial year 2016/17 (previous year: TUSD 465, of which TUSD 83 have been disclosed under current liabilities).

For Remuneration to the Board of Directors and the Executive Committee please refer to the Remuneration Report of Datacolor AG page 14ff. The shareholdings and options 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 following overview shows future liabilities arising from non-capitalized operating lease contracts arranged in order of the due dates:

The leasing expenses in the financial year amount to TUSD 128 (previous year: TUSD 171).

in TUSD	30.09.2017	30.09.2016
Due in reporting period + 1 year	90	119
Due in reporting period + 2 years	80	84
Due in reporting period + 3 years	80	79
Due in reporting period + 4 years	200	219
Total operating lease liabilities	450	501

24 Contingent liabilities

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

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

25 Securing of own liabilities

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

26 Acquisitions

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

27 Subsequent events

The consolidated financial statements were approved for publication by the Board of Directors on November 7, 2017. They have yet to be approved in the general meeting.

The Board of Directors is to propose to the general meeting that a dividend of CHF 15 per share is paid for the financial year 2016/17. Refer to the proposed appropriation of available earnings in the report of Datacolor AG.

Between the balance sheet date and November 15, 2017 no further significant events occurred which might have an influence on the information presented in the 2016/17 annual financial statements or require disclosure in this note of the report.

28 Group entities

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

¹⁾ The company is held directly by Datacolor AG.



Statutory Auditor's Report to the General Meeting of Datacolor AG, Lucerne

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Datacolor AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at September 30, 2017 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 39) give a true and fair view of the consolidated financial position of the Group as at September 30, 2017, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for Opinion

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

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

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



Revenue recognition

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

Key Audit Matter

Total consolidated net sales of the financial year 2016/17 amounted to CHF 72.8 million. Net sales are a key performance indicator for assessing Datacolor Group's performance and therefore in the focus of internal and external stakeholders. Revenues comprise the sale of color measurement & calibration instruments as well as the respective service & maintenance contracts, whereas in the context of revenue recognition different characteristics need to be considered.

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

The majority of the underlying contracts of the service & maintenance business have a term of

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

Our response

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

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

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

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

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

- We tested, on a sample basis, on the basis of the orders and invoices the accuracy of the underlying data used for the calculation of the accrued revenue.
- We furthermore completely re-performed the calculation of the accrued revenue as per September 30, 2017 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 34
- Note 18 Accrued liabilities on page 34

Responsibility of the Board of Directors for the Consolidated Financial Statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial

statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

Toni Wattenhofer
Licensed Audit Expert
Auditor in Charge

Sandro Mascarucci
Licensed Audit Expert

Lucerne, November 13, 2017

FINANCIAL STATEMENTS OF DATACOLOR AG

BALANCE SHEET

in TCHF		30.09.2017		30.09.2016	
Assets					
Cash and cash equivalents	3.1.	114		405	
Other current receivables					
– from third parties		0		55	
– from related parties		0		12	
– from investments		3 145		923	
Prepaid expenses		19		8	
Current assets		3 278	16.3%	1 403	7.7%
Loans from investments	3.2.	6 800		6 800	
Investments	3.2.	10 000		10 000	
Non-current assets		16 800	83.7%	16 800	92.3%
Assets		20 078	100.0%	18 203	100.0%
Liabilities and shareholders' equity					
Other current liabilities					
- to third parties		16		66	
- to investments		1 695		476	
Accrued liabilities	3.3.	1 040		1 705	
Current liabilities		2 751	13.7%	2 247	12.4%
Other non-current liabilities	3.3.	289		568	
Non-current liabilities		289	1.4%	568	3.1%
Liabilities		3 040	15.1%	2 815	15.5%
Share capital		168		168	
Statutory capital reserves from tax capital contributions		19		19	
Statutory legal reserves		84		84	
Retained earnings		21 631		20 379	
Treasury shares	3.4.	-4 864		-5 262	
Shareholders' equity		17 038	84.9%	15 388	84.5%
Liabilities and shareholders' equity		20 078	100.0%	18 203	100.0%

INCOME STATEMENT

in TCHF	2016/17	2015/16
Income from investments	4 000	3 000
Service income	1 175	1 593
Total operating income	5 175	4 593
Personal expenses	-1 544	-1 733
Administrative expenses	-368	-534
Total operating expenses	-1 912	-2 267
Operating profit	3 263	2 326
Financial expenses	0	-24
Financial income	69	54
Profit before taxes	3 332	2 356
Direct taxes	-1	-3
Profit for the year	3 331	2 353

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 1.10.2015	168	19	84	19 762	-5 129	14 904
Dividends paid				-1 736		-1 736
Profit for the year				2 353		2 353
Changes in treasury shares					-133	-133
Balance as of 30.09.2016	168	19	84	20 379	-5 262	15 388
Balance as of 1.10.2016	168	19	84	20 379	-5 262	15 388
Dividends paid				-2 079		-2 079
Profit for the year				3 331		3 331
Changes in treasury shares					398	398
Balance as of 30.09.2017	168	19	84	21 631	-4 864	17 038

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 7, 2017 and will be submitted to the Annual General Meeting on December 7, 2017.

2. Key accounting and valuation principles

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

2.1. Foreign currency items

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

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

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

2.2. Related parties

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

2.3. Loans and investments

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

2.4. Treasury shares

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

TCHF	30.09.17	30.09.16
in CHF	60	404
in EUR	54	1
Total	114	405

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 to the consolidated financial statements. The long-term portion of the liability stemming from the stock option plan of TCHF 289 (previous year: TCHF 568) is disclosed in the non-current liabilities. The accrued liabilities continue to include the short-term portion of the liability of TCHF 688 (previous year: TCHF 647).

3.4. Treasury shares

Datacolor AG holds a total of 9 241 (previous year: 10 586) treasury shares, carried at TCHF 4 864 (previous year: TCHF 5 262). A portion of treasury shares are blocked shares for the members of Board of Directors and Executive Committee according to the management participation plan. The voting rights for treasury shares are suspended except for 518 blocked shares of the Board of Directors. 9 241 treasury shares are reserved for the stock option plan of the Datacolor Group.

In financial year 2016/17 3 335 registered shares were purchased at an average price CHF 577.99 and 4 680 registered shares were exercised from the stock option plan. The average price of the registered shares from the management participation was CHF 497.

In financial year 2015/16 4 077 registered shares were purchased at an average price CHF 612.88. 5 580 options of the stock option plan were exercised and settled with treasury shares.

TCHF	2017			2016		
	Nominal	Book value	Number	Nominal	Book value	Number
Balance as of 1.10	11	5 262	10 586	12	5 129	12 089
Shares purchased	3	1 928	3 335	4	2 499	4 077
Shares allotted	-5	-2 326	-4 680	-5	-2 366	-5 580
Balance as of 30.09	9	4 864	9 241	11	5 262	10 586

The share capital entitled to dividend payments amounts to CHF 159 725 as per September 30, 2017 (previous year: CHF 157 458).

4. Other information

4.1. Information on full-time positions on annual average

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

4.2. Shareholdings and stock options

	2017 Numbers of shares ¹⁾	2016 Numbers of shares ¹⁾	2017 Numbers of options	2016 Numbers of options
Board of Directors and Executive Committee				
Werner Dubach, Chairman	103 642	93 832	1 269	2 169
Dr. Peter Beglinger, Deputy Chairman	208	1 660	508	868
Anne Keller Dubach, member	32 043	28 340	338	578
Prof. Dr. Hans Peter Wehrli, member	1 053	850	338	578
Dr. Fritz Gantert, member	1 078	925	338	578
Thomas Studhalter, member	0	0	0	0
Executive Committee	0	0	3 788	7 088
Total	138 024	125 607	6 579	11 859

¹⁾ According to the management participation plan, 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:

	30.09.17	30.09.16
Werner Dubach	61.68%	55.84%
Anne Keller Dubach	19.07%	16.86%
Corisol Holding AG	0.00%	7.13%

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 companies Datacolor Logistik AG, Lucerne, Datacolor AG Europe, Dietlikon and Datacolor Holding AG, Lucerne.

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 September 30, 2017	TCHF	21 631
Treasury shares as per September 30, 2017	TCHF	-4 864
Retained earnings available for distribution by the general assembly	TCHF	16 767

The Board of Directors proposes that the retained earnings of TCHF 21 631 of Datacolor AG are distributed as follows:

Distribution of a dividend on dividend-entitled share capital	TCHF	2 396
Carry forward to new account	TCHF	19 235

The gross dividend of CHF 15 per dividend-entitled share corresponds to a total expected distribution of TCHF 2 396. If this earnings appropriation proposal is approved, the dividend will be paid free of expense net of 35% Swiss withholding tax on December 13, 2017. 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, 2017, 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 44 to 48) for the year ended September 30, 2017 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

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

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

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

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

Responsibility of the Board of Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

Toni Wattenhofer
Licensed Audit Expert
Auditor in Charge

Sandro Mascarucci
Licensed Audit Expert

Lucerne, November 13, 2017

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