

DATACOLOR AG

FINANCIAL REPORT 2018

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

DATACOLOR AG

FINANCIAL REPORT 2018

Financial year from October 1, 2017 through September 30, 2018

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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 7, 2018
Listing	SIX Swiss Exchange (Zurich)
Security ID	853 104
ISIN	CH0008531045
Reuters	DCN.S
Bloomberg	DCN
Investdata	DCN

Capital structure

	30.09.2018	30.09.2017
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	keine	keine
Voting restrictions	keine	keine
Opting out / opting up	keine	keine

Significant shareholders (in %)

	30.09.2018	30.09.2017
Werner Dubach*	62.75%	61.68%
Anne Keller Dubach*	19.35%	19.07%

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

Shareholders by category (in %)

	30.09.2018	30.09.2017
Significant shareholders	82.10%	80.75%
Private investors	95.15%	96.22%
Corporate investors	4.85%	3.78%
Non-registered shareholders	1.53%	1.59%

Share distribution

	30.09.2018	30.09.2017
Number of registered shares	Number of shareholders	Number of shareholders
1 – 100	504	517
101 – 1 000	24	25
1 001 – 10 000	6*	6*
>10 000	2	2
Gesamt	536	550

*including treasury shares of Datacolor AG

Share price data in CHF

	2017/18	2016/17
First trading day	736.00 (09.10.2017)	559.50 (03.10.2016)
Low	735.50 (09.10.2017)	553.00 (18.10.2016)
High	900.00 (diverse Daten)	819.00 (16.08.2017)
Last trading day	830.00 (14.09.2018)	762.00 (18.09.2017)
Average share price	841.47	704.45
Market capitalization in CHF million as of September 30	134.6	121.0

KEY FIGURES GROUP

in USD million	2017/18	2016/17
Net sales	81.1	72.8
Change relative to previous year in %	11.4%	5.0%
EBITDA	8.4	8.9
Change relative to previous year in %	-6.1%	2.0%
as a % of net sales	10.3%	12.2%
EBIT	6.2	6.4
Change relative to previous year in %	-3.6%	2.7%
as a % of net sales	7.6%	8.8%
Profit for the year	4.1	6.8
Change relative to previous year in %	-39.9%	13.0%
as a % of net sales	5.0%	9.4%
as a % of average shareholders' equity	9.5%	17.0%
Cash flow from operating activities	6.2	8.5
Change relative to previous year in %	-26.6%	-22.0%
as a % of net sales	7.7%	11.7%
Cash flow from investing activities	-5.4	-2.9
Change relative to previous year in %	90.2%	-53.7%
as a % of cash flow from operating activities	-87.2%	-33.6%
Free Cash Flow	0.8	5.6
Change relative to previous year in %	-85.8%	19.7%
as a % of net sales	1.0%	7.7%
Average number of employees	417	382
Personnel expenses	37.7	32.0
Total assets	70.4	68.1
Shareholders' equity	44.1	42.2
as a % of assets	62.6%	62.0%
Net liquidity	40.6	38.2
Per share data ¹⁾		
Average number of shares	161 845	159 234
Earnings per share in USD (non-diluted)	25.29	42.78
Free Cash Flow per share in USD	5.28	35.55
Shareholders' equity per share in USD	272.35	265.92
Dividend per share in CHF ²⁾	15.00	15.00
Share price data as of 30.09. in CHF	830.00	762.00
Yield in % ³⁾	1.8%	2.0%

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, 2018.

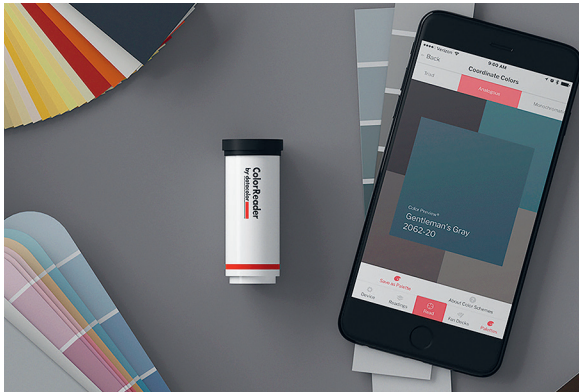
³⁾ Distribution in percentage of the share price as of September 30.



ColorReader



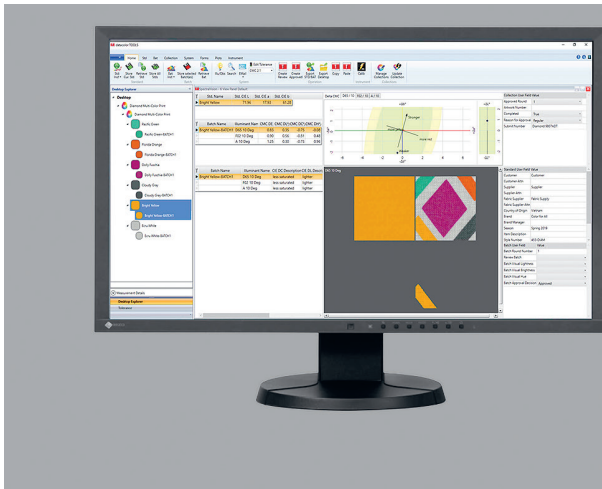
ColorReader



ColorReader App



Spyder5



SpectraVision



Datacolor 200, Datacolor 800, Datacolor 500

Report of the Board of Directors

Datacolor achieved significant growth in fiscal 2017/18. Two substantial orders from leading companies in their sectors led to a jump in sales in the year under review. On the one hand, Datacolor supplied all retail outlets of a major US retail company with complete color management systems, resulting in the single largest order in the company's history, and the company also won an exceptionally large order from a top North American paint producer. These successes demonstrate the potential of Datacolor's innovative product portfolio. On the other hand, the positive momentum seen on international markets during the last years is being affected by the trade dispute between the US and China involving protectionist punitive tariffs, as well as by rising interest rates in the US and growing uncertainty about the development of the eurozone.

In this difficult environment, Datacolor continued to invest heavily in implementing its long-term growth strategy. Datacolor stepped up digital marketing efforts considerably and enlarged its global sales and support organization with additional subsidiaries. The attractive product portfolio also saw further expansion with new, innovative color measurement and calibration systems for industrial customers and the consumer market. During the reporting period, Datacolor launched the latest version of color formulation software Match Pigment, which helps color professionals in the paint, pigment and plastics industries to efficiently and confidently achieve the desired color; the color management solution ColorReader, a compact Bluetooth-connected best-in-industry precision color selection device that performs a color search in seconds; and the SpectraVision system, which marks a first in enabling an exact colour analysis of multicolour materials. The large number of product launches and a lower margin on the two substantial orders led to a slight decrease in profitability in the year under review. The marked decline in net income is due mainly to the financial result, which in the face of negative developments on the financial markets was lower than the previous year's extremely high figure.

Because of the strength of Datacolor's attractive offering and the launch of further innovative products and systems in the coming months, the Board of Directors is striving – even without exceptionally large orders – to keep sales for the new fiscal year at or only slightly below the previous year's level with unchanged margins. To achieve this, it is crucial that the global economy is not unsettled further, particularly by an escalation of the trade dispute between the US and China through additional protectionist measures.

Taking into account this reservation and based on Datacolor's very solid balance sheet, the Board of Directors proposes to the Annual General Meeting the distribution of a dividend of CHF 15.00 (unchanged year-on-year) per share.



Werner Dubach
Chairman of the Board of Directors

DATACOLOR IN FISCAL 2017/18

Further increase in sales and significant investment in the future

In fiscal 2017/18, Datacolor continued its growth and increased sales by 11% to USD 81.1 million (fiscal 2016/17: USD 72.8 million), in local currency the increase was 8%. Datacolor achieved a high gross profit margin of 65.3% (67.1%). Operating income EBITDA decreased slightly to USD 8.4 million (USD 8.9 million) and EBITDA margin to 10.3% (12.2%) due to numerous product launches and two large orders with lower margins. EBIT of USD 6.2 million (USD 6.4 million) and an EBIT margin of 7.6% (8.8%) also slightly declined. Influenced by the lower financial result, net income of USD 4.1 million (USD 6.8 million) was lower than in the previous year. Earnings per share amounted to USD 25.29 (USD 42.78) in the year under review. Datacolor had high net liquidity, including financial assets, of USD 40.6 million (September 30th, 2017: USD 38.2 million) and a solid equity ratio of 62.6% (62.0%).

Single largest order in company history and strong growth in all regions

Datacolor is an international leader in user-friendly digital color management solutions. In the year under review, Datacolor further expanded its strong market position with the launch of new, innovative products and its customer-focused, global sales and service organization. Just over a third (2016/17: 38%) of Datacolor's sales came from the Asia-Pacific region. Another third (35%) came from Europe, and sales to customers in North and South America increased from 27% to 32% due to two major orders in North America. Datacolor installed complete systems for accurate color matching, with the largest single order in the company's history to date, in all stores of the leading US retailer and received an exceptionally large order for color measurement instruments from one of the major North American paint manufacturers.

Leading-edge technology with innovative solutions

In fiscal 2017/18, Datacolor again launched several innovative and technologically leading solutions for an efficient and accurate color management:

The latest release of Match Pigment 4.0 color formulation software uses the innovative SmartMatch technology to enable color professionals in paint, coatings and plastics production to efficiently, quickly and precisely determine any desired color. With the intelligent color formulation of Match Pigment 4.0, the number of physical matches can be reduced and the success rate of initial recipes can be increased by up to 80%. The optimized workflow and user-friendly control interfaces allow productivity to be enhanced by up to 50%.

ColorReader, a high-precision, cost-effective pocket colorimeter, complements the professional Col-

orReaderPRO color matching device. ColorReader is an extremely compact instrument that can be paired via Bluetooth with a smartphone app for color evaluation. With ColorReader, color can be measured professionally on any material in a matter of seconds and accurately defined with the ColorReader app.

With SpectraVision, Datacolor offers an innovative color measurement system enabling businesses to objectively measure and digitally communicate the color of previously unmeasurable materials, including multi-color prints, trim, yarn, zippers and lace. SpectraVision shortens the time from the first concept sketch to the final product at the customer's site by up to 50%. This makes SpectraVision particularly attractive for international retail chains, for whom a quick response to the latest fashion and market trends is a decisive competitive advantage.

In addition, Datacolor once again provided several upgrades to the successful color measurement software packages Paint, Match Textile, Match Pigment and Tools, adding over 120 new functions to meet the highest customer requirements.

Solid financial structure

As per September 30th, 2018, cash and cash equivalents including financial assets amounted to USD 40.6 million (USD 38.2 million), corresponding to 58% (56%) of total assets of USD 70.4 million (USD 68.1 million). Consolidated net equity increased to USD 44.1 million (USD 42.2 million).

Datacolor AG

In fiscal 2017/18 the parent company Datacolor AG (holding company for Datacolor investments) posted a decrease in profit to CHF 1.4 million (CHF 3.3 million). After distribution of a dividend of CHF 2.4 million (representing 35% of the 2016/17 net profit), as at September 30th, the equity of Datacolor AG amounted to CHF 17.0 million, unchanged from the previous year.

Further expansion of the organization to support long-term growth

During fiscal 2017/18, Datacolor accelerated its recruitment in marketing, sales and support, as well as research and development. As part of the implementation of the growth strategy, the average number of employees increased from 382 to 417. The onboarding and training processes, employee training programs and activities to promote employee engagement were digitized and further optimized.

Changes in management

On December 7th, 2017, Dr. Jvo Grundler was elected as a new member of the Board of Directors of Datacolor AG by the Annual General Meeting. He replaced

Dr. Peter Beglinger, who had been a commendable member of the Board of Directors since 1992. On November 1st, 2018, Philipp Hediger took over the function as CFO of Datacolor from previously responsible Annet van der Laan.

Outlook

In fiscal 2018/19, Datacolor is focusing on marketing its successful product range and on launching additional, new and innovative color measurement and

color matching instruments and software. Provided the global economy is not further affected by protectionist measures and political disputes, and without new major orders, Datacolor aims to achieve sales within the range or slightly below the 2017/18 fiscal year while maintaining margins. In achieving this ambitious goal, Datacolor can also count on highly committed employees and its own global sales and support organization focused on customer needs.

This report contains forward-looking statements that reflect management's views with respect to future events. Such statements are subject to risks and uncertainties. Datacolor disclaims any liability that actual results correspond to the forward-looking statements and does not assume any obligation to update any forward-looking statements to reflect events or circumstances after the date of this report.

GROUP STRUCTURE

Introduction

This corporate governance report describes the principles of leadership and control at the top organizational levels of Datacolor AG, in accordance with the Directive on Information Relating to Corporate Governance (DCG) issued by SIX Swiss Exchange AG as well as the guidelines and recommendations of the Swiss Code of Best Practice for Corporate Governance. Unless indicated otherwise, the information in this report for fiscal year 2017/18 is as at September 30th, 2018 or for the year then ended.

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

Roles and duties of Datacolor AG

Datacolor AG as top holding company of the Datacolor Group manages Datacolor's business by means of objectives. Datacolor AG is involved in the planning process for the Datacolor Group and monitors adherence to the budget. Once the three-year plan and the budget have been approved by the Board of Directors of Datacolor AG, the Executive Committee acts on its own authority within the limits of the budget and the rules of competence. The Executive Committee is responsible for consolidation, financing, controlling, asset management and investor relations. Datacolor AG is a public limited company under Swiss law with headquarters in Lucerne listed on SIX Swiss Exchange. The overview of shareholdings can be found in note 28 „Group entities“; the market capitalization is shown on page 2.

Strategy

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

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

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

EXECUTIVE BODIES

Board of Directors of Datacolor AG

Werner Dubach, 1943, CH

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

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, Conzzeta AG, Zurich

Jvo Grundler, 1966, CH

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

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

Anne Keller Dubach, 1956, CH

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

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

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 2018 Board Member, Bataillard AG
Since 2018 Board Member, Swiss Prime Site
Since 2018 Board Member, Hello Nina AG
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



Jvo Grundler, 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 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 Compensation Committee, this member shall withdraw from the proceedings.

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

Compensation Committee: Dr. Jvo Grundler, 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 is though four times a year. Committee

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

In 2017/18, the following number of meetings was held:

– Board of Directors	4
– Finance and Audit Committee	10
– 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 delegate the operational management of the company to the CEO, together with the authority to delegate associated tasks onwards. The company's Organization Regulation governs the breakdown of responsibility between the Board of Directors and the Executive Committee and can be obtained on the Following website: <https://ir.datacolor.com/en/corporate-governance/>

Executive Committee

Executive Committee members are appointed by the Board of Directors.

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

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

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

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

Datacolor Executive Committee

Albert Busch, 1967, NL/USA
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

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

Since 2017 with Datacolor
2015 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 of Human Resource 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. Regarding options please refer to the Compensation report of Datacolor AG.

Share listing

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

Legal status of shareholders

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

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

Voting rights limitations

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

Entries in the share register

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

Cross-shareholdings

There are no cross-shareholdings.

Shareholdings in companies

There are no shareholdings in listed companies. Percentage shareholdings in unlisted companies are disclosed 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 227 for the reporting year 2017/18.

Additional fees

In addition to the audit fee, KPMG provided other services for TUSD 156 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, the focus points of the audits and the findings thereof, the main points arising from management letters, the reports on special audits and the report of the auditor. The Board of Directors has appointed a Steering Committee to manage the audits and to monitor the implementation of the auditors' proposals. This Committee is made up of the Chairman, the CEO and the CFO of Datacolor AG and the auditor in charge of the mandate and meets regularly while audit work is being carried out.

Information policy

Publications

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

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

Key dates

Shareholder's meeting	December 5, 2018
Semi-Annual report	May 6, 2019
Key Figures	October 24, 2019
Annual Report	November 15, 2019
Shareholder's meeting	December 5, 2019

COMPENSATION REPORT

The Compensation Report contains information on the remuneration of the Board of Directors and the Executive Committee of Datacolor AG. The information provided in this Compensation Report relates to the financial year 2017/18, unless otherwise noted. The remuneration report is prepared in accordance with the following regulatory provisions: Swiss Code of Obligation, Ordinance against Excessive Compensation in Listed Corporations (the „Ordinance“), Directive on Information Relating to Corporate Governance by SIX Swiss Exchange, the „Swiss Code of Best Practice for Corporate Governance“ of *economiesuisse*.

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

The complete statutory regulations regarding the approval of 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, as far as an approved total amount is not sufficient (Art. 22), the regulation of the principles of the remuneration (Art. 20), the rules for loans and credits (Art. 23) and the Compensation Committee (Art. 27) can be found on our website at the following URL: <https://ir.datacolor.com/en/corporate-governance/>

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

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, to motivate and to 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 essentially consists of two components :

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

The remuneration of 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 shares (non-current).

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 an annual Board remuneration, lump sum representation and other allowances and other payments based on individual agreements (namely the employment agreement of the Chairman of the Board with Datacolor AG Europe) and respective social security deductions. The amount of the fixed compensation is at the discretion of the Board of Directors. Reimbursement of expenses shall not be deemed to be remuneration.

The variable compensation, which is also paid in cash, is determined by the Board of Directors after the end of the financial year. The Board of Directors bases its decision on business performance, i.e. organic sales growth (excluding acquisitions and divestitures), operating profit EBIT and return on operating assets (RONOA).

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

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

As in the previous fiscal year, for fiscal 2017/18 the members of the Board of Directors also have the right to acquire from their own funds a number of Datacolor AG registered shares determined by the Board of Directors at its discretion. The shares are subject to a three-year blocking period. Due to the vesting period, the shares are purchased at a discount. The relevant share price (closing price of the SIX Swiss Exchange on the day after the publication of the annual report) is discounted by 6% for each year of the vesting period (in accordance with Circular No. 37 of the Swiss Federal Tax Administration for the Taxation of Employee Stock Ownership). The beneficiaries may only dispose of the shares after the vesting period has expired. However, they are already entitled to unlimited voting and dividend rights as of the acquisition of the shares. If a member of the Board of Directors leaves the Board, is not re-elected or is no longer stand-

ing for election, this has no effect on his rights to or from the shares or on the blocking period. Since the shares are acquired at the discounted value accepted for tax purposes and entirely from own funds, the acquisition of the discounted shares does not qualify as remuneration.

2.2 Compensation of the Executive Committee

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

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.

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 remaining 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 AG registered shares, which are subject to the conditions described subsequently. The long-term success of the company is to be rewarded with a vesting period of three years for the acquisition of the shares.

The criteria for determining the total variable compensation (short-term and long-term components) are defined in a set of rules issued by the Board of Directors, which are to be valid for several years. The regulations were last revised with effect from October 1st, 2017. The resulting adjustments were applied for the first time for the 2017/18 financial year. The variable remuneration is determined as follows in accordance with the current regulations:

First of all, the pool available for the payment of performance-related bonuses is determined on the basis of the three financial value drivers, namely organic sales growth compared to the previous year and budget (50% weighting share), operating EBIT compared to budget (30% weighting share) and the return on operating assets (RONOA) compared to budget (20% weighting share). 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 short-term component of variable compensation.

If the EBIT actually achieved falls below the target set by the Board of Directors by more than 50% (minimum threshold), no credit is recorded in the variable compensation pool and there is no entitlement to variable performance-related bonuses. If performance-related bonuses are nevertheless to be paid, this requires a proposal from

the CEO and approval by the Compensation Committee. If the actual EBIT, the organic sales growth or the return on operating assets exceeds the budgeted targets, 25% of the excess will be credited to the variable compensation pool. There is no minimum threshold for the targets of organic sales growth and return on operating assets.

From the pool of performance related bonuses, the Executive Committee members (and other employees eligible 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 (organic sales growth, operating EBIT, return on operating assets). For the CEO, the performance-related bonus may be a maximum of 82% and for the other members of the Executive Committee a maximum of 70% to 86% of the annual target salary. The target salary is defined by the total of both fixed basic compensation plus the performance-related variable short-term and long-term compensation.

The achievement of the individual targets is decisive for participation in the variable compensation pool and was therefore weighted at 100% when determining the performance-related bonus.

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

For each year of the vesting period, the relevant share price for the allocation of Datacolor registered shares is discounted by 6% (in accordance with Circular No. 37 of the Swiss Federal Tax Administration for the Taxation of Employee Stock Ownership). The relevant price for the allocation of the shares is the volume-weighted average

price for the period from April 1st to September 30th prior to the allocation of the shares. If less than 3000 shares were traded during this period, the period is extended to 12 months (October 1st to September 30th).

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 only one member of the Executive Committee as this is principally not provided in the respective employment agreements of the Executive team members.

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

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

No employment agreement has notice periods exceeding six months. The employment agreements with the Executive Committee members do not provide for any 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, following examination by the CEO and the Compensation Committee, for final approval by the Board of Directors. In fiscal year 2017/18, no external consultants were called in.

The Compensation Committee consists of two members of the Board of Directors: Dr. Jvo Grundler (Chairman) and Dr. Fritz Gantert (Member). Dr. Jvo Grundler has taken over as Chairman from Dr. Peter Beglinger, who retired from the Board of Directors at the end of the 2016/17 financial year.

The Board of Directors approves upon the request of the 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 and the other members of the

Board of Directors. Furthermore, the Board of Directors determines the compensation system including the elements of fixed and variable compensation.

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. The Compensation Committee is responsible for reviewing and, if necessary, revising the compensation system.

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

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

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

The Compensation Committee meets as often as business requires, as a rule four times a year. In the year under review, the members of the Compensation Committee met four times: on November 7th, 2017 for one hour, on December 7th, 2017 for one hour, on May 8th, 2018 for one hour and on September 4th, 2018 for one hour. All members of the Committee attended all meetings.

4. Compensation for the fiscal year and previous year

4.1 Board of Directors

The total compensation of the members of the Board of Directors, which are all non-Executive, amounted in the reporting period to TCHF 867 (previous year: TCHF 540). In the year under review, the Board's variable compensation amounted to 14% (previous year: 23%) of the fixed compensation. The details of the compensation in the reporting period and previous year respectively are disclosed in the tables below.

	Remuneration fix	Remuneration variable			Pension	Total
in TCHF	cash based	cash based	share based	option based	costs	
Compensation for Board of Directors 2017/18						
Werner Dubach, Chairman	517	34	0	0	0	551
Dr. Peter Beglinger, Deputy Chairman (until 7.12.2017)	18	5	0	0	0	23
Dr. Jvo Grundler, Deputy Chairman (ab 7.12.2017)	52	15	0	0	0	67
Anne Keller Dubach, member	44	13	0	0	0	57
Prof. Dr. Hans Peter Wehrli, member	44	13	0	0	0	57
Dr. Fritz Gantert, member	44	13	0	0	0	57
Thomas Studhalter, member	44	13	0	0	0	57
Total	763	104	0	0	0	867

	Remuneration fix	Remuneration variable			Pension	Total
in TCHF	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

4.2 Executive Committee

In the reporting period, the variable compensation of the Executive Committee members ranges between 36% and 166% of the fixed base salary (previous year between 32% and 76%).

	Remuneration fix	Remuneration variable			Pension	Total
in TCHF	cash based	cash based	share based	option based	costs	
Compensation for fiscal 2017/18						
To seven members of the Executive Committee	1 589	685	552	0	142	2 968
Thereof highest compensation: Albert Busch	344	285	285	0	24	939

	Remuneration fix	Remuneration variable			Pension	Total
in TCHF	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	2 405
Thereof highest compensation: Albert Busch	339	130	130	0	20	619

5. Proposals to the Annual General Meeting 2018

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 2018 on December 5th, 2018.

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 2018 to the Annual General Meeting 2019: The Board of Directors proposes that the shareholders approve the maximum

total amount of the fixed remuneration of the Board members for the period from the Annual General Meeting 2018 to the Annual General Meeting 2019 of TCHF 850 (exclusive statutory employer contributions to AHV / IV / ALV).

Approval of the variable compensation of the members of the Board of Directors for the current fiscal year 2018/19: The Board of Directors proposes that the shareholders approve the maximum total amount of the variable remuneration of the Board members for the current financial year 2018/19 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 2018 to the Annual General Meeting 2019: 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 2018 to the Annual General Meeting 2019 of TCHF 1 800 (exclusive statutory employer contributions such as AHV / IV / ALV).

Approval of the variable compensation of the members of the Executive Committee for the current fiscal year 2018/19: The Board proposes that the shareholders approve the maximum total amount of the variable remuneration of the members of the Executive Committee for the current fiscal year 2018/19 of TCHF 2 300 (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 Ordinance per new member is available to the extent of a maximum of 30% of the most recently approved total for the fixed remuneration of the Executive Committee per financial year, provided that the total amount approved for the corresponding fiscal year is not enough.

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

No compensation was paid to former members of the Executive Board in the 2017/18 fiscal year (previous year: TCHF 112).

7. Loans and credits

No loans or credits have been granted or are outstanding to the Executive Committee as of September 30th, 2018 (previous year: 0). No loans or credits have been granted or are outstanding to members of the Board of Directors or related parties of current or former members of the Board or Executive Committee.

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

8. Shareholdings and options

The total number of shares held by the Board of Directors and the Executive Committee amounted to 140 943 (previous year: 138 024). The total number of options to purchase Datacolor registered shares held by the Board of Directors and the Executive Committee amounts to 2 139 (previous year 6 579). The management option program was applied for the last time for fiscal 2015/16. The existing options can still be exercised until the end of the respective exercise periods. The execution of the 1 899 options granted in fiscal 2015/16 has to be effected at the latest on October 1st, 2025.

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

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

	2018 Numbers of shares ¹⁾	2017 Numbers of shares ¹⁾	2018 Numbers of options	2017 Numbers of options
Board of Directors and Executive Committee				
Werner Dubach, Chairman	105 442	103 642	369	1 269
Dr. Peter Beglinger, Deputy Chairman (until 7.12.2017)	525	208	148	508
Dr. Jvo Grundler, Deputy Chairman (after 7.12.2017)	0		0	
Anne Keller Dubach, member	32 523	32 043	98	338
Prof. Dr. Hans Peter Wehrli, member	1 135	1 053	338	338
Dr. Fritz Gantert, member	1 218	1 078	98	338
Thomas Studhalter, member	100	0	0	0
Executive Committee	0	0	1 088	3 788
Total	140 943	138 024	2 139	6 579

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



To the General Meeting of Datacolor AG, Lucern

We have audited the accompanying remuneration report of Datacolor AG for the year ended September 30, 2018. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in the sections 4 and 6 to 8 on pages 16 to 18.

Responsibility of the Board of Directors

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the remuneration report for the year ended September 30, 2018 of Datacolor AG complies with Swiss law and articles 14–16 of the Ordinance.

KPMG AG

Toni Wattenhofer
Licensed Audit Expert
Auditor in Charge

Sandro Masciarucci
Licensed Audit Expert

Lucerne, November 12, 2018

CONSOLIDATED INCOME STATEMENT

in TUSD		2017/18		2016/17	
Net sales	3	81 127	100.0%	72 805	100.0%
Cost of goods sold		-28 180	-34.7%	-23 982	-32.9%
Gross profit		52 947	65.3%	48 823	67.1%
Sales and marketing expenses		-26 112	-32.2%	-22 617	-31.1%
Administrative expenses		-12 939	-16.0%	-12 026	-16.5%
Research and development expenses		-7 702	-9.5%	-7 797	-10.7%
Other operating income/expenses		-8	0.0%	35	0.0%
EBIT ¹⁾		6 186	7.6%	6 418	8.8%
Financial result	6	113	0.1%	2 626	3.6%
Profit before income taxes		6 299	7.7%	9 044	12.4%
Income taxes	7	-2 206	-2.7%	-2 232	-3.0%
Profit for the year		4 093	5.0%	6 812	9.4%
		USD		USD	
Earnings per share	4				
non-diluted		25.29		42.78	
diluted		25.10		41.82	
		CHF		CHF	
Earnings per share ²⁾					
non-diluted		24.66		42.28	
diluted		24.48		41.33	

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		30.09.2018		30.09.2017	
Assets					
Cash and cash equivalents	8	17 647	25.1%	19 436	28.6%
Current financial assets	9	22 965	32.6%	18 755	27.5%
Trade receivables	10	10 452	14.8%	10 835	15.9%
Other receivables	11	1 492	2.1%	1 425	2.1%
Inventories	12	6 141	8.7%	5 282	7.8%
Current tax assets		129	0.2%	146	0.2%
Prepaid expenses		132	0.2%	138	0.2%
Current assets		58 958	83.7%	56 017	82.3%
Property, plant and equipment	13	9 847	14.0%	10 384	15.2%
Intangible assets	14	456	0.7%	579	0.9%
Deferred tax assets	7	1 144	1.6%	1 109	1.6%
Non-current assets		11 447	16.3%	12 072	17.7%
Assets		70 405	100.0%	68 089	100.0%
Liabilities and shareholders' equity					
Financial liabilities	16	0	0.0%	0	0.0%
Trade payables		3 466	4.9%	3 565	5.3%
Current tax liabilities		2 155	3.1%	1 801	2.6%
Other liabilities	17	2 271	3.2%	2 455	3.6%
Accrued liabilities	18	16 532	23.5%	15 782	23.2%
Short term provisions	19	311	0.4%	439	0.6%
Current liabilities		24 735	35.1%	24 042	35.3%
Other liabilities	17	759	1.1%	1 108	1.6%
Long term provisions	19	505	0.7%	318	0.5%
Deferred tax liabilities		328	0.5%	415	0.6%
Non-current liabilities		1 592	2.3%	1 841	2.7%
Liabilities		26 327	37.4%	25 883	38.0%
Share capital		153	0.2%	153	0.2%
Treasury shares		-3 850	-5.5%	-4 941	-7.3%
Capital reserves		-4 062	-5.8%	-3 477	-5.1%
Retained earnings		51 837	73.7%	50 471	74.2%
Shareholders' equity		44 078	62.6%	42 206	62.0%
Liabilities and shareholders' equity		70 405	100.0%	68 089	100.0%

CONSOLIDATED CASH FLOW STATEMENT

in TUSD

		2017/18	2016/17
Profit before income taxes		6 299	9 044
Depreciation of property, plant and equipment	13	1 864	1 862
Amortization of intangible assets	14	309	622
Result from the disposal of non-current assets	13	130	-17
Changes in provisions	19	59	-97
Other non-cash positions ¹⁾		769	-337
Income from securities and dividends, net	6	-620	-1 939
Interest paid	6	-44	-26
Change in fair value of derivatives	15	0	10
Income taxes paid		-1 957	-1 673
Cash flow before changes in working capital		6 809	7 449
Changes in trade receivables	10	223	-2 206
Changes in other receivables and prepaid expenses		-61	514
Changes in inventories	12	-860	-856
Changes in trade payables		-88	1 390
Changes in other and accrued liabilities	17/18	217	2 211
Cash flow from operating activities		6 240	8 502
Investments in property, plant and equipment	13	-1 588	-2 065
Divestments of property, plant and equipment	13	59	59
Investments in intangible assets	14	-188	-19
Investments in financial assets	9	-18 658	-18 209
Divestments of financial assets	9	13 984	16 448
Interest and dividends received		952	926
Cash flow from investing activities		-5 439	-2 860
Purchase of treasury shares		-1 165	-2 088
Exercise of stock options		1 308	1 204
Repurchase of stock options		0	-87
Dividends paid		-2 425	-2 108
Cash flow from financing activities		-2 282	-3 079
Increase in cash and cash equivalents		-1 481	2 563
Cash and cash equivalents at beginning of the year		19 436	16 570
Translation differences on cash and cash equivalents		-308	303
Cash and cash equivalents at end of the year	8	17 647	19 436

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in TUSD	Share capital ¹⁾	Treasury shares ²⁾	Capital reserves ³⁾	Retained earnings ⁴⁾	Accumulated translation differences	Total retained earnings	Total shareholders' equity
Balance as of 1.10.2016	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 ⁹⁾		-2 088				0	-2 088
Translation differences					26	26	26
Profit for the year				6 812		6 812	6 812
Balance as of 30.09.2017	153	-4 941	-3 477	51 288	-817	50 471	42 206
Balance as of 1.10.2017	153	-4 941	-3 477	51 288	-817	50 471	42 206
Dividends paid ⁵⁾				-2 425		-2 425	-2 425
Share based payment ⁶⁾		2 374	-703	13		13	1 684
Sale of treasury shares to BOD ⁷⁾		1 115	92				1 207
Sale of treasury shares ⁸⁾		44	26				70
Purchase of treasury shares ⁹⁾		-2 442				0	-2 442
Translation differences					-315	-315	-315
Profit for the year				4 093		4 093	4 093
Balance as of 30.09.2018	153	-3 850	-4 062	52 969	-1 132	51 837	44 078

¹⁾ The share capital as of September 30, 2018 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 5 866 treasury shares (previous year: 9 241). Shares purchased before October 1, 2008 were translated at the CHF/USD closing rate as of September 30, 2008.

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

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

⁵⁾ A dividend of CHF 15 (previous year: CHF 13) 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 13 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.

⁷⁾ Members of the Board of Directors used their right for the fiscal year 2017/18 to acquire from their own funds 1 537 Datacolor AG registered shares. The difference between the purchase price (CHF 617) and the historical purchase value as per transaction date (CHF 526.33) has been booked to capital reserves (Total profit TUSD 141).

The execution of prior year's right to buy 518 registered shares (book value TUSD 297) resulted in a charge of TUSD 48.

⁸⁾ 83 treasury shares were sold to third parties in the fiscal year 2017/18. The difference between the purchase price (average of CHF 833.50) and the historical purchase value as per transaction date (CHF 526.33) has been booked to capital reserves (Total profit TUSD 26).

⁹⁾ In the period ended September 30, 2018 Datacolor purchased 3 203 (previous year: 3 335) registered shares at an average share price of CHF 762.55 (previous year: 577.99) for a total amount of TUSD 2 442 (previous year: TUSD 2 088).

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.

During the past reporting period, Datacolor Logistik AG and Datacolor Holding AG were merged into Datacolor AG Europe as per October 1, 2017. As per October 1, 2017 Datacolor AG Europe is held directly by Datacolor AG.

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

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

statements as of September 30 are prepared for consolidation purposes.

Principles of consolidation

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

Foreign currency translation

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

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

Cash flow statement

The fund 'cash and cash equivalents' 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

Share plan

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

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

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

Options plan

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 these 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.

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
ITS	3 – 7 years
Installations	10 – 20 years
Vehicles	5 – 12 years

Intangible assets

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

Goodwill: 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	2017/18	in % of Totals	2016/17	in % of Totals
Net sales to third parties	81 127	100.0%	72 805	100.0%
Europe	27 567	34.0%	25 217	34.6%
Americas	25 614	31.6%	19 699	27.1%
Asia/Pacific	27 946	34.4%	27 889	38.3%
in TUSD	30.09.2018	in % of Totals	30.09.2017	in % of Totals
Assets	70 405	100.0%	68 089	100.0%
Europe	40 496	57.5%	38 749	56.9%
Americas	12 577	17.9%	13 195	19.4%
Asia/Pacific	17 332	24.6%	16 145	23.7%
	2017/18	in % of Totals	2016/17	in % of Totals
Average number of employees	417	100.0%	382	100.0%
Europe	90	21.6%	87	22.8%
Americas	141	33.9%	125	32.7%
Asia/Pacific	186	44.5%	170	44.5%

4 Earnings per share (EPS)

in TUSD	2017/18	2016/17
Profit for the year	4 093	6 812
Average number of shares outstanding	161 845	159 234
Basic earnings per share in USD	25.29	42.78
Effect of dilution: Number of share	1 198	3 673
Adjusted average number of shares for diluted earnings per share	163 043	162 907
Diluted earnings per share in USD	25.10	41.82

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		2017/18	2016/17
Salaries		29 461	24 977
Social security costs		5 731	4 908
Pension costs	20	918	571
Other personnel expenses		1 604	1 508
Personnel expenses		37 714	31 964

6 Financial result

in TUSD		2017/18	2016/17
Interest income		44	26
Earnings from securities		620	1 939
Foreign exchange gains		1 194	2 115
Foreign exchange losses		-1 745	-1 454
Financial result		113	2 626

7 Income taxes

in TUSD		2017/18	2016/17
Current income taxes		-2 374	-2 283
Deferred income taxes		168	51
Income taxes		-2 206	-2 232

Deferred tax assets amounting to TUSD 1 144 (previous year: TUSD 1 109) 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 25% (previous year: 24%).

The effect of the change in tax-deductible losses carried forward on income taxes is shown in the following table:

in TUSD	2017/18	%
Taxes before the tax effect from the use of unrecognized loss carry forwards	-2 317	37%
Tax effect from the use of unrecognized loss carry forwards	111	2%
Taxes after the tax effect from the use of unrecognized loss carry forwards	-2 206	35%

The capitalization of tax-usable losses carried forward is reassessed annually based on management's current assumptions and estimates. The total amount of tax losses carried forward is USD 13.3 million (previous year: USD 10.2 million) and the predominant part can be used without any time restrictions. However, no deferred tax assets were capitalized for these losses carried forward.

8 Cash and cash equivalents

in TUSD	30.09.2018	30.09.2017
Cash on hand, postal accounts	10	8
Cash at bank	17 637	19 428
Cash and cash equivalents	17 647	19 436

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

9 Financial assets

in TUSD	30.09.2018	30.09.2017
Securities held for trading	22 965	18 755
Current financial assets	22 965	18 755

In the reporting period the net amount of TUSD 4 674 have been invested in marketable short-term financial assets. In previous year the net amount of TUSD 1 761 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	30.09.2018		30.09.2017	
Trade receivables, gross	11 355	100%	11 637	100%
Allowance for doubtful debts	-903	-8%	-802	-7%
Trade receivables, net	10 452	92%	10 835	93%

11 Other receivables

in TUSD	30.09.2018		30.09.2017	
Other receivables from				
- Third parties	470	31%	379	27%
- Government	231	15%	242	17%
- Pension funds	29	2%	27	2%
- Related parties	53	4%	58	4%
Prepayments to third parties	709	48%	719	50%
Other receivables	1 492	100%	1 425	100%

12 Inventories

in TUSD	30.09.2018		30.09.2017	
Semi-finished and finished goods	5 553	61%	5 016	58%
Trading goods	3 529	39%	3 569	42%
Gross inventories	9 082	100%	8 585	100%
Allowances	-2 941	-32%	-3 303	-38%
Net inventories	6 141	68%	5 282	62%

13 Entwicklung der Sachanlagen

in TUSD

	Operating properties	Other mobile fixed assets	Total property, plant and equipment
Acquisition or production costs			
Balance as of 1.10.2016	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
Additions	19	1 569	1 588
Disposals	0	-1 064	-1 064
Translation differences	-3	-165	-168
Balance as of 30.09.2018	13 650	10 269	23 919
Accumulated depreciation			
Balance as of 1.10.2016	5 713	5 962	11 675
Additions	460	935	1 395
Adjustments	467	0	467
Disposals	-58	-342	-400
Translation differences	9	33	42
Balance as of 30.09.2017	6 591	6 588	13 179
Additions	560	1 304	1 864
Adjustments	0	0	0
Disposals	0	-874	-874
Translation differences	-7	-90	-97
Balance as of 30.09.2018	7 144	6 928	14 072
Net carrying amount			
Balance as of 30.09.2017	7 043	3 341	10 384
Balance as of 30.09.2018	6 506	3 341	9 847

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 loss on the disposal of property, plant and equipment in the fiscal year 2017/18 amounted to TUSD 130 (previous year: gain of TUSD 17).

In the reporting period other mobile fixed assets in the amount of TUSD 1 569 (previous year TUSD 1 560) 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 22.5 million).

14 Intangible assets

in TUSD	Capitalized development costs and other intangible assets	Trademarks, licenses, patents	Total
Balance as of 1.10.2016	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
Additions	188	0	188
Disposals	0	0	0
Translation differences	-51	0	-51
Balance as of 30.09.2018	8 985	221	9 206
Accumulated amortization			
Balance as of 1.10.2016	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
Additions	307	2	309
Disposals	0	0	0
Translation differences	-49	0	-49
Balance as of 30.09.2018	8 682	68	8 750
Net carrying amount			
Balance as of 30.09.2017	424	155	579
Balance as of 30.09.2018	303	153	456

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 7 723 (previous year: TUSD 7 797) 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 188 (previous year: TUSD 19) have been capitalized. The additions relate primarily to consultant software.

15 Risk management and Internal controls

Due to its international business, the Datacolor Group is exposed to different operational and strategic risks which are assessed on an ongoing basis 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.

The 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 an 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 used to fund operating activities in various short-term financial asset classes 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	
		30.09.2018	30.09.2017	2017/18	2016/17
CHF	1	1,02	1,03	1,03	1,01
EUR	1	1,16	1,18	1,20	1,10
GBP	1	1,30	1,34	1,35	1,27
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, 2018 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, 2018 foreign exchange contracts in the amount of TUSD 0 (previous year: TUSD 0) were pending. The replacement value amounts to TUSD 0 (previous year: TUSD 0).

Forward exchange contracts	Contract value		Positive fair value		Negative fair value		Purpose
	30.09.2018	30.09.2017	30.09.2018	30.09.2017	30.09.2018	30.09.2017	
in TUSD							
Forward exchange contracts	0	0	0	0	0	0	

16 Financial liabilities

in TUSD	30.09.2018	30.09.2017
Financial liabilities - banks	0	0
Current financial liabilities	0	0
Credit lines available (CHF 6.75 Mio.)	6 969	6 703
Unused credit lines (CHF 6.75 Mio.)	6 969	6 703

Available and unused credit lines for Datacolor Group CHF 6.75 million (previous year: CHF 6.5 million).

17 Other liabilities

in TUSD	30.09.2018	30.09.2017
Other current liabilities against – Government	464	560
Prepayments from third parties	1 807	1 895
Other current liabilities	2 271	2 455
Other non-current liabilities	759	1 108
Other liabilities	3 030	3 563

The non-current liabilities include the long-term portion of the management participation plan of TUSD 0 (previous year: TUSD 376). Refer to note 2 Accounting principles.

18 Accrued liabilities

in TUSD	30.09.2018	30.09.2017
Deferred revenue for service contracts and shipments	7 362	7 363
Employee related accruals	6 095	5 652
Stock option plan	211	393
Year-end closing (audit, tax consulting, bookkeeping)	205	381
Other accrued expenses	2 659	1 993
Accrued liabilities	16 532	15 782

The liability resulting from the stock option plan amounts to TUSD 211 (previous year: TUSD 769) 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 1.10.2016	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

Balance as of 1.10.2017	439	318	757
Additions	405	214	619
Used	-439	-132	-571
Reversed	0	0	0
Translation differences	0	11	11
Balance as of 30.09.2018	405	411	816

Disclosed in the consolidated balance sheet as:

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

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	30.09.2018	30.09.2018	30.09.2017		2017/18	2017/18	2016/17
Pension plans without own assets (abroad)	0	-136	-141	5	0	769	487
Pension plans with surplus / deficit (Switzerland)	0	0	0	0	0	149	84
Total	0	-136	-141	5	0	918	571

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

In Switzerland the pension plan is regulated through an independent fund („Gemeinschaftsstiftung“). The actuarial coverage according to Art. 44 BVV2 was at 111.1% as of September 30, 2018, at 114.1% as of December 31, 2017 and 110.1% as of September 30, 2017. 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 136 (previous year: TUSD 141) 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 2017, 526 registered shares were allocated to the members of the Executive Committee, including prior year (404 shares) a total of 930 registered shares allocated. The book value of those 930 shares as per September 30, 2018 was determined by using the average price for Datacolor shares over the past 12 months (October 1, 2017 to September 30, 2018) and the corresponding expense of TUSD 303 was booked as personnel expense. The total liability of TUSD 398 (previous year: TUSD 95) is shown as part of 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 12 Information for Investors). The strike price and option repurchase values are calculated using the financial option pricing model Black-Scholes. The option premium is set at CHF 125 for members of the Board of Directors and at CHF 50 for beneficiaries from the Executive team.

In fiscal 2017/18 TUSD 13 were recorded in the income statement (previous year: TUSD 80). The total liability for the stock option plan recorded amounts to TUSD 211 (previous year: TUSD 552) of which the current portion of TUSD 211 (previous year: TUSD 393) is disclosed as accrued liabilities and the non-current portion of TUSD 0 (previous year: TUSD 159) is recorded in other non-current liabilities. In the reporting period no options were repurchased by employees who had left the company (previous year: 600) and 4 440 options were exercised (previous year: 4 680).

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.

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

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

Grant	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 repurchased 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.

22 Related parties and companies

Material transactions with related parties in fiscal year 2017/18 (previous year: TUSD 0):

in TUSD

	2017/18	Liabilities as per 30.09.2018
BDO AG, Luzern: Consulting services (Thomas Studhalter, Member of the Board of Directors, is Partner of BDO AG)	58	27
Sale of 1 537 / 518 registered shares to members of the Board of Directors (see also Consolidated statement of changes in equity).	1 207	0

For Remuneration to the Board of Directors and the Executive Committee please refer to the Remuneration Report of Datacolor AG page 14ff. The shareholdings and option are disclosed in Note 4.2 of the statutory report of Datacolor AG.

23 Leasing liabilities

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

The leasing expenses in the financial year amount to TUSD 115 (previous year: TUSD 128).

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

in TUSD

	30.09.2018	30.09.2017
Due in reporting period + 1 year	93	90
Due in reporting period + 2 years	81	80
Due in reporting period + 3 years	78	80
Due in reporting period + 4 years	198	200
Total operating lease liabilities	450	450

24 Contingent liabilities

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

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

25 Securing of own liabilities

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

26 Acquisitions

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

27 Subsequent events

The consolidated financial statements were approved for publication by the Board of Directors on November 7, 2018. They have yet to be approved in the general meeting.

The Board of Directors is to propose to the general meeting that a dividend of CHF 15 per share paid for the of financial year 2017/18. Refer to the proposed appropriation of available earnings in the report of Datacolor AG.

Between the balance sheet date and November 12, 2018 no further significant events occurred which might have an influence on the information presented in the 2017/18 annual financial statements or require disclosure in this note of the report.

28 Group entities

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

¹⁾ The company is held directly by Datacolor AG.

²⁾ Fusion with Datacolor Holding AG and Datacolor Logistik AG as per October 1, 2017.



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, 2018 and the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 20 to 37) give a true and fair view of the consolidated financial position of the Group as at September 30, 2018, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for Opinion

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

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

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



Revenue recognition

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



Revenue recognition

Key Audit Matter

Total consolidated net sales of the financial year 2017/2018 amounted to CHF 81.1 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, 2018 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 25
- Note 17 Other liabilities on page 33
- Note 18 Accrued liabilities on page 33



Responsibility of the Board of Directors for the Consolidated Financial Statements

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

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

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

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

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

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

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



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

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

Toni Wattenhofer
Licensed Audit Expert
Leitender Revisor

Sandro Mascarucci
Licensed Audit Expert

Lucerne, November 12, 2018

FINANCIAL STATEMENTS OF DATACOLOR AG

BALANCE SHEET

in TCHF		30.09.2018		30.09.2017	
Assets					
Cash and cash equivalents	3.1	45		114	
Other current receivables					
– from investments		3 956		3 145	
Prepaid expenses		14		19	
Current assets		4 015	19.3%	3 278	16.3%
Loans from investments	3.2	6 800		6 800	
Investments	3.2	10 000		10 000	
Non-current assets		16 800	80.7%	16 800	83.7%
Assets		20 815	100.0%	20 078	100.0%
Liabilities and shareholders' equity					
Other current liabilities					
– to third parties		57		16	
– to investments		2 787		1 695	
Accrued liabilities	3.3	935		1 040	
Current liabilities		3 779	18.2%	2 751	13.7%
Other non-current liabilities	3.3	0		289	
Non-current liabilities		0	0.0%	289	1.4%
Liabilities		3 779	18.2%	3 040	15.1%
Share capital		168		168	
Statutory capital reserves from tax capital contributions		19		19	
Statutory legal reserves		84		84	
Retained earnings		20 557		21 631	
Treasury shares	3.4	-3 792		-4 864	
Shareholders' equity		17 036	81.8%	17 038	84.9%
Liabilities and shareholders' equity		20 815	100.0%	20 078	100.0%

INCOME STATEMENT

in TCHF	2017/18	2016/17
Income from investments	2 000	4 000
Service income	1 203	1 175
Total operating income	3 203	5 175
Personal expenses	-1 483	-1 544
Administrative expenses	-553	-368
Total operating expenses	-2 036	-1 912
Operating profit	1 167	3 263
Financial income	210	69
Financial expenses	-3	0
Profit before taxes	1 374	3 332
Direct taxes	-2	-1
Profit for the year	1 372	3 331

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 1.10.2016	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
Balance as of 1.10.2017	168	19	84	21 631	-4 864	17 038
Dividends paid				-2 446		-2 446
Profit for the year				1 372		1 372
Changes in treasury shares					1 072	1 072
Balance as of 30.09.2018	168	19	84	20 557	-3 792	17 036

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, 2018 and will be submitted to the Annual General Meeting on December 5, 2018.

2. Key accounting and valuation principles

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

2.1 Foreign currency items

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

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

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

2.2 Related parties

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

2.3 Loans and investments

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

2.4 Treasury shares

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

2.5 Share based payments

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

2.6 Renounce cash flow statement and additional disclosures in the notes

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

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

3.1 Cash and cash equivalents

in TCHF	30.09.2018	30.09.2017
in CHF	24	60
in EUR	21	54
Total	45	114

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 0 (previous year: TCHF 289) is disclosed in the non-current liabilities. The accrued liabilities continue to include the short-term portion of the liability of TCHF 416 (previous year: TCHF 688).

3.4 Treasury shares

Datacolor AG holds a total of 5 866 (previous year: 9 241) treasury shares, carried at TCHF 3 792 (previous year: TCHF 4 864). All treasury shares are reserved for the stock option plan of the Datacolor Group. A portion of treasury shares are blocked shares for the members of Board of Directors and Executive Committee according to the management participation plan.

In financial year 2017/18 3 203 registered shares were purchased at an average price of CHF 753.64 and 4 440 registered shares were exercised from the stock option plan. The average price of the registered shares from the management participation was CHF 526.33.

In financial year 2016/17 3 335 registered shares were purchased at an average price of 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 TCHF	2018			2017		
	Nominal	Book value	Number	Nominal	Book value	Number
Balance as of 01.10	9	4 864	9 241	11	5 262	10 586
Shares purchased	1	1 265	1 065	3	1 928	3 335
Shares allotted	-4	-2 337	-4 440	-5	-2 326	-4 680
Balance as of 30.09	6	3 792	5 866	9	4 864	9 241

The share capital entitled to dividend payments amounts to CHF 163 108 as per September 30, 2018 (previous year: CHF 159 725).

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

	2018 Numbers of shares ¹⁾	2017 Numbers of shares ¹⁾	2018 Numbers of options	2017 Numbers of options
Board of Directors and Executive Committee				
Werner Dubach, Chairman	105 442	103 642	369	1 269
Dr. Peter Beglinger, Deputy Chairman (until 7.12.2017)	525	208	148	508
Dr. Jvo Grundler, Deputy Chairman (after 7.12.2017)	0		0	
Anne Keller Dubach, member	32 523	32 043	98	338
Prof. Dr. Hans Peter Wehrli, member	1 135	1 053	338	338
Dr. Fritz Gantert, member	1 218	1 078	98	338
Thomas Studhalter, member	100	0	0	0
Executive Committee	0	0	1 088	3 788
Total	140 943	138 024	2 139	6 579

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

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:

	30.09.2018	30.09.2017
Werner Dubach	62.75%	61.68%
Anne Keller Dubach	19.35%	19.07%

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

4.5 VAT taxation group

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

PROPOSED APPROPRIATION OF RETAINED EARNINGS

Proposal of the Board of Directors

Appropriation of retained earnings

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

Retained earnings as per 30.09.2018	TCHF	20 557
Treasury shares as per 30.09.2018	TCHF	-3 792
Retained earnings available for distribution by the general assembly	TCHF	16 765

The Board of Directors proposes that the retained earnings of TCHF 20 557 of Datacolor AG are distributed as follows:

Distribution of a dividend on dividend-entitled share capital	TCHF	2 447
Carry forward to new account	TCHF	18 110

The gross dividend of CHF 15 per dividend-entitled share corresponds to a total expected distribution of TCHF 2 447. If this earnings appropriation proposal is approved, the dividend will be paid free of expense net of 35% Swiss withholding tax on December 12, 2018. The effective dividend distribution is based on the dividend-entitled share at the record day.



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, 2018, the income statement and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 42 to 46) for the year ended September 30, 2018 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
Leitender Revisor

Sandro Mascarucci
Licensed Audit Expert

Lucerne, November 12, 2018

KPMG AG, Pilatusstrasse 41, CH-6003 Lucerne

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ADDRESSES

Headquarter Holding

Datacolor AG
Waldstätterstrasse 12
CH-6003 Luzern
Phone +41 44 488 40 19
www.datacolor.com

Datacolor

USA

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

Europe

Datacolor AG Europe
Loorenstrasse 9
CH-8305 Dietlikon
Phone +41 44 835 38 99
www.datacolor.com

Asia

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