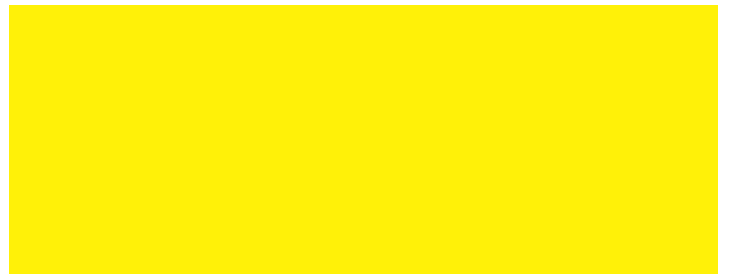















Annual Report 2005



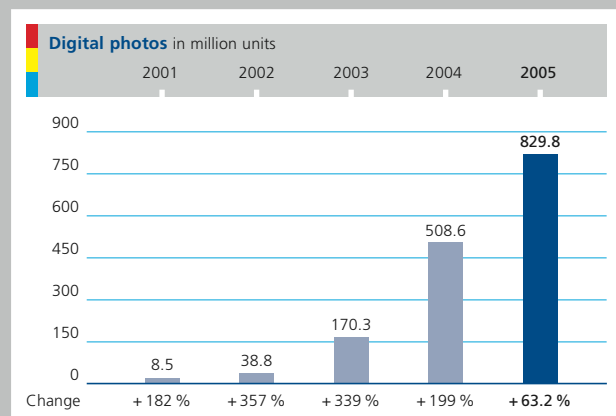
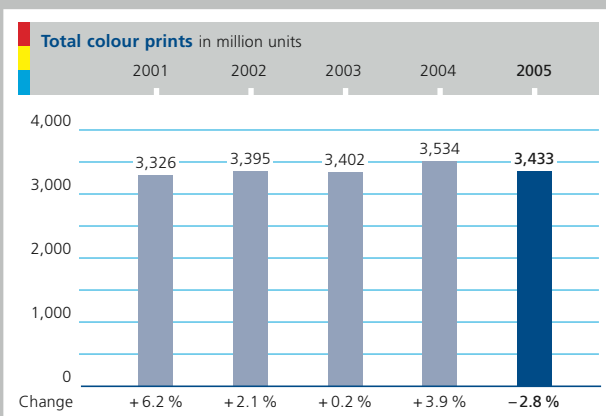
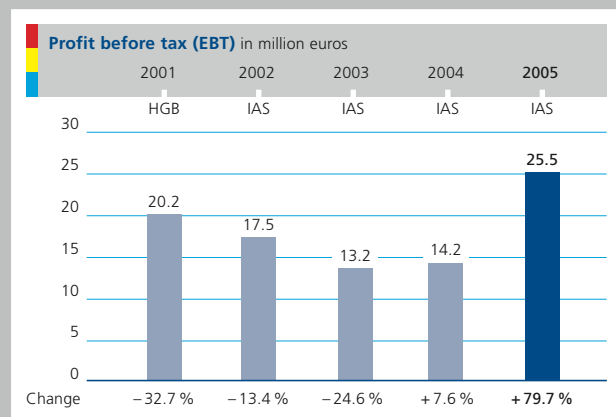
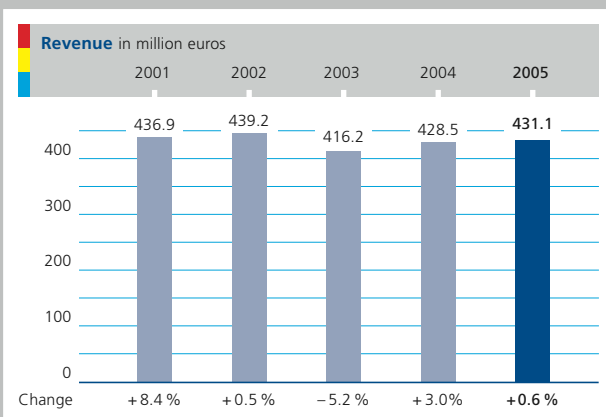
The CeWe Color Group – Overview

	2004	2005	Change
1. Revenues (in thousand euros)	428,448	431,130	0.6 %
- Central Europe	254,216	261,593	2.9 %
- Rest of Europe	174,232	169,537	-2.7 %
2. Sales and employees			
Number of colour prints (in million units)	3,534	3,433	-2.8 %
- of which digital prints (in million units)	508.6	829.8	63.2 %
Number of developed films (in million units)	81.5	70.7	-13.3 %
Image CDs (in thousand units)	4,842	4,825	-0.4 %
Employees (extrapolated on a full-time basis)	3,829	3,730	-2.6 %
Personnel expenses (in thousand euros)	124,336	131,092	5.4 %
3. From the Consolidated Balance Sheet (in thousand euros)			
Assets Noncurrent assets	134,748	129,726	-3.7 %
Current assets	124,415	128,717	3.5 %
Total assets	260,713	261,300	0.2 %
Borrowing	121,234	109,596	-9.6 %
Equity	106,440	113,045	6.2 %
4. From the Consolidated Profit and Loss Account (in thousand euros)			
EBITDA	60,199	68,578	13.9 %
EBITA	24,678	37,126	50.4 %
Result from operating activities (EBIT)	15,926	28,725	80.4 %
Profit before tax (EBT)	14,208	25,531	79.7 %
Income taxes	10,693	11,612	8.6 %
Profit after tax (EAT)	1,169	11,502	+883.9 %
Net profit/loss (after minority interests)	244	7,087	2,804.5 %
5. Earnings per share (in euros)	0.04	1.29	3,125.0 %
6. Equity ratio (in %)	40.8	43.3	6.0 %
7. Cash Flow (profit after tax (EAT) + amortization /depreciation) (in million euros)	45.4	51.4	13.2 %
8. Free Cash Flow (Cash Flow – capital expenditure) (in million euros)	8.2	15.2	85.4 %
9. Cash Flow from financing activities (in million euros)	5.4	6.3	16.7 %
10. Capital expenditure (in millions euros)	37.2	36.2	-2.7 %
11. Dividend per share (in euros)	0.60	1.20	100.0 %
12. Dividend return on year-end price (in %)	2.25	2.90	28.9 %

CeWe Color industrial photofinishing market shares in select countries (March 2006)		Market shares of production systems in these countries	
in %		Industrial finishing	Minilab
	0 10 20 30 40 50 60 70 80 90 100		
Hungary		95 %	35 %
Czech Republic		55 %	60 %
Slovakia		50 %	65 %
Austria		50 %	92 %
The Netherlands		45 %	75 %
Germany		45 %	88 %
Poland		40 %	30 %
Belgium		40 %	81 %
France		35 %	67 %
Switzerland		35 %	90 %
Denmark		35 %	72 %

Here's looking at the digital future. CeWe Color is the largest European photofinisher and we developed and sold more than **3.4 billion colour photos** in fiscal year 2005. If all of these photos were 10 x 15s, they could be wrapped around the globe **12 times** in a strip **510,000 km** long.

Digital photography has never before enjoyed such a high share of the market – more than 24 % or **829.8 million photos** were digital. CeWe Color is a first mover when it comes to launching new digital technologies and products, thus reacting to changed customer needs. In order to continue expanding this technology leadership, CeWe Color invested **more than 36.2 million euros** in innovative technologies and products in 2005.



Company portrait: CeWe Color is the service partner for top brand names on the European photographic market. We supply both stores and Internet trading companies (e-commerce) with photographic products.

Every day, more than **1,300 external express messengers** supply more than **60,000 retail partners in 19 European countries**. In our 20 production plants in Europe, **3,700 employees** work our highly-automated industrial mass production system, in which we operate state-of-the-art machines – some of which we have developed ourselves – in order to achieve a high degree of efficiency and to permanently enhance productivity.

We supply consumers through retail stores. Every year, we develop more than **3.0 billion colour prints**, from both films and image data. In December 2005, we recorded **46.0 % of our revenues with digital products** and services. This proportion will rise to more than **55.0 %** by December 2006.

CeWe Color stands for both **innovation and continuity** – our company is characterized by highly experienced managers and employees, constant, transparent growth and consistently high earnings and dividends. We are the technology and cost leader with a **market share of more than 40.0 %** in 19 European countries, and we have succeeded in significantly expanding our competitive position. CeWe Color is the **European market leader** in industrial photofinishing.



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Dr. Rolf Hollander

Chairman of the Managing Board of CeWe Color Holding AG and the Neumüller CeWe Color Foundation

Statement by Dr. Rolf Hollander

CeWe Color has become the cost leader for European photo-finishing thanks to our highly efficient production and logistics. We have climbed the forefront of the European market thanks to our low unit costs and top technology.

We will further expand this position with in-depth customer orientation and enhanced marketing.

Dear Shareholders!

An excellent 2005

Fiscal year 2005 was a great success for CeWe Color. Profit before tax (EBT) totaled 25.5 million euros, and profit after tax totaled 11.5 million euros – significantly exceeding the previous year's weaker results (+79.7% or +883.9% on the previous year). We are a little bit proud of these results, because they're not just a matter of course during a difficult period in the photographic sector.

The technology migration from analog to digital photography is both a threat and an opportunity. It is a threat for all market players who have recorded excellent income with photographic films and film processing – in some cases over decades. It is also an opportunity for everyone who started the in-depth development, production and marketing of digital products in good time.

Many market players have not been able to escape the threat – including the well-established company Agfa Photo. CeWe Color geared its operations to the technology migration early on. Markets consolidate after this type of technology shift, and our company is now among the winners.

The company has gained a great deal of expertise in producing and distributing digital photos. 60,000 retail partners in Europe offer CeWe Color's photographic services in 19 countries. We are meeting with increasing interest from retail companies in acquiring CeWe Color as a supplier in new sales regions. This resulted in CeWe Color penetrating the United Kingdom, Rumania, Croatia, Slovenia and Lithuania at the end of 2005.

We are very pleased that digital photography has spread further. 7.4 million digital cameras were sold in Germany in 2005 alone – a new record (7.0 million digital cameras in 2004). Producing digital photos is becoming easier and easier. More and more people are aware that they can order digital photos from CeWe Color via the Internet, order terminals (DigiPhoto Maker) or by handing in a camera card or a CD-ROM burned on a PC. CeWe Color's digital photos offer high quality – simply beautiful

photos – and they are economical. This resulted in the volume of CeWe Color's digital photos increasing by 63.2% in 2005.

We are particularly pleased with CeWe photo book – a personal book of your own digital photos, individually printed and bound. Why not take a look at www.cewe-photobook.com: You'll love it – and even more so when you're holding your own, finished CeWe photo book in your hands. In the spring of 2006, eight CeWe plants will already be producing this new digital technology product. In 2007 it will generate revenues of more than 15.0 million euros for us.

However, no matter how pleased we are with the growth in digital photography, we must not forget the massive downturn in the film business. CeWe Color produced 13.9% fewer analog photos in 2005 compared to 2004. We are forecasting a downturn of 25.0% in 2006. The growth in digital photography will not fully compensate for this, which means we are preparing for lower sales and revenue in 2006. We have started to modify capacity, for example by closing production plants in Marseille, Worms and Aarhus, and we have reworked our range of products and services. For example, we will discontinue the high-cost overnight service (night express) in early 2006.

Earnings in 2006 are expected to be down on 2005, but up on earnings in 2001 to 2004.

The management team is continuing to expand the company's market position. This is based on CeWe Color's technology and cost leadership. Increased consumer communication, coupled with moderate brand expansion, will provide additional impetus – so that you will continue to support your company: CeWe Color.

Oldenburg, March 15, 2006



Report of the Supervisory Board

The Supervisory Board of CeWe Color Holding AG comprised the following members in fiscal year 2005, unchanged against 2004:

Hubert Rothärmel (Chairman)
 Hartmut Fromm (Deputy Chairman)
 Prof. Dr. Hans-Jürgen Appellrath
 Dr. h.c. Manfred Bodin
 Dr. Fritz Kröger
 Andreas F. Schubert

During fiscal year 2005, the Supervisory Board performed its statutory duties and its duties according to the company's articles of incorporation and made the associated decisions.

It monitored and advised the company's Managing Board. It was informed in detail by the Managing Board in monthly and quarterly written reports and verbally and in writing at the Supervisory Board's meetings. The Supervisory Board discussed these reports with the Managing Board in depth.

The Managing Board regularly informed the Chairman of the Supervisory Board about key decisions and developments.

Five meetings of the Supervisory Board were held in fiscal year 2005. These took place on March 9, 2005, April 6, 2005, June 30, 2005, September 21, 2005 and November 9, 2005. The meeting on April 6, 2005 was dedicated to the Audit Committee's tasks.

In addition, a strategy meeting was held with the Managing Board on October 6 and 7, 2005. This was supported and moderated by two Supervisory Board members.

Once again, discussions focused on developments in digital photography. The Supervisory Board was informed in detail of all of the company's strategic and operating activities that are connected with the market's migration from analog to digital photography.

The Supervisory Board is convinced of the intensity and seriousness of these efforts, and was pleased to ascertain that at the end of 2005 46.0 % of the company's revenues were already being recorded with digital products and services.

In addition, the Supervisory Board dealt in particular detail with the following topics:

Geographic expansion: The Managing Board kept the Supervisory Board constantly up-dated on initial activities to penetrate new markets such as the United Kingdom, Croatia, Slovenia, Rumania, Ukraine and Lithuania.

Acquisition negotiations: The Managing Board regularly informed the Supervisory Board of ongoing negotiations, e.g., with regard to the acquisition of the United Kingdom photo-finisher Standard Photographic in Warwick. On a case-by-case basis, and with the approval of the remaining members of the Supervisory Board, these negotiations are given legal support by a member of the Supervisory Board.

France: Once again, the Supervisory Board dealt in depth with the ongoing consolidation of CeWe Color's French company. It also continues to support the Managing Board's activities to reorganize operations on this difficult market.

New Stock Option Plan: The Supervisory Board approved the Stock Option Plan for the Managing Board in its meeting on September 21, 2005.

Risk management: The Supervisory Board was informed in detail by the Managing Board and the auditors regarding the risk early warning system that the company operates. The Supervisory Board is convinced that risk management is effective.

Auditing: The Supervisory Board was presented with the results of an audit of the company's finances and accounting conducted by KPMG (for Germany and foreign country) and noted that the results of this audit were pleasing. It discussed individual opportunities for improvement with the Managing Board. With regard to EDP development and EDP security, the Supervisory Board was presented with the results of follow-up audits by the audit firm DATEV. The Supervisory Board asked the Managing Board to rapidly work through the open issues. The Supervisory Board was convinced that the company's EDP structures are professional and that any remaining scope for improvement is being properly resolved.

**Chairman of the Supervisory Board of
CeWe Color Holding AG
and member of the Board of Trustees of
Neumüller CeWe Color Foundation**



Compliance and Corporate Governance: In line with its by-laws, at all of its meetings the Supervisory Board dealt with the issue of Corporate Governance, and in particular received a report on the issues of “effective early warning system, conflicts of interests, key transactions and increasing the efficiency of its activities”. All members of the Managing Board issued a written declaration to the Chairman of the Supervisory Board during the last meeting in the calendar year that no conflicts of interest had occurred. The members of the Supervisory Board also declared that they do not perform any tasks for the company’s key competitors, and also that no conflicts of interest arose.

The Supervisory Board also regularly received reports from the Compliance Officer, and is convinced that no forbidden insider transactions were conducted.

The Financial Statements of CeWe Color Holding AG prepared by the Managing Board including the Management Report as well as the Consolidated Financial Statements including the group Management Report, each as of December 31, 2005, were audited by Commercial Treuhand GmbH Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft Oldenburg, which was appointed as auditor by the general meeting on June 30, 2005, and were issued with an unqualified audit opinion.

The Financial Statements and Management Report of CeWe Color Holding AG and the Consolidated Financial Statements including the group Management Report together with the auditor’s reports were issued to all members of the Supervisory Board in good time prior to the meeting to discuss these Financial Statements on April 5, 2006.

The signing auditors participated in the Supervisory Board’s consultations on the audited documents and informed the Supervisory Board of their audit’s key findings. The Supervisory Board was already informed about the planned audit activities during the year. The auditors were available to answer all of the Supervisory Board’s questions. The Supervisory Board agreed with the auditor’s audit; there were no objections.

The Supervisory Board reviewed the Financial Statements and Management Report of CeWe Color Holding AG as well as the Consolidated Financial Statements and group Management Report including the proposal for the appropriation of net profits. After the final results of its own review, the Supervisory Board approved the Financial Statements of CeWe Color Holding AG prepared by the Managing

Board. These Financial Statements are thus adopted within the meaning of section 172 German Stock Corporation Law (AktG). The Supervisory Board approved the Managing Board’s proposal for the appropriation of CeWe Color Holding AG’s net profits.

In addition, the auditors audited the Managing Board’s report on relationships with affiliated companies for fiscal year 2005 within section 312 German Stock Corporation Law (AktG). This report did not result in any objections.

The auditors audited this report, reported on the results of its audit, and issued the following opinion within the section 313 (3) German Stock Corporation Law (AktG):

“Having duly examined and assessed this report in accordance with professional standards, we confirm that:

1. the report is free from factual misrepresentations; and
2. the company did not pay any excessive consideration with regard to the transactions identified in the report.”

In particular, the Supervisory Board approved the dividend policy and the amount of the reserves. The Supervisory Board concurs with the proposal for the appropriation of net profits, which includes an addition to reserves totaling 3,000,000.00 euros and a dividend of 1.20 euros per par value share.

The Supervisory Board would like to thank all of CeWe Color’s employees and its Managing Board for their high level of commitment and consistent work in fiscal year 2005. In addition, the Supervisory Board would also like to thank CeWe Color Holding AG’s shareholders for the trust they have placed in the company.

Oldenburg, April 2006

The Supervisory Board of
CeWe Color Holding AG

Hubert Rothärmel

46.0 %

... of revenues in December 2005 with digital products and services



Management Report

The Photographic Market

Camera sales double over four years

The photographic sector has undergone a far-reaching shift since the start of this millennium – brought about by the migration from analog to digital photography. Just take the sales of photographic cameras in Germany as an example. In 2001, a total of 4.7 million photographic cameras were sold – including 1.2 million digital cameras. In 2005, camera sales totaled 8.4 million – including 7.4 million digital cameras. Camera sales have almost doubled in the space of four years. Digital cameras now constitute 88.1% of the total volume of photographic cameras.

The vast majority of camera buyers are now choosing digital technology. Sales of analog cameras have fallen to less than one third.

Photography was once again one of the booming segments in the consumer sector in 2005. Camera sales have never been so high. Young people are becoming photographic consumers earlier and earlier – thanks to the attractiveness of digital cameras. Photography has become “sexy”.

Increasing demand for digital photos

Digital cameras are used more often than their analog predecessors. The reasons for taking photos (holidays, celebrations, family, etc.) haven't changed. The number of photos taken per camera and year has more than tripled thanks to the increasing size of memory cards (according to GfK's market research).

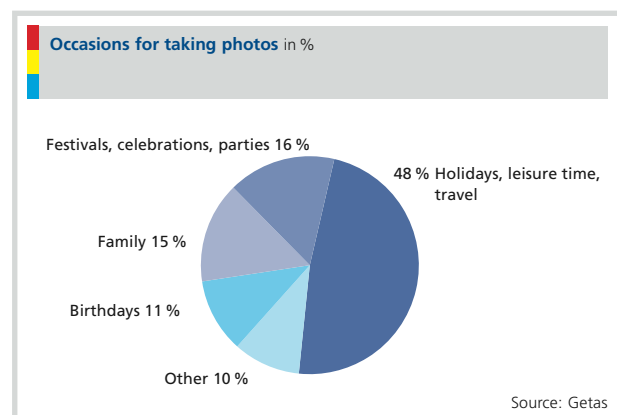
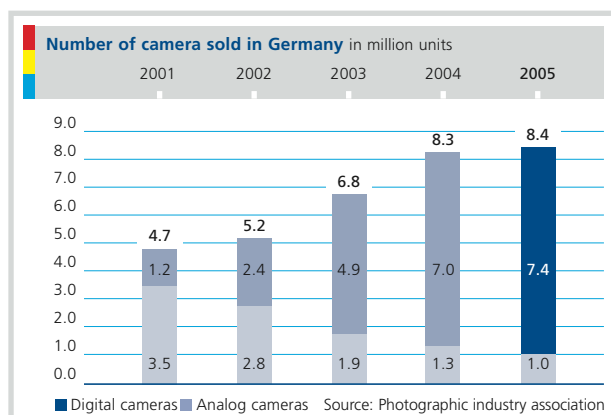
The first digital cameras were mostly purchased by technical enthusiasts, who used them in parallel to their 35 mm cameras. Consumers' needs to store their memories on paper prints were thus almost fully met with 35 mm and SLR cameras up to 2002. However, since 2003 demand for digital photos has been increasing constantly – at a higher level even than camera sales. Even in the digital age, real photos have become irreplaceable for women in particular.

CeWe Color's digital photos offer price advantage

Digital photos can be printed at home using photographic printers, in various stores using mini-labs or kiosk printers, or in CeWe Color's photofinishing plants. Home printing and in-store printing makes delivery faster for consumers. However, digital photos from CeWe Color's laboratory are substantially cheaper (11 to 15 euro cents instead of 29 to 60 euro cents), they offer professional quality and do not fade over time.

Film market down around 30.0 %

In Germany, film sales and the sale of prints from films were down 29.0 % in 2005 (according to GfK). According to estimates, there are still around 25 million analog cameras in German households that are still mostly actively used. These analog cameras accounted for approx. 75 % of the colour prints ordered in retail stores in 2005. However, this share will fall further in favor of digital photos.



Sales and Revenue

Revenues up 0.6 % to 431.1 million euros

CeWe Color recorded 0.6 % revenue growth to 431.1 million euros in 2005. This growth stems from Central Eastern Europe, Germany and Austria, where the company benefited from major competitors exiting the market. The consolidation of the French market has not yet progressed as far, which means that CeWe Color's revenues were down more than 11.0 million euros on this market.

63.2 % growth in digital photos

CeWe Color's digital photo sales were up 63.2 % in 2005 to 829.8 million prints. The Internet and order terminals (DigiPhoto Maker) in stores continue to drive the growth of digital print sales. The approx. 30.0 % downturn on the market for photographic films led to a 13.9 % fall in photos from film at CeWe Color to 2,603 million prints.

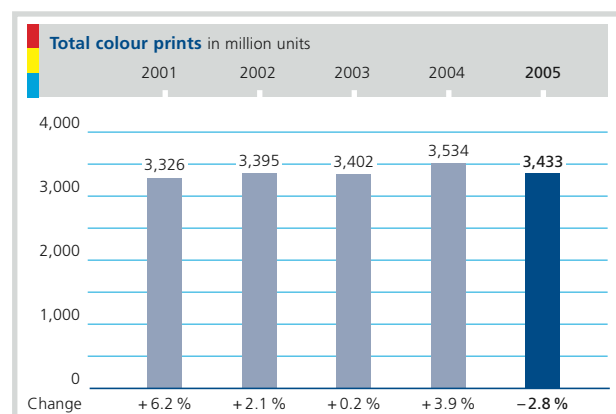
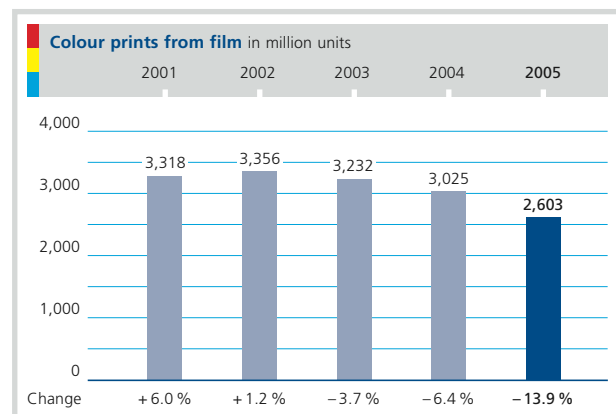
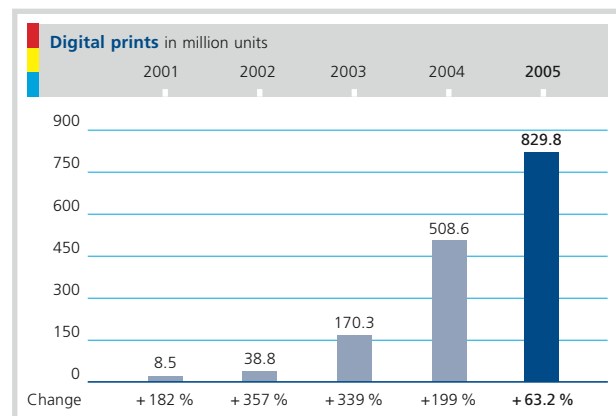
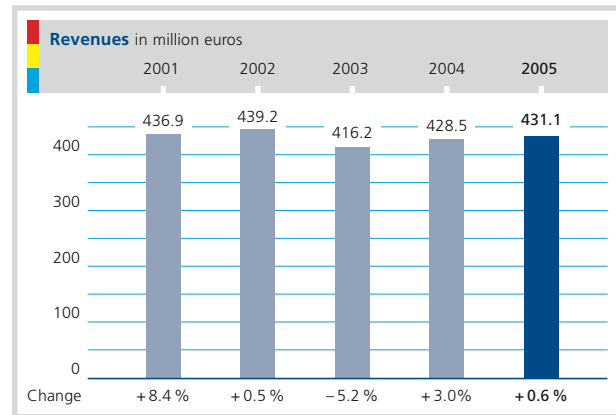
3.4 billion colour photos produced

CeWe Color produced a total of 3,433 million colour photos (-2.8%). The downturn in the total volume of prints is mostly due to the following reasons: total demand for paper prints fell on the photofinishing market in 2005. The downturn in prints from films was higher in absolute terms than the growth in digital prints. This will continue in 2006. The total market will then start to grow again thanks to the growth in digital products.

CeWe Color is combating the current situation on the market with a large number of activities, such as:

- Increasing market share by buying competitors: for example Q.S.S. in Belgium and Standard Photographic in the United Kingdom.
- Developing and marketing new products: CeWe photo book and fun products are promising examples.
- Reworking price policy: prices for loss-making products will increase or these will be discontinued.
- Optimizing the range of products and services: for example, the loss-making overnight service (night express) was significantly reduced and then totally discontinued in the first quarter of 2006.
- Termination of uneconomic customer relationships: the total number of retail partners was reduced from 65,000 to 60,000.

These consolidation activities also resulted in a downturn in revenues and, even more so, in quantities in the second half of 2005 in particular. Over the medium term they will improve the company's earnings position.



CeWe Color's Digital Services

Ongoing digital photography boom

Digital cameras are continuing to triumph with sales totaling 7.4 million units (+5.7%). The new digital cameras in households and the increased desire for digital photos on photographic paper led to sales of 829.8 million digital prints (+63.2%) in 2005.

Strong growth for digital photos in all channels

From January to December 2005, consumers ordered 253.6 million digital prints via the Internet (+55.3%) and 576.2 million in retail stores using camera cards or CDs burned at home (+66.9%).

CeWe digital prints at highly attractive prices

CeWe Color's digital product offering is characterized by its high quality and particularly competitive pricing. Entry level prices for CeWe Color's digital prints are generally between 11 and 15 euro cents. Digital prints from CeWe laboratories are thus substantially cheaper than home prints and instant prints.

Primary channels for digital print sales:

1. Internet enjoys increasing popularity

CeWe Color provides its retail partners with end-to-end solutions for e-commerce with digital prints, i.e., CeWe Color supplies Internet site design, computer capacity and software. Internet photo providers, Internet portals and drug stores are the strongest users of these CeWe Color services.

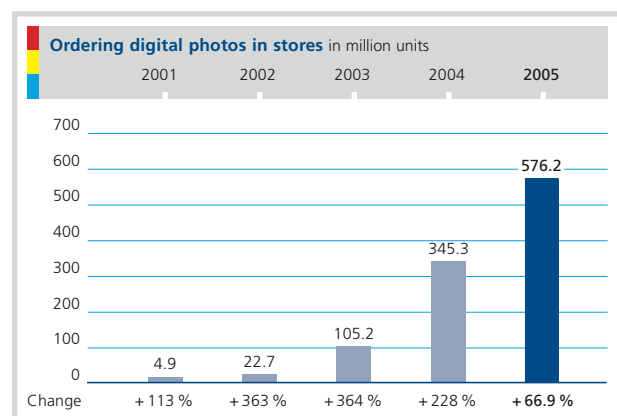
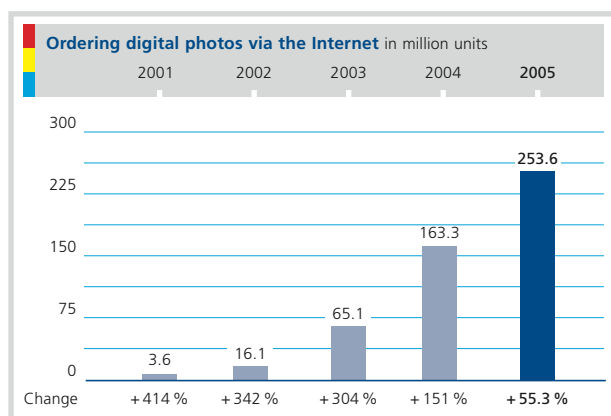
Photographic consumers order digital prints from CeWe Color via retail partners' Internet sites. Younger consumers in particular increasingly prefer to order photos in comfort using their home PCs. They can choose to have prints mailed to their homes or to collect them from retail stores (with no delivery fees).

2. Three channels for ordering digital prints in stores:

2.1. Consumers take their camera cards to the stores and order their prints from CeWe Color's order terminals (DigiPhoto Maker). The digital data and the order are burned on a DigiPhoto CD. The CDs are then used to issue the order. Later, they can be used as an excellent, permanent storage device to back-up the consumer's picture data. Camera cards can be used again straight away.

2.2. Consumers can also hand in their digital picture data on a data carrier (camera card or a CD burned at home) straight to the photo retailer.

All three ways of ordering are readily accepted in stores. CeWe Color has now sold more than 10,000 DigiPhoto Makers to retailers, which means that they can offer their customers a truly simple means of ordering – without the need for a PC.



Three ways of ordering digital photos in stores

1. DigiPhoto Maker



2. Home-burned CD



3. Camera card



Consumers are putting increasing numbers of camera cards and home-burned CDs straight into the photo pouches to order their prints. Camera cards are getting cheaper all the time, and almost 9/10 of all digital camera owners have a CD burner and know how to use it.

4.825 thousand Image CDs produced

CeWe Color offers services to digitalize films, slides and prints. This allows traditional photographers to use their film prints on their computers and in the Internet. CeWe Color sold 4.825 thousand Image CDs as part of its scanning service in 2005 (-0.4%).

Films are slumping, and yet the volume of Image CDs peaked despite the increasing rate of digitalization.



Films, slides and prints

Image CD

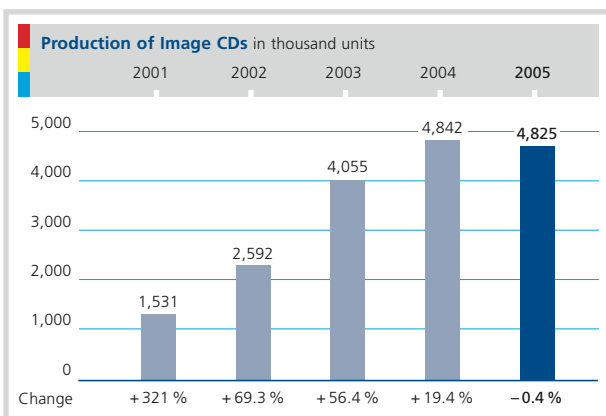
Great new product: My CeWe photo book

Now consumers can put their own digital photos together in a photo book they have designed themselves. They can compose their customized photo book at home using their own computer. The easy-to-use software for the CeWe photo book can be downloaded free from www.cewe-photobook.com or obtained on a CD from stores supplied by CeWe Color.

Consumers can vary the number and size of their photos, add text to the images and use various creative possibilities (such as backgrounds, number of pages, book sizes).

A highly attractive, added-value product

CeWe photo books are digitally printed and professionally bound. They are highly attractive for both consumers and retailers. CeWe photo book was launched on the market in the late summer of 2005. In November 2005, a media campaign was launched to directly approach photo consumers. CeWe Color will generate at least 10.0 % of its digital photo revenues with CeWe photo books in 2007 (more than 1.0 million photo books).



from
9.95 €

Our family holidays!

Bathing beauties

Little Anna in her element

Day 1: Just arrived and already at the pool!
It's so great, there's a free sun lounge for everyone...

Ready in just 3 days!

My CEWE PHOTO BOOK

My digital photos as a real book!

Making your personal photo album on your PC just couldn't be easier. Simply send your photo book file across online or burn it onto CD and hand it in at your local photo retail shop. After just 3 days, you will receive your ready-printed photo book.

ComputerBILD 22/05, „Photo Books“

The Test Winner

used
„My CEWE PHOTO BOOK“



original
cewe color

For free information and downloads visit:

www.cewe-photoalbum.com

My CEWE PHOTO BOOK is available via authorized photo dealers and at



Marketing

The story so far: high efficiency for production and logistics

CeWe Color has become the cost leader for European photofinishing thanks to our highly efficient production and logistics. Low unit costs and pioneering technology when launching new digital products and production processes have formed the foundations for our market leadership.

And now: focus on marketing

After succeeding in mastering the technology migration from analog to digital photography, CeWe Color is now faced with a new challenge: customer enlightenment. CeWe Color has to tell its customers about the different ways to order digital prints. What is more, they also need information on new products, such as the CeWe photo book or fun products. Activities at the company are focusing on consumers and marketing. Our job is to ensure demand for CeWe products and thus also revenues – and that calls for stronger communication with consumers.

One of communication's key tasks is to intensify advertising for digital prints in stores. The aim is to approach female consumers in particular – touching their emotions –

providing information on how to order, our price advantages as well as a feeling of quality. CeWe Color provides its retail customers with extensive help in presenting photographic services in their stores.

In larger stores, the focus is on the attention-grabbing presentation of the order terminal (DigiPhoto Maker).

My CeWe photo book as a brand product

CeWe Color has entered new territory with the CeWe photo book. This has been designed as a brand product. That means it can be advertised in flyers, the Internet and printed media. The CeWe Color brand offers consumers simply beautiful products that are easy to use and attractively priced. Retailers get a pre-sold product with an attractive margin. CeWe Color is becoming the market leader for customized photo books with its high level of distribution.

CeWe Color will also establish a brand name for digital prints to the extent that this is financially feasible. The focus here will be on product information. The moderate brand building, which will run in parallel, will bolster the company's revenue and margin targets.



Capital Expenditure and Amortization/Depreciation

150 million euros invested in digital technologies

CeWe Color has invested more than 380 million euros over the last ten years. Capital expenditure was always covered by Cash Flow. Investments were mostly in equipment and production lines, corporate acquisitions and creating software. More than 150 million euros were invested in setting up digital technologies and production capacity. CeWe Color has provided all of its plants with the full infrastructure required for the end-to-end supply of consumers and retailers with digital photographic services. This forms the foundations for high quality and the shortest delivery times.

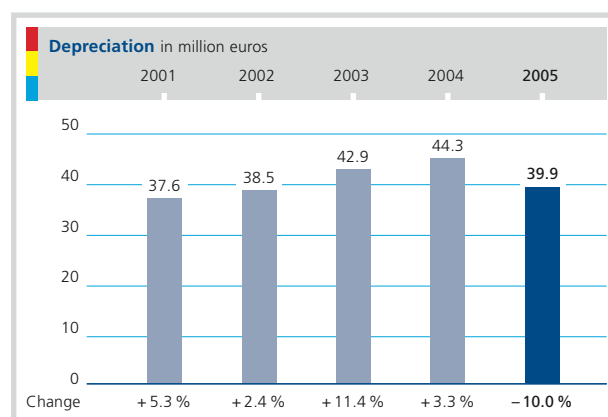
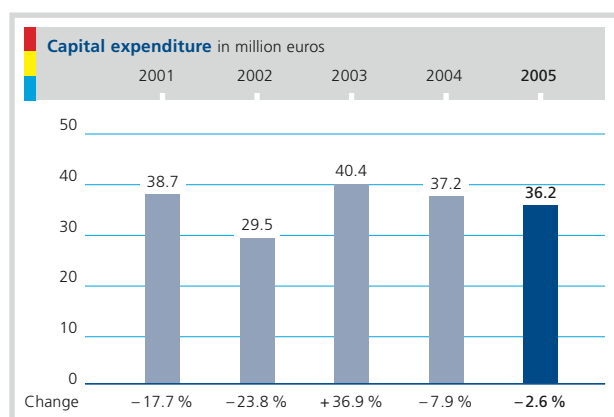
End-to-end digital infrastructure is in place

In 2005, the company invested 36.2 million euros in expanding its infrastructure to optimize workflows and increase productivity. A new plant was built in Bratislava (Slovakia). During the fourth quarter, the company acquired Standard Photographic in the United Kingdom and started expanding capacity in December 2005 to allow deliveries to the United Kingdom market.

We started marketing the CeWe photo book in November. Demand is excellent and customer loyalty is strong – which is why we invested further in this new, highly interesting product before the Christmas season started. At the end of 2005, six plants, in the spring of 2006 this total will have climbed to eight, were equipped with electro-ink printers.

We will cut capital expenditure in 2006 to 28.0 million euros, as start-up investments have been completed. Depreciation fell in 2005 by 10.0% to 39.9 million euros, which includes 3.6 million euros amortization of intangible assets. This relates to assets including software for the production of digital services.

Goodwill was amortized in the amount of 4.8 million euros. The remaining goodwill is carried on the Consolidated Balance Sheet as of December 31, 2005 at 2.5 million euros. In fiscal year 2006, depreciation will fall again by at least 10.0%.



Fiscal Year 2005 – Results

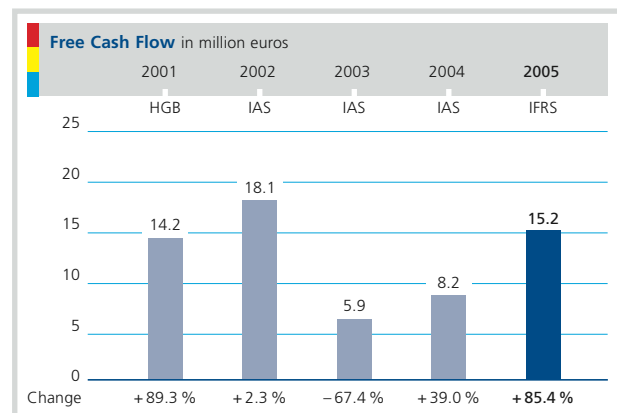
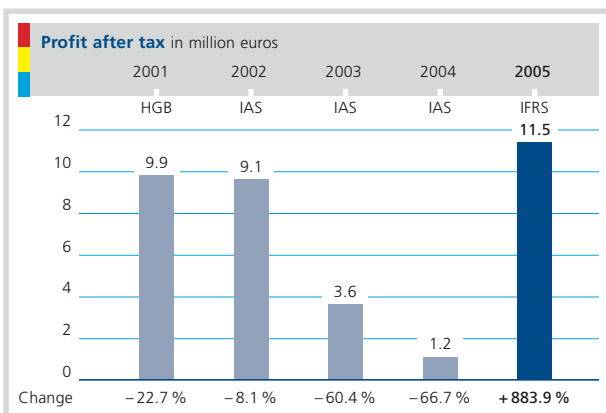
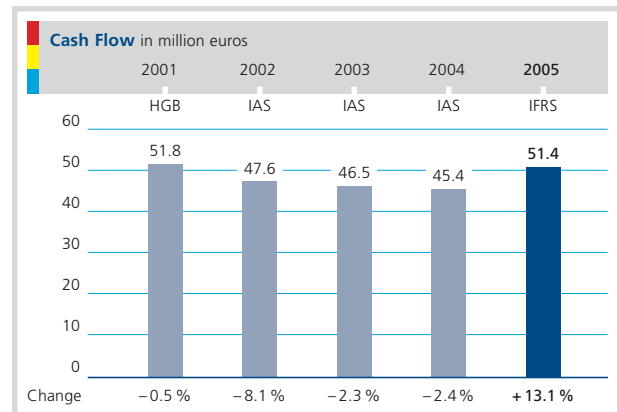
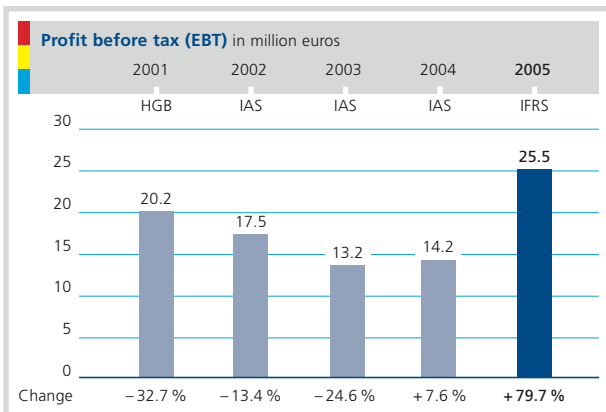
Profit before tax (EBT) up 79.7 %

CeWe Color recorded profit before tax (EBT) totaling 25.5 million euros in 2005 – up 79.7 % year-on-year. Profit after tax was up 11.5 million euros or 883.9 % year-on-year. Cash Flow surpassed the previous year’s figure by 13.1 % at 51.4 million euros. The Free Cash Flow (Cash Flow – capital expenditure) increased to 15.2 million euros (+ 85.4 %) thanks to lower capital expenditure.

All groups of countries with the exception of Western Europe (mostly France) recorded positive earnings. It was not possible to offset the losses in France with profits in Central Europe to reduce taxation in Germany. This explains the high tax rate.

CeWe Color is the winner after market consolidation

CeWe Color recorded its substantial year-on-year improvement in profits during the first six months. After various competitors exited the market in the summer of 2004, the second half of 2005 already took on positive dimensions. CeWe Color was able to positively shape the consolidation of the market and competition in its favor.



Note: We changed our accounting standard from HGB to IAS in 2003. The figures for 2002 in the tables have been changed to IAS for 2002. The 2003 Annual Report includes a reconciliation statement for net income from HGB to IAS. The inner back cover of this Annual Report shows the 2002 figures under both HGB and IAS accounting.

3.4 billion

... colour prints processed in 2005



Details on the Consolidated Balance Sheet

The CeWe Color Group's total assets remained almost constant at 261.3 million euros with a slightly increased volume of business (previous year: 260.7 million euros).

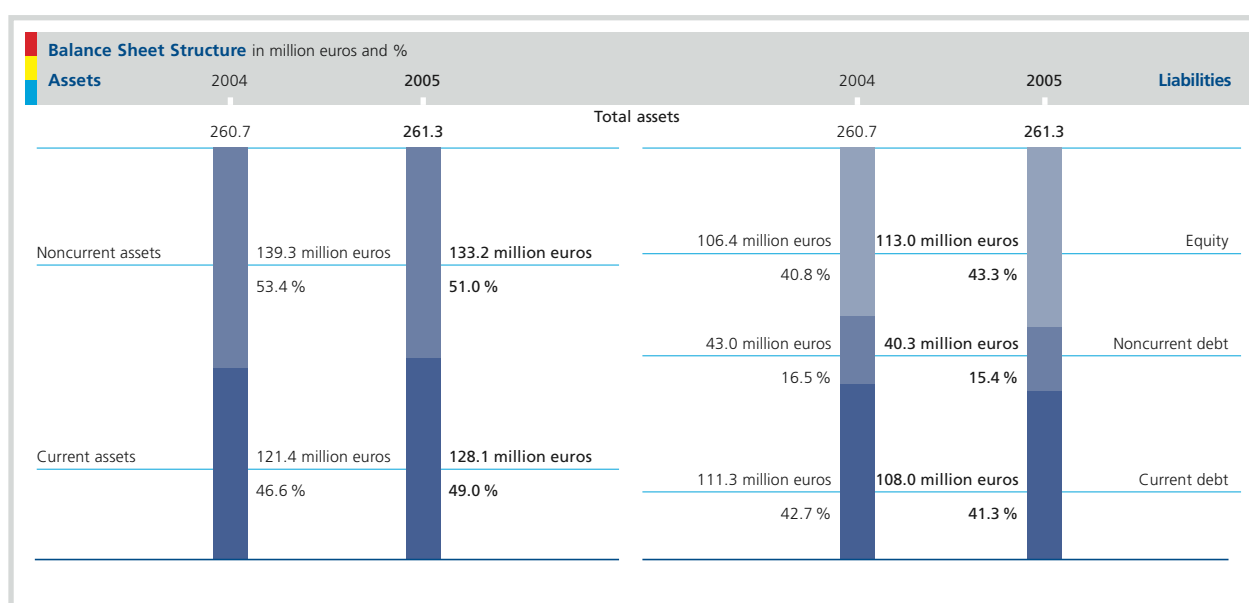
On the assets side, there was a shift from noncurrent assets (133.2 million euros, previous year: 139.3 million euros) to current assets (128.1 million euros, previous year: 121.4 million euros). Lower investments in fixed assets caused this item to fall slightly by 1.8%, and extraordinary write-downs for goodwill fell significantly by 60.6 % despite an acquisition (2.5 million euros, previous year: 6.2 million euros). Other noncurrent assets also fell by 2.4 million euros to 0.6 million euros (previous year: 3.0 million euros).

The increase in current assets is due to increased inventories, in particular for photographic paper (39.0 million euros, previous year: 34.6 million euros) and a substantial increase in cash and cash equivalents (27.4 million euros, previous year: 17.2 million euros). This is countered by the perceptible downturn in current trade receivables (53.4 million euros, previous year: 60.4 million euros).

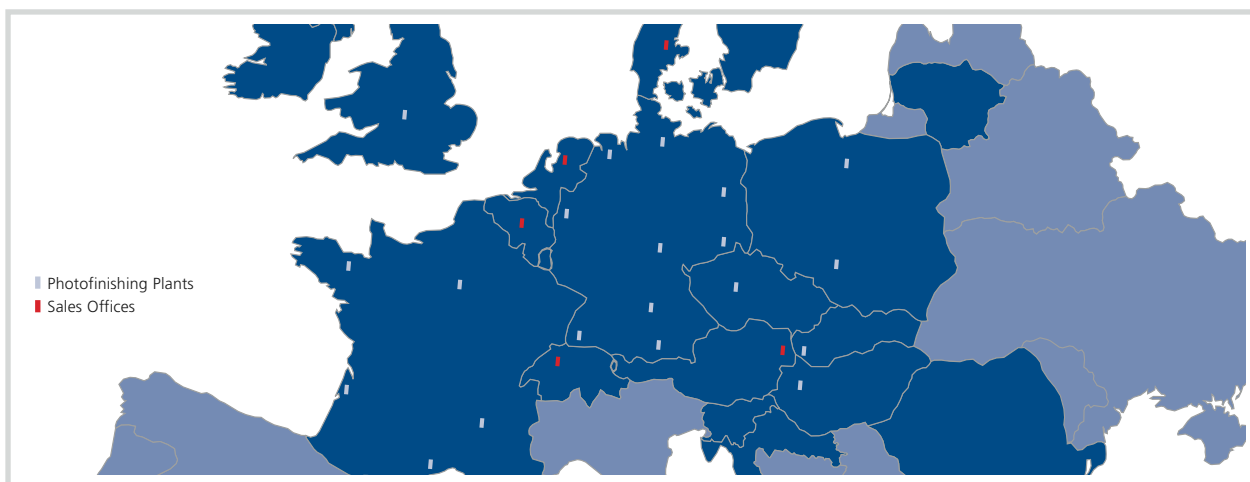
Equity increased by 6.6 million euros to 113.0 million euros (previous year: 106.4 million euros) and the group is thus financed with an equity ratio of 43.3 % (previous year: 40.8 %). This increase is mostly due to the higher consolidated earnings.

Noncurrent debt fell as a result of the reduction in long-term deferred tax liabilities (–2.5 million euros) as a result of the step-by-step reduction in differences between the tax base and the IAS/IFRS Financial Statements, noncurrent financial liabilities (–1.7 million euros) and noncurrent other liabilities (–5.1 million euros).

The slight increase in current debt is characterized by the effect of redeeming financial liabilities (–1.6 million euros) and other current liabilities (–3.2 million euros). On the other hand, provisions for taxes increased (+2.6 million euros) as did other current provisions (+5.2 million euros). The latter includes restructuring provisions for plants in France, Germany and Denmark.



Report by Groups of Countries



CeWe Color leads the market in 19 European countries

At the end of 2005, CeWe Color operated 22 industrial photo laboratories and supplied consumers and 60,000 retail partners in 19 countries with photographic services. We also made postal deliveries to other European countries as a result of Internet orders.

Our average market share of more than 40.0 % in the 19 primary countries we supply makes us the European market leader for industrial photofinishing.

Central Europe enjoys 2.9 % growth

In Central Europe, which includes Germany, Austria, Switzerland and Scandinavia, CeWe Color was able to generate significant gains in the summer of 2005 thanks to competitors exiting the market. As a result, revenues lifted by 2.9 % to 261.6 million euros and Profit before tax (EBT) grew by 72.0 % to 31.3 million euros.

Earnings in Central Europe, with its German plants, benefited from the discontinuation of production in Lille (France) on January 9, 2005. The fire in the production plant meant that the German plants took over deliveries for the entire Belgian market. This notably increased the utilization of capacity in the German plants.

CeWe Color took advantage of its opportunities in the midst of tough competition in the photofinishing sector. The consolidation of the sector in 2004 meant that

competitive pressure eased somewhat and, above all, brought us new volume in the first half of 2005.

However, the slump on the film development market made itself felt in the second half of the year, which caused us to rethink our capacity for 2006. We closed our plants in Worms and Arhus in February 2006 and relocate orders to neighboring plants.

New markets in Central Eastern Europe

In Central Eastern Europe, CeWe Color's market covers Poland, the Czech Republic, Slovakia and Hungary, and since October 2005 it has also included Rumania, Croatia, Slovenia and Lithuania. We were able to increase revenues with customers in Central Eastern Europe by 12.2 % to 68.6 million euros. Profit before tax (EBT) totaled 0.4 million euros (-89.2 %) in 2005. This figure was depressed by costs for the new plant in Bratislava (Slovakia), the closure of the old plant in Bratislava, and penetrating the markets in Rumania, Croatia, Slovenia and Lithuania.

United Kingdom market entered in 2005

From November 2005, the Western European group of countries has comprised France and the United Kingdom. The process of consolidation in the photographic sector has not yet progressed as far in France as in Central Europe. Revenues fell by 17.9 % to 52.0 million euros. In 2005, restructuring costs for the closure of plants in Paris/Konica Photo Service France (KPSF), Lille and Marseille also led to a loss of 6.9 million euros.

In order to meet our international trading partners' demands for photographic services in the United Kingdom, CeWe Color acquired the photofinisher Standard Photographic, located close to Birmingham. Standard Photographic operates a digital laboratory with revenues of 6.0 million euros, and 64 employees process photographic orders for key accounts. CeWe Color is continuing production in the existing facilities, however, it is reworking production workflows and is installing industrial finishing technology. We are convinced that it will be possible to transfer our business model and that it will be possible to expand the United Kingdom digital photo market to become a major industrial finishing market. We are forecasting revenues of 10.0 million euros in the United Kingdom in 2006.

Benelux revenues total 48.7 million euros (-2.0 %)

We recorded revenues of 48.7 million euros (-2.0 %) in the Netherlands and Belgium. We were able to almost completely compensate for the downturn on the film development market with excellent digital print growth and the acquisition of Q.S.S. Belgium. This company supplies public relations offices with photographs. Profit before tax (EBT) totaled 0.7 million euros in the Benelux states.

CeWe Color operates distribution companies in Benelux. Production for the Netherlands and Belgium is located in the German plants in Oldenburg and Mönchengladbach. This means that a major percentage of value added for the Benelux states is generated in the Western Europe group of countries.

Sales growth by region in million euros	2004	2005	Change
Central Europe	254.2	261.6	+ 2.9 %
Western Europe	63.3	52.0	- 17.9 %
Benelux*	49.7	48.7	- 2.0 %
Central Eastern Europe	61.3	68.8	+ 12.2 %
Total	428.5	431.1	0.6 %

Profit before tax (EBT) by region in million euros	2004	2005	Change
Central Europe	18.2	31.3	+ 72.0 %
Western Europe	- 7.3	- 6.9	+ 5.5 %
Benelux*	- 0.4	0.7	- 100 %
Central Eastern Europe	3.7	0.4	- 89.2 %
Total	14.2	25.5	+ 79.7 %

Capital expenditure by region in million euros	2004	2005	Change
Central Europe	28.7	22.1	- 23.0 %
Western Europe	3.7	8.6	+ 132.4 %
Benelux*	1.1	1.0	- 9.1 %
Central Eastern Europe	3.7	4.5	+ 21.6 %
Total	37.2	36.2	- 2.7 %

* sales offices only

in %	CeWe Color industrial photofinishing market shares in select countries (March 2006)		Market shares of production systems in these countries	
	Industrial finishing	Minilab	Industrial finishing	Minilab
Hungary	95 %	65 %	35 %	65 %
Czech Republic	55 %	40 %	60 %	40 %
Slovakia	50 %	35 %	65 %	35 %
Austria	50 %	8 %	92 %	8 %
Netherlands	45 %	25 %	75 %	25 %
Germany	45 %	12 %	88 %	12 %
Poland	40 %	70 %	30 %	70 %
Belgium	40 %	19 %	81 %	19 %
France	35 %	23 %	67 %	23 %
Switzerland	35 %	10 %	90 %	10 %
Denmark	35 %	28 %	72 %	28 %

Retail



Digital market growth – synergy between retail and industrial finishing

We implemented an extensive restructuring program and repositioned our retail chains Fotojoker (Poland), Fotolab (Czech Republic) and Multifoto (Slovakia) in 2004. At the start of 2005, we repositioned our retail chain Japan Photo in Scandinavia.

The 20.1 % increase in retail sales to 72.2 million euros shows us that the restructuring programs put in place in 2004 were correct. The importance of retail activities in the CeWe Color Group has grown still further. We record 16.8 % of our consolidated revenues in our 214 retail stores.

Our retail chains set the pace for digital products and services on the individual markets. The key is positive customer advice and the commercial design of the individual branches. This means that we already recorded more than 60.0 % of our photographic sales in our own retail chains with digital products and services in December 2005. This figure is far higher than the market average.

Our consistent focus on our core business – colour-prints – led to a substantial increase in the segments for digital cameras, camera cards and digital photography as well as photo books and fun products.

The Telecommunications and Mobile Phones division is a new addition – which recorded great success in Scandinavia in particular. This segment primarily focuses on camera phones.

Our retail stores make sure that our production locations run at maximum capacity. In addition, we test new products and advertising concepts in the individual branches. We use the knowledge we gain to further develop our products and advertising.

Sales to external third parties in million euros	2004	2005	Change
Photofinishing	368.4	358.9	-2.6 %
Retail	60.1	72.2	+20.1 %
Total	428.5	431.1	+0.6 %

Sum segment assets* in thousand euros	2004	2005	Change
Photofinishing	218,772	219,330	+0.3 %
Retail	33,431	35,334	+5.7 %
Total	252,203	254,664	+1.0 %

* without financial assets

Investments in long-term segment assets in thousand euros	2004	2005	Change
Photofinishing	35,859	33,942	-5.3 %
Retail	1,364	2,281	+67.2 %
Total	37,223	36,223	+2.7 %

Number of retail stores in units	2002	2003	2004	2005
Poland	123	119	103	102
Czech Republic	99	87	80	70
Slovakia	37	31	26	21
Scandinavia	39	37	21	21
Total	298	274	230	214

Research and Development

The channels CeWe Color has developed to order prints from digital cameras have now been very well accepted by the market – the excellent growth rates confirm that our approach has been correct. We made great efforts to stabilize and expand our processes. We expanded the Internet platform used for our Internet orders and enhanced its security, and we also perceptibly further developed our internal production processes “from data to photographic paper”. In the eyes of our consumers, this means significantly more stable delivery periods of one to two days at the most for digital photos, or two to three days for fun products.

We have attached great value to decentralizing our services in order to ensure the same standards of technical performance at all of the CeWe Color Group’s plants that have already been enjoyed by our main plants for several years. We have driven expansion for our fun products in particular, so that no serious delivery problems occurred for these products in the strong Christmas season.

CeWe photo book: particular highlight in 2005

A particular highlight for our services was the development of a printed, customized photo book. We had to rework both the order software as well as the entire production process. The success of this new service was so incredible, that – during the course of 2005 – we decided to make a substantial investment in new printers so that we now have six plants with digital electro-ink printers. This means that we can deliver photo books to stores with a maximum delivery time of three days. We also further developed our other printed products, such as calendars, playing cards, greeting cards, allowing us to process the high demand in the pre-Christmas period absolutely smoothly. We have learned our lesson from last year’s delivery bottleneck.

Anti-redeye software developed

Digital cameras are, by their very nature, light sensitive, and flash use has a clear disadvantage in photo quality: many flash photos of people suffer from the so-called redeye effect. We have developed a method to automatically recognize and rectify redeye in cooperation with a top software company. Now, all of the CeWe Color Group’s order channels offer this method, allowing us to save many almost unusable photos for photographers.

Order systems optimized

We paid particular attention to the universal design of our order systems, so that our partners can also dock in to these systems with their applications. Powerful Internet partners’ picture services can connect directly to our order client, providing users with a direct path when ordering prints. We have been able to significantly expand our offering by integrating our ordering system into our key accounts’ applications.

Observing high-growth markets

We are keeping a keen eye on developments on the market for camera phones. Until now, camera phones have been a far call from average digital cameras – however now phones are hitting the shelves that can compete with digital cameras in terms of both optics as well as photographic technology. An new generation of camera phones with top-quality optics already uses our order channels in its operating system. This allows orders for prints to be sent straight from the phone. We are in alliance negotiations with major manufacturers. We still don’t expect there to be a rapid market breakthrough, however, we have developed our systems so that we can be there straight away when technology reaches a corresponding level of maturity.

Many consumers have not even discovered paper prints for digital cameras yet, others know the advantages of paper prints, but don’t get around to ordering because they don’t have time or if new events push new photos into the foreground.

When developing new order systems, we focus strongly on simple and entertaining logic for our software. In addition, we also develop order wizards which make it much easier for consumers to put together their orders or to design their photo books. We have almost completed laying the foundations for these software tools – in 2006 we will launch totally new ordering software which will make it surprisingly easier for consumers to order our products and services. We will report on this issue in future.



Administration and EDP

Finance and financial control make a key contribution to our company's success

In terms of financial control, work focused on expanding and refining instruments. Our objective, in particular, is to develop information structures to support value-oriented corporate management. The expansion of longer-term forecasting instruments played a key role in this process.

Above all, one of accounting's constant tasks is to keep administrative workflows lean and to further improve these processes. In this regard, the progress made in consumer accounting for our mail order business is worthy of particular mention. The importance of this area is growing together with digital photography.

On the whole, our regional expansion is supported by our finance and financial control departments. For example, the acquisition of the photofinisher Standard Photographic in Warwick (to the south of Birmingham) was supported during the acquisition phase, and this support is continuing during integration into the CeWe Color Group.

Optimization and expansion of administrative EDP

The operations of our central SAP system and our central ICOS system for specific photofinishing functionality were further improved and expanded.

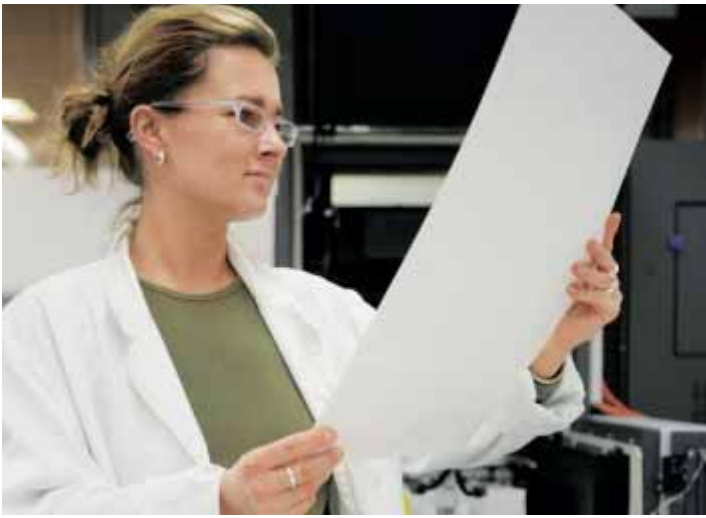
In 2005, the SAP focus was on optimizing the processes and functions supported by the system. Workflows underwent detailed analysis and were optimized in both our financial and accounting departments as well as in logistics. For example, bank bookings (account statements

and payment notices) were automated and accelerated, OnlinePhotoService credit control was further improved and automated. We improved customer service by mapping DigiPhoto Maker in the SAP system using service agreements; processing deliveries and services between CeWe companies was simplified with group-wide bookings in the SAP system.

Administration of master and price data for the OnlinePhotoService business workflows was integrated in the ICOS system. This has allowed administrative tasks to be compounded.

Our expertise for EDI data transfer with trading partners was significantly expanded – these business processes are now processed in our own computer center. Thus third-service costs could be reduced.

We further optimized our pan-European EDP infrastructure. For example, we successfully completed the rollout for our new Virtual Private Network (VPN) for high-performance and high availability access to the central SAP and ICOS systems from our plants. Central servers (including ICOS and SAP) were expanded in line with the increased performance requirements, the availability of central mail and file servers were increased still further via cluster technology. And finally, the pricing computers in all of our laboratories were replaced by higher performance, lower-priced Linux systems.



Purchasing

Increased performance by internal sales

The acquisition of a host of new customers last year posed new challenges for our customer services. How could they ensure excellent availability – both by phone and for written messages.

The answer was to equip the customer service departments in the individual laboratories with state-of-the-art telecommunications technology, which ensures that the incoming customer enquiries are distributed equally among the customer service staff available – thus ensuring constant excellent availability.

In addition to the Internet information services introduced several years ago, an automated telephone information service has now also gone live. This allows trading partners without Internet access to call up status information for sent orders 24 hours a day irrespective of our customer service departments' working hours.

In addition, we added a new service module to the retailer portal at www.cewecolor.com. Our trading partners can thus independently change the prices on the order pouches for prints at any time via the Internet.

Central purchasing department internationalizes its procurement market

Last year, activities in our central purchasing department focused on optimizing working capital. In cooperation with our suppliers it was able to optimize joint consumption forecasting. This is now a key activity with regard to optimizing our own inventories and the resulting reduction in working capital. It was supplemented by the introduction of consignment warehouses, which will further reinforce administrative inclusion of our suppliers in a future stage.

We established a supply relationship with an Asian supplier of photographic paper, thus successfully filling the gap in the ranks of paper manufacturers offering their own products that resulted from Agfa Foto's bankruptcy.

In cooperation with our suppliers, last fiscal year our central purchasing department also made a key contribution to the success of our company by slashing costs.

3,730

... employees work for the CeWe Color Group



Employees and Training

Number of employees

The number of employees in the CeWe Color Group fell on average over the year by 2.6 % to 3,730 employees (previous year: 3,829 employees). The bulk of this downturn stemmed from the modifications in our capacity that we made in 2005 to adapt to the changed conditions on the market.

The acquisitions we made in 2004 reached their one-year anniversaries in the fourth quarter of 2005. We had to – and are continuing to – adapt our costs and capacities to the new volume. In the first instance, limited-term employment contracts expired, and we also put socially-acceptable early retirement and partial retirement plans in place throughout the company to support our staff cuts. We focus on filling vacant positions internally. Restructuring costs, including the necessary redundancy plans, totaled approximately 8.0 million euros.

Changes in personnel policy

From January 1, 2005, only the conditions of the collective agreement from the “Bundesverband der fotomaterialverarbeitenden Betriebe e.V.” (Federal Association of Companies Processing Photographic Material), Düsseldorf, will be applied in the German production plants. At the start of the year, all of the German employees were regrouped and received new contracts with established rights to compensate for differences between the old and new salaries under the collective agreement.

Employee shares and Stock Option Plan

CeWe Color offered German employees shares at a preferred price of 21.20 euros in May 2005. If they purchased a maximum of 25 shares, the employees were able to receive the maximum tax amount of 135.00 euros – or an advantage of 5.40 euros per CeWe Color share. In addition, we set up a Stock Option Plan for our top-level executives in Germany and abroad. The detailed conditions for the Stock Option Plan can be found in the Notes on page 75 ff.

Employees by region	2004	2005	Change
Central Europe	2,220	2,136	-3.8 %
Western Europe	584	577	-1.2 %
Benelux	62	65	+4.8 %
Central Eastern Europe	963	952	-1.1 %
Total	3,829	3,730	-2.6 %

Increased inclusion of employees in activities to optimize production

The technology migration from analog to digital technology means that workflows in the individual production plants have to be analyzed, reorganized and optimized. In addition, we need more employees with in-depth knowledge of digital and printing processes. We include individual employees with their specific expertise and ability in activities to optimize production to a greater extent with regard to planning, coordination and implementation. CeWe Color offers target-and need-oriented qualifications.

Apprentices in Germany

CeWe Color attaches great value to the professional training of young employees. In Germany, we give 149 apprentices in seven different professions the opportunity to learn a trade. In view of the social responsibility of all companies given the current total of 5 million unemployed, CeWe Color trains employees far in excess of its own needs – in order to provide as many young people as possible with their first step on the career ladder.

A vote of thanks for all employees

Cooperation with works councils and the union IG BCE, which is represented in our production plants, was once again trusting and constructive. This allowed us to find the paths for the decisions regarding modifications to the market's requirements that equally took into account the interests of our employees and our company alike.

It would not have been possible to generate our company's success in 2005 – in the face of a massive shift on the market – without our employees' great personal dedication and flexible work, not to mention their extraordinary commitment. We would like to take this opportunity of thanking you all for your excellent performance and the major contribution you made last year!

Apprentices in Germany	2004	2005	Change
Photo media laboratory technician	42	42	+/- 0 %
Industrial clerk	39	39	+/- 0 %
Photo laboratory technician	26	33	+26.9 %
Industrial electrician	18	18	+/- 0 %
Computer scientist	12	12	+/- 0 %
Inventory manager	4	4	+/- 0 %
Photographer	1	1	+/- 0 %
Total	142	149	+4.9 %

Social Commitment

The issue of human capital will, to some extent, decide Germany's future, and the future of every company. That is why we are aware of our social responsibility – in particular with regard to promoting science and training.

In addition to 149 apprenticeships, we offer a large number of interns - including from other European countries - the opportunity of taking a look at professional life so that they can make better decisions when choosing their own careers. In addition, in close cooperation with the “Bildungswerk der Niedersächsischen Wirtschaft” (BNW - Training Association for Companies in Lower Saxony), Oldenburg, and the “Arbeitgeberverband Oldenburg e.V.” (Oldenburg Employers Association), each year we hold the one-week “Management Information Game” (MIG) for pupils leaving school to go to university.

In addition, we cooperate closely with the Carl von Ossietzky University, Oldenburg, the “Oldenburger Forschungs- und Entwicklungsinstitut für Informatik-Werkzeuge und -Systeme” (OFFIS - Oldenburg Research and Development Institute for EDP Tools and Systems), Oldenburg, and the “Photo & Medienforum” (Photographic and Media Forum), Kiel, as well as the “Institut für Medien- und Phototechnik” (Institute for Media and Photographic Technology) at the University for Applied Technology in Cologne.

Many of our group's managers and employees continue to show their own social responsibility by holding volunteer positions in a range of institutions, such as employers' associations, universities, chambers of industry and commerce, the fire department, facilities for the disabled, schools and a host of other institutions. We primarily provide support to these institutions via personal commitment.

We help at events with grants in the form of cash and non-cash donations – in particular if these events are particularly related to the photographic sector.

Neumüller CeWe Color Foundation

This family foundation's task includes charitably promoting up-and-coming technicians and scientists in the photographic sector. According to its articles of association, the foundation's charitable purpose can be fulfilled as follows:

- grants to the Photo and media forum Kiel (Photo & Medienforum Kiel);
- scholarship for particularly well-qualified students at the University for Applied Technology in Cologne, Photography Department, or at comparable institutions;
- the promotion and financial support of dissertations for degree examinations, which specifically deal with further developing technical and scientific aspects of photography;
- awarding the Heinz Neumüller prize for the best dissertation or the best degree results for the year at the institutions named above.

Impact on consolidated earnings

The Neumüller CeWe Color foundation holds a 0.25 % interest in CeWe Color AG & Co. OHG. The earnings due to the Neumüller CeWe Color Foundation are thus shown in the Consolidated Financial Statements as “Profits due to other shareholders”.

Payouts for charitable purposes are made exclusively from the Neumüller CeWe Color foundation's earnings and thus do not impact the consolidated results of CeWe Color Holding AG.

Environmental Protection and Quality Management

Quality is the total of all efforts to generate the very best for our product “the print” in all of our production stages. This year, we focused in particular on optimizing the quality of our production. The excellent quality of our prints is the key requirement for customer loyalty – and winning new customers for our product.

Photographic prints based on silver halide offer the best conditions for photos from film, and in particular for digital photography. Photos reproduce colours in a highly natural manner – and offer brilliant colours. Current state-of-the-art emulsion technology makes prints particularly long-lasting both with regard to fading and also to humidity tolerance. In addition, digital image data allows the great spectrum of photographic colour to be optimally used – for each individual picture.

Our investments in image quality are worth it. When it comes to colour, brilliance, longevity and price, photos are clearly ahead.

We have also further improved our photographic development processes with regard to quality. During a very comprehensive investigation, we found out that the development results from our recycled developers were always at an optimum level within a very tight window of tolerance.

Close process management and constant analytical controls also benefit the environment, because high levels of recycling also reduce the quantity of waste and also minimize the quantity of displaced substances in waste water. In addition, we have done away with formalin baths in development processes, and have successfully introduced biologically degradable bleaching baths in our production plants in France, Hungary and the Czech Republic. These activities are driven by the constant optimization of our workflows with regard to health and the environment.

Legal structure of the Company Dependent Company Report

As already described in the report on country groups (see page 20), we acquired the Belgian distribution company Q.S.S. as of June 30, 2005 and the United Kingdom photofinishing company Standard Photographic in Warwick (south of Birmingham) on November 1, 2005. After the merger of CeWe Color AG & Co. OHG Nordcolor, Bad Schwartau with CeWe Color AG & Co. OHG, Oldenburg as of July 1, 2004, CeWe Color Nordcolor Beteiligungsgesellschaft mbH, Bad Schwartau was also merged with CeWe Color Beteiligungsgesellschaft mbH, Oldenburg as of January 1, 2005 in order to simplify the corporate structure. In all other respects, please see the information on the group of consolidated companies in the Notes on page 50.

The Managing Board of CeWe Color Holding AG presented the Supervisory Board a dependent Company Report within section 312 (1) German Stock Corporation Law (AktG). The report concludes with a declaration that the company and its affiliated companies received reasonable compensation for each legal transaction according to the circumstances which were known at the time at which the legal transactions took place.

Risk Management

Risk management continues to be an integral component of management at the CeWe Color Group. As part of company financing and financial control, it is our task to recognize risks at an early stage and to prevent risks which could endanger the company's continued existence.

The following section summarizes risks in four areas:

Operating risks

The photofinishing market relevant for CeWe Color was impacted in fiscal year 2005 by the moderate economic growth and the downturn in film sales. In contrast, sales of digital cameras continued to enjoy very pleasing growth. The revenues we acquired from key competitors exiting the market in the summer of 2004 reached their one-year anniversaries in September 2005. Since then, our revenue growth has been in line with the remainder of the photographic market. That is why economic growth and growth in the tourism sector take first place in the operating risks category once again in 2006.

Economic forecasts (e.g., by the ifo-Institut for Economic Research Institute) show growth in the gross domestic product (GDP) in all relevant countries.

Change in GDP year-on-year (%)						
ifo Institute	2001	2002	2003	2004	2005*	2006*
Germany	0.8	0.1	-0.1	1.6	0.9	1.2
Switzerland	1.0	0.3	-0.4	1.8	1.6	1.8
Austria	0.7	1.2	0.8	2.4	1.7	1.9
Denmark	1.6	1.0	0.4	2.1	2.7	2.3
Sweden	1.0	2.0	1.5	3.7	2.5	3.0
Norway	2.7	1.4	0.4	2.8	3.9	3.0
Central Europe	1.0	0.5	0.1	1.9	1.4	1.6
Netherlands	1.4	0.6	-0.9	1.7	0.5	2.0
Belgium	0.7	0.9	1.3	2.6	1.4	2.1
Benelux	1.1	0.7	-0.1	2.0	0.8	2.0
France	2.1	1.2	0.5	2.3	1.5	1.8
United Kingdom	2.2	2.0	2.5	3.2	1.6	2.3
Western Europe	2.1	1.6	1.5	2.7	1.5	2.0
Poland	1.0	1.4	3.8	5.3	3.4	4.3
Hungary	3.8	3.5	3.0	4.6	3.7	3.9
Czech Republic	2.6	1.5	3.7	4.4	4.8	4.4
Slovakia	3.8	4.6	4.0	5.5	5.1	5.5
Central Eastern Europe	2.0	2.0	3.7	5.0	3.8	4.3

* Forecast

Source: ifo Institut for Economic Research Institute

The above-average growth rates for GDP in Central Europe of +1.6 % (2006 to 2005) and Central Eastern Europe (+4.3 %) should have a positive impact on consumer behavior by residents, the travel market and photography behavior.

Risk of business growth

The fact that our third- and fourth-largest competitors exited the German market allowed us to realize new opportunities for sales, revenues and earnings from the middle of the third quarter of 2005 thanks to the increase in our market share. This compensates for the risk of insufficient substitution for the declining quantities of film prints by higher-priced digital sales. In France, in contrast, the slump on the analog market is cause for concern for all photofinishers, causing all three industrial laboratories to reduce their capacities in 2005. As the third competitor has generally withdrawn from photofinishing in Europe, the reduction of this competitor's capacity in France to a single plant will offer further opportunities for the remaining competitors to increase their market share. In addition, it was possible to increase prices in 2005 for analog prints as well as for special products in Europe.

The **procurement risk** for investment goods, in particular for high-performance digital printers, increased as a result of Agfa Photo's bankruptcy in September 2005. However, a supply of replacement parts has been secured. Our other key supplier for high-performance digital printers has however, continued to supply us with reliable printer systems. In addition, our technology department is successfully testing alternative print technologies, thus allowing us to reduce our dependency. New suppliers and sufficient capacity at other providers are available for both photographic paper and photo pouches.

In **price control**, we allowed our customers to directly update their selling prices at the start of 2005. Price tables were introduced for this special program – these require significantly less maintenance. We also automated the calculation of discounts at delivery note prices.

Our **dependence on key accounts** is less than 60.0 % for the five largest CeWe Color customers.

With regard to **environmental risk**, there were no violations of environmental requirements to report in 2005 – it is much more the case that CeWe Color voluntarily tries to implement higher standards. During the past fiscal year, at the request of the Supervisory Board, our commercial and technical EDP systems were assessed by external auditors in order to further improve **EDP security** and to secure the SAP system used throughout Europe against internal and external threats.

Financial risks

The heading financial risks is used for the **currency risk**, the risk of silver sales, the interest rate risk, the risk of receivables default, and monitoring the investment budget.

As CeWe Color only generates 20.0 % of its sales in the non-eurozone, no existence-threatening risks are to be expected from currency risks. In spite of this, we have hedged currency risks for loans to subsidiaries via currency swaps.

We used the opportunities offered by the highly volatile silver prices in fiscal year 2005 – on the other hand, part of the future **silver income** was hedged via a multi-year silver bond. The **risk of interest rate changes** was reduced last fiscal year via further medium-term financing arrangements at fixed interest rates. In addition, we also concluded an interest cap agreement in the form of a maximum interest agreement.

We changed our insurance for **receivables default** to coverage for major damage. The increased rate of bankruptcies among retailers led to smaller defaults last fiscal year, however, none of these in the least threatened our existence. In addition, all recognizable risks of default were taken into sufficient account last fiscal year via individual write-downs.

Last year's capital expenditure budget included a certain degree of latitude for additional investments. However, despite regular **control of investments** the capital expenditure forecast for 2005 was exceeded as a result of additional investments in digital printing capacity.

Strategic risks

As a result of the further transition to digital business, we further expanded our digital production capacity and our online photo service. In addition, to reduce the **technology risk** there are projects to simplify ordering for digital products. In order to reduce our dependence on external agencies and software companies, programs for digital image processing are increasingly developed by our own employees.

We can report two **corporate acquisitions** in fiscal year 2005 – namely the sales company Quality Snap Shot (Q.S.S.), Belgium, and Standard Photographic, United Kingdom. No notable economic risks are to be recognized in view of the low importance and small size of Q.S.S. Standard Photographic is a photographic service provider located near Birmingham which focuses on slide film processing and digital photography. Production is to be expanded using, in part, used machines from the CeWe Color Group, which means that the economic risks are transparent. The goodwill from corporate acquisitions capitalized at the end of the year only totaled 2.5 million euros.

Currently we cannot ascertain any **legal risks** that would threaten our continued existence from ongoing contracts or violations of the law.

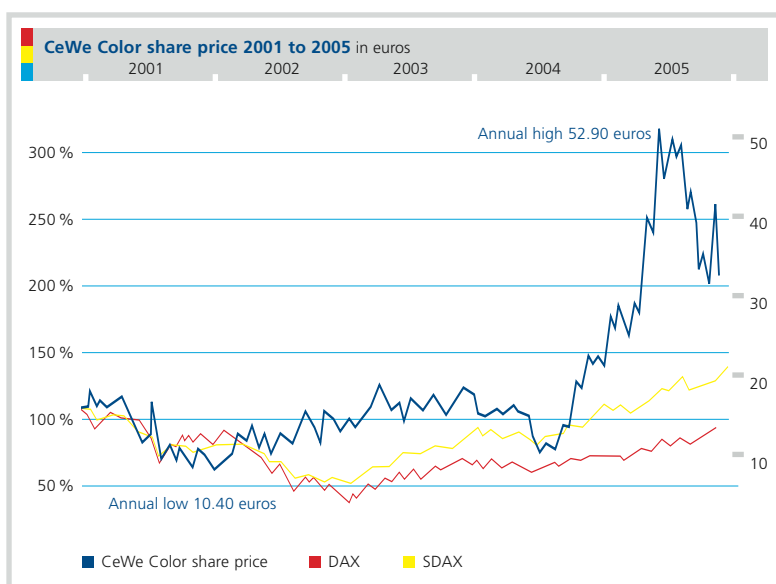
Our risk early warning system was audited by our auditors. It fulfils all of section 91, Paragraph 2 German Stock Corporation Law (AktG).

17,805

... CeWe Color shares were traded on German stock exchanges every day in 2005



Investor Relations



Key share indicators

Securities type	No-par value share
Market segment	Regulated Market PRIME STANDARD
Index	SDAX
German Security Code Number (WKN)	540390
ISIN	DE 0005403901
Symbol	CWC
Reuters	CWCG.DE
Bloomberg	CWC GR
First Trading Day	March 24, 1993
Number of shares	6,000,020
Daily volume	17,805 units
Annual high	52.90 euros
Annual low	22.26 euros
Market capitalization	247.8 million euros

Share price up 85.8 %

The CeWe Color Group's sales and earnings growth in 2005 had a positive impact on our share price. The price of CeWe Color's shares increased during the year from 22.26 euros to 41.35 euros – up more than 85.8 % over 12 months. In 2005, shares of CeWe Color reached their highest price since being listed at 52.90 euros.

These figures mean that CeWe Color's shares have substantially outperformed the key German share indices, such as the DAX (+29 %), MDAX (+36 %), SDAX (+31 %) and TecDAX (+17 %).

Trading volume up 37.7 %

The positive increase in our share price means that CeWe Color Holding AG's enterprise value increased significantly in 2005. In total, our market capitalization at the end of the year was up by 127.1 million euros (+105.3 %) to 247.8 million euros (2004: 120.7 million euros). In terms of Deutsche Börse AG's stock-market ranking, CeWe Color took 33rd place in the SDAX based on its market capitalization. In terms of trading value, CeWe Color Holding AG was in 22nd place. During 2005, an average of 17,805 CeWe Color shares were turned over each day (previous year: 12,926 shares) – this represents an increase of 37.7 % in trading volume.

We expect that our share price will enjoy positive growth over the medium term. On the whole, shares of CeWe Color are an attractive investment – in particular for investors with a long-term horizon. In financial circles, our shares are repeatedly regarded as an attractive equity and as a valuable investment.

Treasury shares

At our General Meeting on June 30, 2005, we had the buy-back of a total of 123,000 own shares approved. These are to be used for purposes including compensation for the acquisition of equity participations in companies or parts of companies. The Managing Board resolved the buy-back on October 27, 2005. 9,490 own shares had been acquired via Deutsche Börse by December 31, 2005. This means that, at the end of the year, the company owned 486,190 treasury shares, or 8.1 % of the share capital. 199,500 shares are to be used to service a Stock Option Plan. The conditions are set out in the Notes on page 75 ff.

In the past, CeWe Color already set up two Stock Option Plans. The first Stock Option Plan was not exercised as the performance target was not reached during the determined period. The second Stock Option Plan reached its performance target in April 2005 and was exercised in full.

Further spread in shareholder structure

CeWe Color Holding AG's investor relations strategy aims to constantly increase the group of potential investors – both geographically and also in terms of investor size. We were able to record successes in this regard in 2005 in particular among German-, French- and English-speaking asset and fund managers. The proportion of institutional investors increased from 35.0 % in 2004 to more than 60.0 % in 2005. Approximately 30.0 % of CeWe Color shares are held by private shareholders.

As a smaller SDAX share, CeWe Color shares are analysed and tracked by five analysts at well-known banks and investment companies in comprehensive studies. The most common recommendation is: "buy". You can find all of the studies and recommendations on our website www.cewecolor.com under the Investor Relations section.

In-depth dialog with capital markets

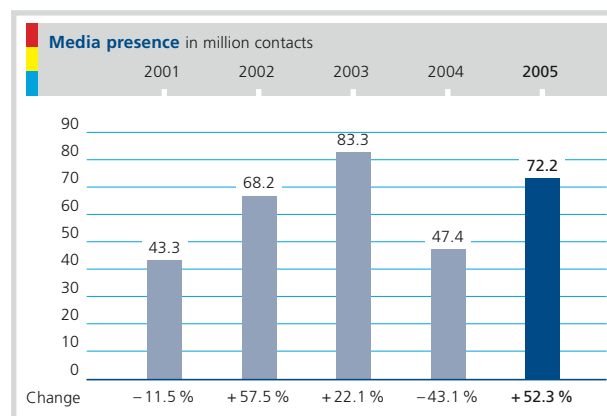
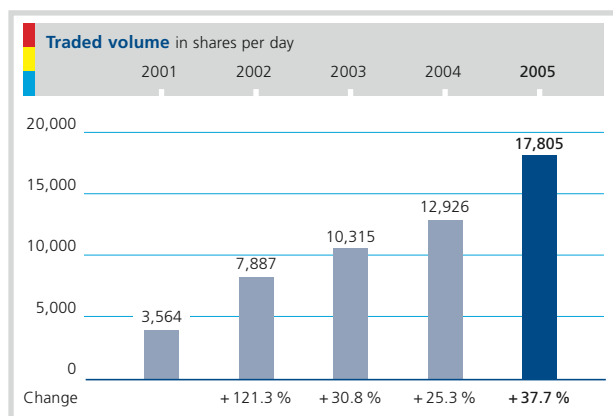
We support our corporate strategy – which is geared to sustained value growth – with ongoing, open communication with all players on the capital markets. We informed the financial community about our company's current situation, competitive position and the success of digital products and services in individual discussions and a large number of road shows in Europe (Frankfurt, Hamburg, Munich, Vienna, Zurich, Paris, Amsterdam, Rotterdam, Brussels, Stockholm, London and Edinburgh) and in the USA (New York, Denver and Boston) and also at the DVFA analysts' conference in Frankfurt – to make it easier for them to assess the position of our business and the further growth of our company.

In addition, our company presented itself at investor fairs and conferences, such as the Eigenkapital Forum (equity forum) in Frankfurt. Many shareholders, banks and investment advisers also took us up on our offer of visiting our production plants in Europe to convince themselves of our group's corporate strategy and its sustained value.

Transparent communication with capital markets

We believe that open and transparent communication with shareholders, analysts, interested investors and the business press is a fundamental requirement to clearly state our market potential and to reinforce trust in our company and its solid strategies. In order to ensure this communication, we have further expanded the services offered on CeWe Color's website (www.cewecolor.com). Information on the company such as quarterly reports, press releases and our financial calendar are directly available to all investors as soon as they have been published in the investor relations section of our website. The extent to which the Internet has advanced to become a medium offering fast communication with the financial community and the general public is shown by the high access figures on key publication dates.

Personal communication with investors, analysts, interested investors and the business press is strongly anchored in our corporate policy. For this purpose, we have prepared items including a fact book. This offers a very extensive insight into the photographic sector and our corporate group. The fact book is available for all investors and interested investors from our website.



In addition, many shareholders and potential investors have taken advantage of our offer to register in our mail, fax and e-mail distribution lists for stock-market information.

72.2 million media contacts per month

Our heightened, in-depth public relations work has allowed us to increase our presence in daily newspapers, financial magazines as well as radio and TV. Last year, our media presence reached an average of 72.2 million contacts per month, up 52.3 % year-on-year.

General Meeting: central forum for personal dialog

Our General Meeting on June 30, 2005 is our most important investor relations event – in particular for private investors – with capital represented totaling 39.8 %. The General Meeting focuses on personal dialog with shareholders. We have a large number of faithful shareholders in north western Germany who are interested in our company. Our General Meeting in the Park Hotel, Bremen, is particularly important for these investors. All of the issues presented to the General Meeting for voting were approved with a significant majority.

Earnings per share

Our earnings per share for 2005 were 1.29 euros, up 3.125 % on the previous year. Our Cash Flow per share was 8.56 euros (+13.1 %) and our return on equity was 10.2 % and the return on total capital was 4.4 %.

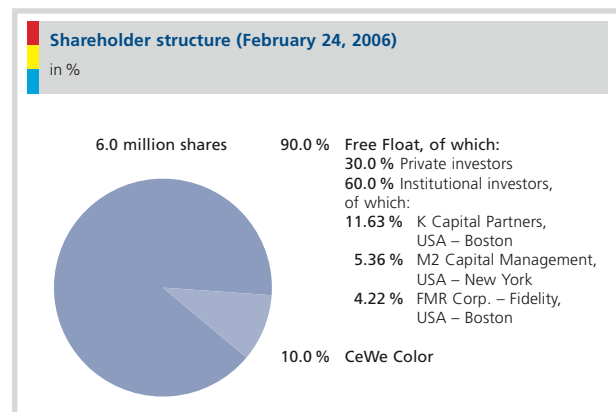
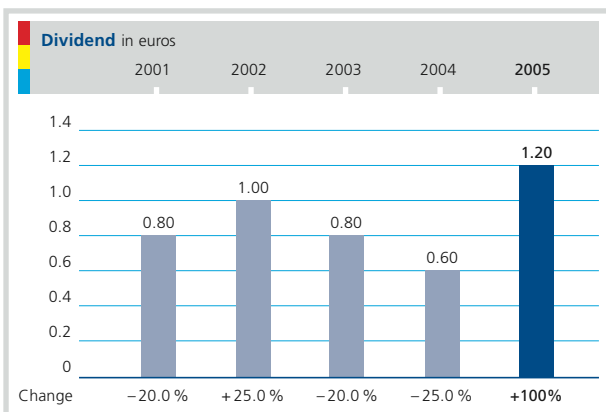
Dividend payment of 1.20 euros

CeWe Color Holding AG’s Managing and Supervisory Boards will make a proposal to the company’s General Meeting on June 1, 2006 to pay a dividend of 1.20 euros per share for fiscal year 2005. We want our shareholders to continue to participate in the company’s earnings with a dividend which is higher than the average on the equities market. At the same time, it expresses our confidence in our company’s future earnings.

Shareholder structure

The largest institutional investor is K Capital Partners, Boston (USA) with 11.63 % of the share capital (698,000 shares according to the disclosure dated February 23, 2006), ahead of M2 Capital Management, New York (USA), holding 5.36 % of our share capital (321,368 shares according to the disclosure dated November 21, 2005) and Fidelity Management Partners, Boston (USA), holding 4.22 % of our share capital (253,000 shares according to the disclosure dated February 23, 2006).

As of December 31, 2005, members of the Managing Board held a total of 11,100 shares (previous year: 7,500 shares), members of the Supervisory Board held 25,000 shares (previous year: 100,001). The Free Float currently totals 90.0 %.



Corporate Governance

Both the Managing Board and the Supervisory Board have been committed to the principles of modern Corporate Governance for many years. In view of the importance of these principles for investors, customers and employees for their faith in the governance of the company, Michael Wefers, Managing Director of CeWe Color AG & Co. OHG and member of the Managing Board of CeWe Color Holding AG was appointed as our Corporate Governance Officer at the end of 2002. We put organizational measures in place at an early stage. These are needed to meet the requirements:

- Close cooperation between the Managing and Supervisory Boards with the aim of generating a sustained increase in enterprise value
- Open and transparent communication as well as publication of all stock market information on our website www.cewecolor.com for our shareholders and the financial community
- Modifications to the by-laws for the Supervisory and Managing Boards
- Regular reviews of the declaration of conformity
- Maintenance of an insider directory
- Commerzial Treuhand again confirmed as auditor

We regularly review our implementation of the Corporate Governance Code based on the government commission's current code and modify our implementation accordingly. CeWe Color Holding AG states its position on the applicable corporate governance principles on its website – this is freely accessible. The principles of corporate governance deviate from the German Corporate Governance Code in just a few exceptional cases resulting from the nature of the company.

The Managing Board issues the following report – also for the Supervisory Board – in line with Item 3.10 of the German Corporate Governance Code:

Declaration of conformity within section 161 German Stock Corporation Law (AktG) on observance of the German Corporate Governance Code at CeWe Color Holding AG (as of: February 2006):

■ Deductible for D&O insurance (3.8)

As a rule, we do not believe that it is possible to improve the motivation and responsibility with which the members of our Managing and Supervisory Boards perform their duties with this type of insurance. Our existing insurance policies do not include a deductible; we do not plan to change the existing policies to avoid premiums being changed.

■ Subdivision of remuneration for the members of the Managing Board in the Notes to the Consolidated Financial Statements (4.2.4)

We have sub-divided board members' remuneration into fixed and performance-related components in line with recommendations since our 2002 Annual Report. However, we will waive the recommended individualization for 2005. We will fulfill the statutory requirement from our 2006 Annual Report.

■ Formation of committees with sufficient expertise (5.3.1)

With the exception of the Human Resources committee, our Supervisory Board did not form any additional committees. To date, the entire Supervisory Board has always dealt with all issues, and this is to be continued.

■ Establishing an audit committee (5.3.2)

We have not established an audit committee, as the entire Supervisory Board deals exclusively with the auditor's report on the Financial Statements in an additional meeting.

■ Supervisory Board members with more than five Supervisory Board mandates in non-group companies (5.4.5)

Each Supervisory Board member ensures that they have sufficient time to fulfill their duties. As a result, we do not believe that a restriction to five mandates is pertinent. We uphold the statutory rule of a maximum of ten mandates.

I Subdivision of remuneration for the members of the Supervisory Board in the Notes to the Consolidated Financial Statements (5.4.7)

We have sub-divided board members' remuneration into fixed and performance-related components in line with recommendations since our 2004 Annual Report. We will also waive the recommended individualization in 2005 as the remuneration is stated in the articles of incorporation of CeWe Color Holding AG. Remuneration for personal services by members of the Supervisory Board, in particular for consulting and brokerage services, is stated as a total amount in the notes to the Consolidated Financial Statements.

I Statement of shareholdings of individual members of the Managing and Supervisory Boards (6.6)

Even if shareholdings including options for individual members of the Managing Board or Supervisory Board is greater than 1.0 %, in 2005 we will again only state the total shareholding – broken down into Managing Board and Supervisory Board.

I Information on director's dealings (6.6)

You can find information on the dealings of members of the Managing and Supervisory Boards and insiders who fulfill managerial tasks and who are authorized to make key entrepreneurial decisions on our website www.cewecolor.com under the section Investor Relations/Corporate Governance.

I Consolidated Financial Statements available within 90 days, interim reports within 45 days of the period under review (7.1.2)

We uphold the statutory regulations and the regulations of Deutsche Börse AG which stipulate 120 days or 60 days.

Neither the Managing Board nor the Supervisory Board are aware of any cases – with the exception of the deviations stated above – which violated the principles.

Information on Stock Option Programs (7.1.3)

1. CeWe Color AG set up a Stock Option Plan for its top-level executives in Germany and abroad in line with the resolution passed by the 2005 General Meeting. In the period from September 12 to 23, 2005, more than 80 executives were able to acquire a total of up to 200,000 stock options. The Stock Option Plan met with great interest and was oversubscribed by almost 19 %.

CeWe Color Holding AG offered its executives one stock option at a subscription price of 0.50 euros. The Stock Option Plan runs for five years from October 1, 2005, i.e., until September 30, 2010. Option rights can first be exercised after a lock-up period of two years, i.e., after September 30, 2007. The options may be redeemed if the average spot rate for shares of CeWe Color in Deutsche Börse's Xetra trading on ten successive stock market days is at least 115 % of the underlying price. The underlying price has been fixed at 48.00 euros per share. This means that the performance target is 55.20 euros. For CeWe Color Holding AG's Managing Board, the Supervisory Board set the underlying price at 50.00 euros – with a performance target of 57.50 euros – in contrast to the other participants.

2. In the past, CeWe Color already set up two Stock Option Plans. The first Stock Option Plan was not exercised as the performance target was not reached during the determined period. The second Stock Option Plan reached its performance target in April 2005 and was exercised in full.

Further details can be found in the compliance report and in the Notes on page 75 ff.

Compliance Report

Stock Option Plan 2000

Stock Option Program I was resolved at the General Meeting on June 17, 1999. This Stock Option Program included two Stock Option Plans, both option plans had a term of five years. The first option plan expired on August 31, 2004 without the target price of 25.00 euros being achieved.

The second plan, dated September 1, 2000, ran until August 31, 2005. The underlying price was 22.00 euros. This Stock Option Plan reached its target in April 2005 and was exercised in full.

The Compliance Officer is convinced that shares were exclusively traded in the six exercise periods set out in the option conditions, each of four weeks after the respective parties had been informed and without using insider information.

Stock Option Plan 2005

CeWe Color Holding AG set up a third Stock Option Plan for its top-level executives in Germany and abroad in line with the resolution on Stock Option Program II passed by the 2005 General Meeting. In the period from September 12 to 23, 2005, more than 80 executives were able to acquire a total of up to 200,000 stock options. The Stock Option Plan met with great interest. 199,500 options were allocated. Shares may only be sold at the earliest after the expiration of the two-year lock-up period after the performance target of 55.20 euros or 57.50 euros has been reached, i.e., after September 30, 2007.

Employee shares

Employees may only dispose of the employee shares offered in 2005 after a one-year lock-up period ending on June 5, 2006. If employee shares from previous years have been disposed of, nothing points towards insider information having been used.

German Investor Protection Act (Anlegerschutzgesetz) Directors' dealings

Directors' dealings have been tightened in the new German Investor Protection Act. section 15 of the German Securities Trading Act (WpHG) includes a new, significantly lower materiality threshold for all members of executive bodies. This must be observed for specific securities transactions: all transactions for which the total value (based on the total number of transactions performed by the person with the reporting requirement and their related parties) exceeds 5,000.00 euros in a single calendar year must be reported.

If this materiality threshold is exceeded, the executive bodies with a reporting requirement or their family members undertake to send a written report to us, the issuer, as well as the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – German Financial Supervisory Authority) within five days of conclusion of the transactions.

CeWe Color Holding AG upholds its undertaking by publishing these reports immediately on the www.cewecolor.com website, in the Corporate Governance section under the “directors' dealings” item for a period of at least one month and by sending a report to BaFin.

After one month, the information is filed in an Internet archive. Corresponding notices from persons with a reporting requirement can be read in this archive.

Insider directory

In section 13 of the German Securities Trading Act (WpHG), the term insider information – which directly affects issuers themselves – was redefined in 2004. According to section 15b of the German Securities Trading Act (WpHG), we have logged all persons who have corresponding access to insider information in an insider directory, which is constantly updated. We have informed the persons included in the directory.

Outlook for 2006

CeWe Color has been able to substantially improve its competitive position since the summer of 2004. As the European market leader for industrial photofinishing, and bolstered by a strong increase in the sales of digital products, we succeeded in recording Profit before tax (EBT) of 25.5 million euros in 2005.

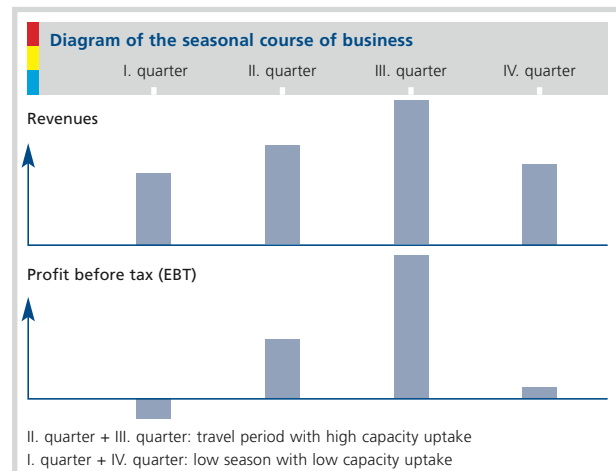
2006 will be another year of changes to the shift in technology and the market's migration from analog to digital photography. Our company has already put two thirds of this path behind it from 2002 to 2005 – we have already mastered the dramatic reduction in films and film development. CeWe Color will successfully put the remaining one third of this path behind us in 2006 and 2007 – becoming a service provider offering mostly digital products.

We will increase product development and marketing to steer consumers' interest to CeWe Color products. We will modify capacity and cut costs in various areas. In addition, we will run profitability programs for products, services and customer deliveries to balance out the impact on our earnings caused by the downturn in film prints.

The slump in films and our profitability programs for capacity, products and customers will lead to a 12.5 % downturn in sales volume for colour prints, with revenues falling by 10.7 %. The costs associated with the modifications will reduce our Profit before tax (EBT) by 16 % to 21.0 million euros, and our Profit after tax (EAT) by 15 % to 10.0 million euros. We will complete the transformation process in 2007 and 2008 and CeWe Color will grow once again, mostly with digital products.

Targets for 2006			Change
Colour prints	from films	1.90 billion units	-25%
	digital prints	1.15 billion units	+40%
	total	3.05 billion units	-12.5%
Revenues		385 million euros	-10.7%
Cash Flow		45 million euros	-15.0%
Profit before tax (EBT)		21 million euros	-16.0%
Profit after tax (EAT)		10 million euros	-15.0%
Capital expenditure		28 million euros	-25.0%

Shareholders who want to follow CeWe Color's growth using quarterly results can use the schematic quarter-by-quarter diagram. The peak travel season is the summer. The third quarter has high capacity uptake, with an equally high contribution to earnings. The second quarter will also bring positive results. The fall and winter are our low season and will lead to sub-optimum capacity uptake and losses from photofinishing in the first and fourth quarters.



Oldenburg, March 15, 2006

CeWe Color Holding AG
– The Managing Board –

Hollander

Dr. Rolf Hollander
(Chairman)

A. Heydemann

Andreas F.L. Heydemann

W. Schmidt-Sacht

Wulf-D. Schmidt-Sacht

Wefers

Michael Wefers

Managing Board and Managing Directors

Managing Board of CeWe Color Holding AG



Dr. Rolf Hollander

Chairman of the Board of Management of CeWe Color Holding AG and the Neumüller CeWe Color Foundation



Andreas F.L. Heydemann

Member of the Board of Management of CeWe Color Holding AG and Managing Director of the Neumüller CeWe Color Foundation, responsible for the Finance and Accounting, Materials Management, EDP and Auditing divisions



Wulf-D. Schmidt-Sacht

Member of the Board of Management of CeWe Color Holding AG and Managing Director of the Neumüller CeWe Color Foundation, responsible for the Technology and Research and Development divisions



Michael Wefers

Member of the Board of Management of CeWe Color Holding AG and Managing Director of the Neumüller CeWe Color Foundation, responsible for the Human Resources, Legal and Investor Relations divisions

Managing Board and managing directors of Neumüller CeWe Color Foundation



Harald H. Pirwitz

Director of the Neumüller CeWe Color Foundation, responsible for Sales and Marketing in Germany, and Austria and in Switzerland



Felix Thalmann

Director of the Neumüller CeWe Color Foundation, responsible for France, Benelux, Central Eastern Europe and Skandinavia and for expansion



Dr. Reiner Fageth

Managing Director of the Neumüller CeWe Color Foundation, heads the Research and Development divisions



Dr. Michael Fries

Managing Director of the Neumüller CeWe Color Foundation, responsible for coordinating the German operations and for logistics



Hans-Joachim Prziklang

Director of the Neumüller CeWe Color Foundation and representative of the heirs

60,000

... trading partners in 19 European countries



Consolidated Financial Statements

Consolidated Balance Sheet

as of December 31, 2005
for CeWe Color Holding AG, Oldenburg (IFRS)

Assets	Figures in thousand euros	Dec. 31, 2004	Dec. 31, 2005	Change	Notes Page
I. Property, plant and equipment		118,495	116,381	-1.8%	22 70
II. Goodwill		6,243	2,461	-60.6 %	23 72
III. Intangible assets		8,672	8,995	3.7 %	24 73
IV. Financial assets At Equity		0	500	100.0 %	25 73
V. Financial assets		1,338	1,389	3.8 %	26 73
VI. Noncurrent receivables and assets		3,014	616	-79.6 %	27 73
VII. Deferred tax assets		1,550	2,857	84.3 %	28 73
A. Noncurrent assets		139,312	133,199	-4.4 %	
I. Inventories		34,583	38,960	12.7 %	29 74
II. Current trade receivables		60,384	53,358	-11.6 %	30 74
III. Current receivables from income tax refunds		559	438	-21.6 %	
IV. Current other receivables and assets		8,659	7,992	-7.7 %	31 74
V. Cash and cash equivalents		17,216	27,353	58.9 %	32 75
B. Current assets		121,401	128,101	5.5 %	
		260,713	261,300	0.2 %	

Shareholders' Equity and Liabilities	Dec. 31, 2004	Dec. 31, 2005	Change	Notes Page
Figures in thousand euros				
I. Subscribed capital	15,600	15,600	0.0 %	33 75
II. Share premium	29,175	29,175	0.0 %	38 77
III. Treasury shares	-12,093	-10,424	13.8 %	39 78
IV. Revenue reserves and net retained profits	60,361	65,015	7.7 %	40 78
V. Minority interests	13,397	13,679	2.1 %	41 79
A. Equity	106,440	113,045	6.2 %	
I. Noncurrent special tax-allowable reserves for investment grants	1,218	1,006	-17.4 %	42 79
II. Noncurrent provisions for pensions	8,293	8,692	4.8 %	43 80
III. Noncurrent deferred tax liabilities	4,531	1,985	-56.2 %	44 80
IV. Noncurrent other provisions	4,165	4,373	5.0 %	45 81
V. Noncurrent financial liabilities	11,837	10,131	-14.4 %	46 81
VI. Noncurrent other liabilities	12,917	14,150	+9.5 %	47 81
B. Noncurrent liabilities	42,961	40,337	-6.1 %	
I. Current special tax-allowable reserve for investment grants	289	202	-30.1 %	42 79
II. Current provisions for taxes	5,805	8,436	45.3 %	48 81
III. Current other provisions	8,738	13,965	59.8 %	49 82
IV. Current financial liabilities	8,789	7,176	-18.4 %	50 82
V. Current other liabilities	87,691	78,139	-10.9 %	51 83
C. Current liabilities	111,312	107,918	-3.0 %	
	260,713	261,300	0.2 %	

Consolidated Profit and Loss Account

for the period from January 1 to December 31, 2005

for CeWe Color Holding AG, Oldenburg

Figures in thousand euros	2004	2005	Change	Notes Page
1. Revenues	428,448	431,130	0.6 %	10 61
2. Increase/decrease in finished goods and work in progress	46	-123	-367.4 %	
3. Other own work capitalized	1,479	1,531	3.5 %	
4. Other operating income	20,957	34,565	64.9 %	11 61
5. Cost of materials	-162,830	-153,114	6.0 %	12 62
6. Gross profit	288,100	313,989	9.0 %	
7. Personnel costs	-124,336	-131,092	-5.4 %	13 62
8. Amortization of intangible assets and depreciation of property, plant and equipment ¹⁾	-44,273	-39,853	10.0 %	14 63
9. Other operating expenses	-103,565	-114,319	-10.4 %	15 64
10. EBIT	15,926	28,725	80.4 %	
11. Financial results	-1,718	-3,194	-85.9 %	17 65
12. Profit before tax (EBT)	14,208	25,531	79.7 %	
13. Income taxes	-10,693	-11,612	-8.6 %	18 66
14. Other taxes	-2,346	-2,417	-3.0 %	19 68
15. Profit after tax (EAT)	1,169	11,502	883.9 %	
16. Minority interest	-925	-4,415	-377.3 %	20 68
17. Net profit for the period	244	7,087	2.804.5 %	
Basic earnings per share (in euros)	0.04	1.29	3.125.0 %	21 69

¹⁾ of which during the current year non-scheduled amortization of goodwill as a result of impairment tests (IAS 38) 4.823 million euros (previous year: 4.040 million euros)

Consolidated Cash Flow Statement

as of December 31, 2005

for CeWe Color Holding AG, Oldenburg

Figures in thousand euros	2004	2005
Result from ordinary activities (EBIT)	15,926	28,725
+ Amortization of intangible assets and depreciation of property, plant and equipment	44,273	39,853
+ Addition to provisions without addition to provision for taxes	8,231	13,675
– Reversal of provisions without provision for taxes/reversal of special tax-allowable reserves	–825	–4,168
– Reversal of badwill	–118	0
– Other non-cash transactions	–211	–1,680
= Cash Flow after non-cash transactions	67,276	76,405
+ Income from the disposal of noncurrent assets	1,006	1,732
± Increase (+)/decrease (–) in inventories, receivables and other assets	–12,013	10,600
– Decrease in consumption of provisions without provision for taxes	–5,448	–5,877
± Increase (+)/decrease (–) in trade payables, other liabilities and other equity and liabilities	9,928	–16,876
= Net cash received from operating activities	–6,527	–10,421
– Income tax paid	–12,162	–12,982
– Other taxes paid	–2,688	–2,417
= Cash Flow from operating activities	45,899	50,585
Investing activities		
– Net cash used in the acquisition of companies plus acquired net cash and cash equivalents	–463	–1,775
– Acquisition of property, plant and equipment	–35,001	–33,985
– Own work capitalized	–1,479	–1,531
+ Income from the disposal of assets	1,987	2,977
= Cash Flow from investing activities	–34,956	–34,314
Financing activities		
– Dividends paid	–4,340	–3,314
– Acquisition of treasury shares	0	–361
+ Processing of 2nd Stock Option Plan	0	2,169
+ Valuation of 2005 Stock Option Plan (IFRS 2)	0	559
– Non-cash market valuation of hedge transactions taken directly to equity	0	–582
– Non-cash currency differences from the translation of long-term intra-group loans (IAS 21.17) and for currency differences for deferred taxes offset against equity	833	390
+ Income from taking out loans	12,052	9,671
– Payments from redeeming liabilities to banks	–12,227	–12,990
– Net interest without amortization of financial assets and non-cash valuations of hedging and forward transactions	–1,699	–1,862
= Cash Flow from financing activities	–5,381	–6,320
– Net change in cash and cash equivalents	5,562	9,951
± Change in cash and cash equivalents due to exchange rate changes	282	187
+ Cash and cash equivalents start of period	11,371	17,215
= Cash and cash equivalents end of period	17,215	27,353

Notes to the Cash Flow Statement can be found on page 85.

Consolidated Statement of Changes in Equity for CeWe Color Holding AG, Oldenburg

Consolidated Statement of Changes in Equity January 1 – December 31, 2005 (IAS/IFRS)	Subscribed capital	Share premium	Consolidated equity generated	Market valuation of hedge transactions	Special tax-allowable reserve for Stock Option Plan	Adjustment item for currency translation
Figures in thousand euros						
Balance on January 1, 2005	15,600	29,175	60,509	0	0	-75
Acquisition of treasury shares	0	0	0	0	0	0
Dividend paid	0	0	-3,314	0	0	0
Profit after tax (EAT)	0	0	11,502	0	0	0
Profit/loss attributable to minority interests	0	0	-4,415	0	0	0
Processing of Stock Option Plan	0	0	139 ¹⁾	0	0	0
Valuation of Stock Option Plan (IFRS 2)	0	0	0	0	559 ²⁾	0
Market valuation of hedge transactions	0	0	0	-582	0	0
Currency translation	0	0	0	0	0	872
Balance on December 31, 2005	15,600	29,175	64,421	-582	559	797

¹⁾This item relates to the difference between the book value and the compensation from exercising the Stock Option Plan in the amount of 88 thousand euros, and the option premiums received in the amount of 51 thousand euros.

²⁾This item relates to the premiums received for the issued options in the amount of 100 thousand euros, and 459 thousand euros for the fair values of the estimated services received by the option purchasers according to IFRS 2.10.

³⁾The remaining earnings for minority interests in consolidated earnings are carried under liabilities to shareholders. The proportion of earnings disclosed here totals less than 500 euros.

Consolidated Statement of Changes in Equity January 1 – December 31, 2004 (IAS)	Subscribed capital	Share premium	Consolidated equity generated	Market valuation of hedge transactions	Special tax-allowable reserve for Stock Option Plan	Adjustment item for currency translation
Figures in thousand euros						
Balance on January 1, 2004	15,600	29,233	64,450	0	0	-2,599
Acquisition of treasury shares	0	0	0	0	0	0
Withdrawals from reserves	0	-58	58 ²⁾	0	0	0
Dividends paid	0	0	-4,340	0	0	0
Profit after tax (EAT)	0	0	1,169	0	0	0
Profit/loss attributable to minority interests	0	0	-925	0	0	0
Other changes	0	0	97 ³⁾	0	0	0
Currency translation	0	0	0	0	0	2,524
Balance on December 31, 2004	15,600	29,175	60,509	0	0	-75

¹⁾The remaining minority interests are disclosed under liabilities to shareholders.

²⁾The reversal of the share premium is connected with the merger of CeWe Color S.A.S., Paris, with Konica Photo Service France (KPSF), Le Blanc Mesnil.

³⁾This relates to the option premiums received when the first Stock Option Plan expired and the repayment of option premiums to former employees.

Parent company				Minority interests			Consolidated equity
Deferred taxes for currency differences in equity	Equity from Consolidated Balance Sheet less treasury shares	Treasury shares that are not earmarked for withdrawal	Accumulated other consolidated earnings	Minority interests	Adjustment item for currency translation	Minority interests	
			Consolidated equity				
-73	105,136	-12,093	93,043	13,430	-32	13,398	106,441
0	0	-361	-361	0	0	0	-361
0	-3,314	0	-3,314	0	0	0	-3,314
0	11,502	0	11,502	0	0	0	11,502
0	-4,415	0	-4,415	0	0	0	-4,415
0	139	2,030	2,169	0 ²⁾	0	0	2,169
0	559	0	559	0	0	0	559
0	-582	0	-582	0	0	0	-582
-107	765	0	765	0	281	281	1,046
-180	109,790	-10,424	99,366	13,430	249	13,679	113,045

Parent company				Minority interests			Consolidated equity
Deferred taxes for currency differences in equity	Equity from Consolidated Balance Sheet less treasury shares	Treasury shares that are not earmarked for withdrawal	Accumulated other consolidated earnings	Minority interests	Adjustment item for currency translation	Minority interests	
			Consolidated equity				
337	107,021	-11,996	95,025	13,429	-867	12,562	107,587
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	-4,340	0	-4,340	-3	0	-3	-4,343
0	1,169	0	1,169	0	0	0	1,169
0	-925	0	-925	4 ¹⁾	0	4	-921
0	97	-97	0	0	0	0	0
-410	2,114	0	2,114	0	835	835	2,949
-73	105,136	-12,093	93,043	13,430	-32	13,398	106,441

A. General Notes

1 | Principles for the preparation of the Consolidated Financial Statements

The Consolidated Financial Statements of CeWe Color Holding AG for the fiscal year from January 1 to December 31, 2005 were prepared according to IAS/IFRS as these are to be applied in the EU, and also according to the provisions of section 315a (1) of the Handelsgesetzbuch (HGB – German Commercial Code) as are to be applied as a supplement.

The classification of the Balance Sheet and that of the previous year has been modified compared to fiscal year 2004 in line with the changes in IAS 1. The Profit and Loss Account is prepared using the total cost (type of expenditure) method.

All figures are in thousand euros if not otherwise specified.

2 | Key differences between IAS/IFRS and HGB

The group does not prepare Financial Statements according to the accounting, valuation and carrying methods set out in the German Commercial Code (HGB). It is thus not possible to show differences between the total assets and net income compared to HGB figures. There are the following key differences:

- The formation of deferred taxes liabilities based on the Balance Sheet liability method and the capitalization of deferred tax assets from tax losses carried forwards (IAS 12)
- Modification of the useful lives of property, plant and equipment, the uniform application of straight line depreciation and the consideration of the residual value of all property, plant and equipment (IAS 16)
- Valuation of provisions for pensions according to the projected unit credit method taking into account future salary trends and the corridor rule (IAS 19)
- Individual valuation of receivables (IAS 32; removal of lump-sum write-downs)
- Separate disclosure of minority interests within equity (IAS 1.68)
- Waiver of the formation of provisions for expenses as well as the cash value method for non-current provisions (IAS 37)
- Capitalization of internally generated intangible noncurrent assets at cost (IAS 38)
- Valuation and disclosure of treasury shares according to (according to IAS 38)
- Comprehensive allocation and valuation requirements for company acquisitions and mergers (IFRS 3, IAS 36 and 38)
- Fair value measurement of hedge transactions (IAS 39)
- Valuation of Stock Option Plans with indirect consideration of the lower of cost of market for the equity instruments selected (IFRS 2)

3 | Group of consolidated companies

The group of consolidated companies includes CeWe Color Holding AG as the parent company, 7 German and 16 foreign companies. For the individual companies in which a majority of voting rights is held – directly or indirectly – by CeWe Color Holding AG, please see the list of shareholders (see page 84).

The group of consolidated companies changed as follows year-on-year:

- With effect from January 1, 2005, CeWe Color Nordcolor Beteiligungsgesellschaft mbH, Bad Schwartau was merged with CeWe Color Beteiligungsgesellschaft mbH, Oldenburg.

- In the spring of 2005, Fotolux CeWe Color Ltd., Dnipropetrovsk was formed together with OOO “Invest”, Dnipropetrovsk (Ukraine). OOO “Invest”, Dnipropetrovsk (Ukraine) will hold a 50 % interest in the company, with the remaining 50 % held by CeWe Color Beteiligungsgesellschaft mbH, Oldenburg (Germany). The company’s purpose is the operation of a photographic laboratory, in particular to acquire photo development services from trading partners in Ukraine.
- CeWe Color Zagreb d.o.o., Zagreb (Croatia) was formed on September 6, 2005. The company’s purpose is photographic activities, the purchase and sale of merchandise, the brokerage of this type of transaction on domestic and foreign markets, and the representation of foreign companies.
- A 100 % interest in A.R. Bott & Sons Limited, Warwick (United Kingdom) – market name: Standard Photographic – and its subsidiaries was acquired on November 1, 2005. The purchase price totaled 1.181 million euros (800 thousand GBP). Dipinto Limited, Warwick (United Kingdom) and INet Distribution Limited, Warwick (United Kingdom) were also acquired. These two companies are wholly owned by A.R. Bott & Sons Limited.
- A 100 % interest in Q.S.S. BVBA, Kontich (Belgium) was acquired on June 30, 2005 by CeWe Color Belgium S.A., Brussels (Belgium). The company was renamed to become Rainbow Colour BVBA effective as of July 1, 2005. On the same date, it also acquired the entire operating business of Rainbow Colour N.V., Kontich (Belgium), which was also fully acquired by CeWe Color Belgium S.A., Brussels (Belgium) in 2004, together with all rights and licenses.
- Rainbow Color N.V., Kontich (Belgium) was liquidated and deconsolidated as of December 28, 2005. Deconsolidation resulted in a loss of 296 thousand euros.
- With effect from January 1, 2006, i.e., without impacting the group of consolidated companies for these Consolidated Financial Statements, OneWebPhoto Verwaltungs-GmbH, Oldenburg (Germany), as the limited partner of OneWebPhoto GmbH & Co. KG, Oldenburg (Germany), was merged with CeWe Color AG & Co. OHG, Oldenburg (Germany) as the shareholder. This means that this company also holds the limited partners’ shares of OneWebPhoto GmbH & Co. KG, Oldenburg (Germany).

The change to the group of consolidated companies resulting from the inclusion of A.R. Bott & Sons Limited, Warwick (United Kingdom) and its subsidiaries, as well as Q.S.S. BVBA, Kontich (Belgium), has the following impact on the Consolidated Financial Statements as of December 31, 2005:

Balance Sheet	Figures in thousand euros	Group as of December 31, 2005	Of which from changes to the group of consolidated companies
Noncurrent assets		133,199	3,223
Current assets		100,748	3,577
Cash and cash equivalents		27,353	567
		261,300	7,367
Equity		113,045	–215
Noncurrent liabilities		40,337	284
Current liabilities		107,918	3,824
		261,300	3,893

The impact on the Balance Sheet is of minor importance given the amount of the corresponding Balance Sheet items. They include the effects resulting from debt consolidation.

Profit and Loss Account <small>Figures in thousand euros</small>	Group as of December 31, 2005	Of which from changes to the group of consolidated companies
Revenues	431,130	2,307
Other income	35,973	429
Cost of materials	-153,114	-937
Personnel expenses	-131,092	-564
Amortization/depreciation	-39,853	-143
Other operating expenses	-114,319	-1,043
Result from operating activities (EBIT)	28,725	49
Financial result	-3,194	-274
Profit before tax (EBT)	25,531	-225
Income taxes	-11,612	15
Other taxes	-2,417	-5
Profit after tax (EAT)	11,502	-215

The impact on the Profit and Loss Account is also minor, based on the individual items.

The acquisition costs for the acquisition of the interests relate exclusively to the purchase price. Directly allocable incidental costs from the acquisition total 22 thousand euros. No equity instruments were issued in this connection.

As the corporate mergers which took place in the period under review are not material when regarding the financial position and results of operations, the information according to IFRS 3.67 is summarized as follows according to IFRS 3.68.

The assets and liabilities on which consolidation is based were as follows:

<small>Figures in thousand euros</small>	Book values on date of acquisition	Book values (IFRS)	Change
Intangible assets (customers)	0	470,000	470,000
Intangible assets	105,185	105,185	0
Goodwill	115,329	115,329	0
Property, plant and equipment	1,373,480	1,373,480	0
Inventories	533,086	533,086	0
Receivables and other assets	3,891,754	3,891,754	0
Cash and cash equivalents	44,617	44,617	0
Deferred tax assets	0	339,000	339,000
Total	6,063,451	6,872,451	809,000
Equity	235,788	892,988	657,200
Provisions	1,902,449	1,902,449	0
Deferred tax liabilities	0	151,800	151,800
Financial liabilities	203,710	203,710	0
Current liabilities	3,708,234	3,708,234	0
Noncurrent liabilities	13,270	13,270	0
Total	6,063,451	6,872,451	809,000

The initial inclusion of A.R. Bott & Sons Limited, Warwick (United Kingdom) and its subsidiaries – market name: Standard Photographic – resulted in positive goodwill of 839 thousand euros. Initial consolidation of Q.S.S. BVBA, Kontich (Belgium), later Rainbow Colour BVBA, led to positive goodwill totaling 88 thousand euros. As part of initial consolidation, the revaluation of the assets and liabilities of the two groups of customers acquired were capitalized in the amount of 470 thousand euros, and deferred tax liabilities totaling 152 thousand euros were formed. The deferred tax assets that were formed relate to tax losses carried forwards for A.R. Bott & Sons Limited, Warwick (United Kingdom).

4 | Principles of consolidation

The Consolidated Financial Statements were prepared based on the audited single-entity Financial Statements of the companies included, which have been issued with unqualified auditor's opinions.

The Balance Sheet date for the single-entity Financial Statements for all of the companies included in the Consolidated Financial Statements is the same as the Balance Sheet date for the Consolidated Financial Statements – December 31, 2005.

Capital was consolidated using the benchmark method in line with IAS 22.32 up to and including March 2004. During initial consolidation, positive goodwill resulted during the inverse calculation. This is shown as goodwill according to IAS 22.41 to the extent that it cannot be allocated to other identifiable assets and/or liabilities. Goodwill which had not been fully amortized by December 31, 2004, is no longer subject to scheduled amortization as a result of the changes to IAS 38. These items are now amortized via unscheduled write-downs resulting from an impairment test in line with IAS 36.

Badwill from initial consolidation was either recognized in income directly according to IAS 22.62 or was deducted from the goodwill resulting from initial consolidation according to IAS 22.64.

With effect from April 2004, initial consolidation uses the acquisition method according to IFRS 3.14. In so doing, the assets and liabilities acquired are revalued according to the principles of IFRS. The remaining undistributed positive goodwill is carried as goodwill within the meaning of IFRS 3.51 et seq.

If badwill results from initial consolidation, this has been recognized in income immediately in line with IFRS 3.56 since April 2004.

Revenues, expenses and income as well as loans, receivables and liabilities within the group between the consolidated companies are eliminated. **Inter-company profits** from group deliveries are consolidated to the extent that these are of importance for the presentation of the financial position and results of operations. Inter-group deliveries and performance are calculated based on market prices and also in line with the principle of dealings at arm's length. To the extent required, deferred taxes were formed for consolidation which affected income.

Effects from the fair value measurement (IFRS 2) of equity instruments issued (Stock Option Plans) for future work are distributed as expenses over their term, carried under personnel expenses, and booked against equity (other revenue reserves). To the extent that the option conditions are not fulfilled, the item is to be reversed directly in equity.

Associated companies over which a significant influence is held but for which there are no opportunities for influence and control are consolidated at equity (IAS 28.13). These are valued on their date of acquisition using the acquisition cost method, with proportionate hidden reserves and liabilities taken into account. In subsequent valuations, the carrying amount is continued including scheduled depreciation of hidden reserves, the increase or reduction by the proportion of the annual earnings, the dividends received and any proportionate capital increases or decreases that had been performed.

The consolidation methods applied are unchanged year-on-year.

5 | Currency translation

The Financial Statements of the foreign group companies are translated to euros using the functional currency concept (IAS 21). The functional currency of the subsidiaries is the respective national currency. As our subsidiaries operate their business independently in financial, economic and organizational terms, as a rule the functional currency is identical with the company's respective national currency. The group's reporting and functional currency is the euro.

Assets and liabilities of the companies to be included are translated at the mean rate of exchange on the Balance Sheet date, income and expenses are translated at the annual average of the respective mean rate of exchange.

Goodwill which results for foreign subsidiaries from capital consolidation is carried at historical acquisition costs. Equity is also translated at historical exchange rates. The resulting currency translation differences are not carried in the Profit and Loss Account, but under a separate equity item. Currency differences from the translation of long-term loans to group companies are also carried directly under equity in line with IAS 21.32.

Currency translation is based on the following key exchange rates:

Currency translation	Balance Sheet rate	2004 Profit and Loss Account rate	Balance Sheet rate	2005 Profit and Loss Account rate
Swiss francs	1.54370	1.54420	1.55480	1.54830
Czech crowns	30.39000	31.89130	29.02000	29.77240
Danish crowns	7.43850	7.43990	7.46000	7.45170
Hungarian forint	245.77500	251.78610	252.90000	248.06070
Norwegian crowns	8.24000	8.37200	7.99900	8.01190
Polish zloty	4.08770	4.54240	3.86500	4.03000
Swedish crowns	9.02000	9.12600	9.39200	9.28020
Slovakian crowns	38.73000	40.04830	37.87000	38.58990
Croatian kuna	–	–	7.36670	7.40710
British pounds sterling	–	–	0.68630	0.68400

B. Accounting and Valuation Principles

6 | General information

As a rule, the Annual Financial Statements of the companies included are prepared using uniform accounting and valuation methods. The accounting and valuation options in the Consolidated Financial Statements are exercised in the same manner as in the single-entity Financial Statements. The accounting and valuation methods applied are unchanged year-on-year.

7 | Recognition of income and expense

Revenues and other operating income are recognized when the service is provided or when risk is transferred to the customer. Operating expenses are recognized in income when the service is taken up or when these are caused. Revenue-related expenses or provisions are taken into account when the corresponding revenues are recognized. Interest income and expense are accrued.

8 | Assets

Intangible assets acquired against payment are carried at cost less straight line amortization in line with their useful lives.

Intangible assets carried under IFRS 3 are amortized taking into account the reworked IAS 38. Internally generated intangible assets from which future economic benefits will flow to the group and which can be reliably valued (IAS 38) are capitalized at their production cost. These mostly relate to sales and production-specific software systems which can be used throughout the group. These systems are regularly modified in line with the changing technical requirements, with the useful life being re-determined on a regular basis. Production costs comprise all directly allocable costs as well as reasonable amounts of the production-related overheads. Financing costs are not capitalized (IAS 23). Other development costs are also not capitalized.

Goodwill carried under intangible assets was last subject to scheduled amortization under IAS 22 in fiscal year 2004 based on an expected useful life of 15 years; from 2005, this is no longer subject to scheduled amortization. Impairment tests (IAS 36) are conducted for the individual items. If write-downs were required, extraordinary write-downs were performed.

Property, plant and equipment is carried at cost and, if these are wasting assets, less scheduled straight line depreciation. Production costs comprise all directly allocable costs as well as reasonable amounts of the production-related overheads. Financing costs are not capitalized (IAS 23.10 et seq). The basis for depreciation is less an estimated residual value which the companies can anticipate realizing at the end of the useful life less the costs of disposal (IAS 16.6, 38.8). The residual value on the Balance Sheet date is calculated as if the respective asset already has the age and degree of wasting on the date of the supposed disposal. There is no revaluation of assets according to IAS 16.31 and IAS 38.75. Only depreciation resulting from tax regulations is not applied.

Low value assets with an individual acquisition value of up to 410.00 euros are written off in full in the year of their acquisition.

Scheduled depreciation of noncurrent assets is mostly calculated based on the following uniform group useful lives:

Standard useful lives		Dec. 31, 2004	Dec. 31, 2005
Asset	Useful life in years		
Software and other intangible assets		3 to 7	3 to 7
ERP software		8	8
Buildings		25 to 40	25 to 40
Machinery			
Printers		4 to 7	4 to 7
Splicers		5 to 6	5 to 6
Film development machines		6 to 8	6 to 8
Sorting lines		5 to 8	5 to 8
EDP equipment		3 to 7	3 to 7
Cars		5	5
Office furniture		13	13

Standard operating useful lives are determined based on previous experience of using the asset, its current and expected opportunities for use, and specific technical developments.

Extraordinary depreciation within the meaning of IAS 36 was performed if there was reason to believe that the recoverable amount of the asset was significantly less than its book value, for example if market values fell more strongly than normal.

Financial assets are measured at cost. No **extraordinary amortization** was performed as a result of expected permanent impairment. Joint venture companies are consolidated at equity and carried under financial assets at equity. Upon initial consolidation they are carried at cost or, if the participation is via a non-cash contribution, at their present value; in the case of non-cash contributions the portions of hidden reserves due to the partner company are taken into account.

Inventories are carried at cost. Cost includes material and production unit costs as well as material and production overheads to a reasonable extent. Administrative costs are taken into account to the extent that these are attributable to production. If the net selling value was lower on the Balance Sheet date, this is applied. There were no long-term production contracts. Purchased items of inventory were measured at their weighted average value using the average value method.

As a rule, **receivables** and **other assets** are carried at their face value. If there is doubt surrounding the collection of receivables, these are carried at the lower amount which can be received. In addition to the required individual write-downs, recognizable risks from the general credit risk are taken into account by forming lump-sum individual write-downs. Non-interest bearing receivables and other assets are discounted to the extent that these are noncurrent. No marketable securities are held; the treasury shares held are deducted from equity in a special item according to IAS 32.33 (see page 48).

Cash in hand, bank balances and checks are carried at amortized cost.

According to IAS 12, deferred tax assets and liabilities are formed for all temporary differences for assets and liabilities between the tax base and the IAS/IFRS Financial Statements, for tax credits and losses carried forwards. The national tax rates applicable on the Balance Sheet date or in future are applied respectively. The impact of changes in the tax rate on deferred taxes is recorded when the statutory change comes into effect. Deferred tax assets from losses carried forward are only taken into account to the extent that their realization is sufficiently concrete.

9 | Liabilities and shareholders' equity

Subscribed capital is carried at its nominal amount under **equity**. The premium from the initial share issue is measured as a share premium at the difference between the nominal amount of the bearer shares issued and the issuing amount generated. In line with IAS 32.33, the special item for treasury shares is used to carry treasury shares in the amount of their full, original acquisition costs on the date they were re-purchased taking into account the premiums received as part of Stock Option Programs to the extent that the option rights have not yet been exercised. The revenue reserves and the net retained profits are formed according to statutory provisions and the articles of association and are carried at their face value. The item other revenue reserves is used to disclose effects that result from the fair value measurement of hedging transactions within the meaning of IAS 39 and the valuation of Stock Option Plans according to IFRS 2 (see page 75 below).

Provisions for pensions are taken into account in line with the projected unit credit method prescribed by IAS 19 for performance-related pension commitments. When valuing provisions for pensions and calculating pension costs, the 10 % corridor rule was not applied. That means that all actuarial gains and losses are recognized in income immediately. Actuarial calculations are based on the following assumptions of trends:

Actuarial parameters for the growth of pension provisions	Figures in %	IAS Dec. 31, 2004	IAS / IFRS Dec. 31, 2005
Valuation using the projected unit credit method (figures p.a.)			
Interest rate		5.00	4.25
Salary trend		2.50	2.50
Pension trend		1.50	1.50
Average fluctuation		1.50	1.50

Calculations based on: 1998 mortality table from Heubeck-Richttafeln GmbH, Cologne, for 2004
 Calculations based on: 2005 mortality table from G. Heubeck-Richttafeln GmbH, Cologne, for 2005
 Pension age selected: advance take-up according to RRG 1999

Mortality rates are calculated according to the current mortality tables published by Heubeck or comparable foreign mortality tables. There is re-insurance in the event that extraordinary payments are required. There were no fund assets to be offset and which could be used to repay the commitments.

Government grants for assets are carried in the item **special tax-allowable reserve for investment grants** as a deferred liability. Investment grants and investment subsidies are recognized in income proportionately as these are taken up in line with depreciation for the subsidized assets.

Deferred tax liabilities are carried under provisions. These are formed based on the standard international liability method (IAS 12) and show the tax impact of valuation differences between the individual companies' tax bases and the Consolidated Financial Statements. Neither deferred tax assets nor deferred tax liabilities are discounted. The deferrals are calculated using the tax rates which are to be expected when the temporary differences are reversed according to current knowledge. The underlying tax rates total approx. 38.2 % in Germany and are between 16.0 % and 33.9 % in the rest of Europe.

Average tax rates for the calculation of deferred taxes	Figures in %	2004	2005
Germany		38.20	38.20
The Netherlands		34.33	31.50
Belgium		33.99	33.99
France		34.43	33.83
Switzerland		25.00	25.00
Denmark		30.00	28.00
Norway		28.00	28.00
Poland		19.00	19.00
Slovakia		19.00	19.00
Czech Republic		26.00	24.00
Hungary		16.00	16.00
Croatia		–	20.00
United Kingdom		–	30.00

Other **provisions for taxes** and **other provisions** are formed to the extent that there is a commitment resulting from a past event. This is conditional upon it being probable that this commitment will lead to a future outflow of resources and the charges can be reliably estimated (IAS 37). These are carried if the probability is greater than 50 % based on the fulfillment amount with the highest probability of occurrence. Provisions for liabilities that will probably not lead to charges in the following year are formed in the amount of the cash value of the anticipated outflow of resources, to the extent that this is material. The discount rates correspond to the standard capital market rates. The carrying amount of the provisions is reviewed on every Balance Sheet date.

Liabilities are carried at amortized cost (IAS 39), items denominated in foreign currency are measured at the mean rate of exchange on the Balance Sheet date. **Contingent liabilities** are used to disclose obligations from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events, and for which the threatened outflow of resources is not sufficiently probable or for which the amount of the outflow of resources cannot be reliably estimated (IAS 37). The carrying amount of the contingent liabilities is recalculated on every Balance Sheet date.

CeWe Color uses **derivative financial instruments** such as interest rate and foreign currency options, interest rate swaps, combined interest and currency swaps, as well as commodities forwards (silver) to hedge currency, interest rate and commodity price risks. According to the risk management principles, no derivative financial instruments are held for trading purposes.

Derivative financial instruments are initially carried on the Balance Sheet at cost and then at their market values. Gains and losses are recorded depending on the type of item hedged. On the date a hedge transaction is concluded, the derivatives are either classified as hedges for a planned transaction (Cash Flow hedge), hedges for the fair value of a disclosed asset or liability (fair value hedge) or hedges for a net investment in an economically independent foreign subsidiary.

The change in the market value of derivatives which are determined and suitable for use as Cash Flow hedges and which prove to be fully effective, are carried under equity. If these are not 100 % effective, the changes in value are recognized in income. The gains and losses accumulated in equity are recognized in income in the same period in which the hedged transaction impacts the Profit and Loss Account. In the case of derivative financial instruments which are used to hedge fair value, the results from the derivative and the corresponding gain or loss from the hedged item are recognized in income immediately.

Changes to the market value of derivatives to hedge the market value of a future underlying transaction and which are not suitable for hedge accounting within the meaning of IAS 39, are recognized in income immediately.

Hedging for foreign net items is disclosed correspondingly as Cash Flow hedges. If the hedging instrument is a derivative, the actual currency gains and losses from the derivative or from the translation of the credit are carried under equity.

The relationships between the hedge instruments and the hedged items and the risk management targets for the hedge transaction are documented when the transaction is concluded. This approach links all derivatives classified as hedges with specific planned transactions. In addition, we document the assumption regarding whether the derivative used as a hedge is highly effectively in balancing the changes in Cash Flow for the hedged transaction.

The market values of currency forwards, currency options and commodities forwards are calculated based on market conditions on the Balance Sheet date. Recognized valuation models are used to determine the market value of foreign currency options.

IFRS 2 is taken into account for the accounting treatment of **Stock Option Plans** as a special type of remuneration via real options for which the company has to supply treasury shares to the option holders when these are exercised. The fair value of the options on the grant date can be identified based on market prices (prices at Deutsche Börse AG, Frankfurt) taking into account the issuing conditions and generally recognized valuation techniques for financial instruments. The following are included in valuation: the strike price, the term, the current market value of the subject of the option (shares of CeWe Color), the anticipated volatility of the market price, the anticipated dividends for the shares and the risk-free interest rate for the term of the options. In addition, the following special features are taken into account: the necessary lock-up period and, if required, the earliest possible exercise of the option by the holder. The identified value of the stock options is then distributed as an expense over the term taking into account the assumed length of service or fluctuation in option holders. This is disclosed under personnel expenses and in equity under other revenue reserves.

Contingent liabilities are possible obligations to third parties or current obligations for which an outflow of resources is not probable or for which the amount cannot be reliably determined. As a rule, contingent liabilities are not carried on the Balance Sheet. The volume of contingent liabilities stated in the notes corresponds to the amount on the Balance Sheet date.

C. Notes to the Consolidated Profit and Loss Account

10 | Revenues

Revenues by segment	Figures in thousand euros	2004	2004	2005	2005
Photofinishing revenues		368,373	85.98 %	358,927	83.25 %
Retail revenues		60,075	14.02 %	72,203	16.75 %
Total revenues		428,448	100.00 %	431,130	100.00 %

Revenue is carried after all sales allowances have been deducted. Other income is carried under other operating income.

11 | Other operating income

Other operating income	Figures in thousand euros	IAS Dec. 31, 2004	IAS/IFRS Dec. 31, 2005
Income from insurance compensation		121	14,079
Income from silver sales		5,943	6,683
Income from the reversal of provisions		248	3,754
Income from oncharged expenses		2,871	2,979
Currency translation gains		1,372	1,031
Income from the sale of property, plant and equipment		579	633
Income from the receipt of written-down receivables		349	454
Income from the reversal of special tax-allowable reserves for investment grants		383	286
Other operating income		9,091	4,666
Total other operating income		20,957	34,565

Income from the sale of silver stems from selling recovered and purified silver. A total of 34.0 tons were sold during the fiscal year (previous year: 34.7 tons); the average price received totaled 186.04 euros per kg (previous year: 165.57 euros per kg).

The income from the reversal of provisions mostly stems from the deferral of revenue-related expenses and operating personnel costs.

The key item in insurance compensation is the compensation payment for the fire at the plant in Lille (France) totaling 13.936 million euros (IAS 16.74d).

Income from the reduction of write-downs for receivables relate to Germany in particular. Currency gains mostly include gains from exchange rate changes between the time the transaction arises and the date of payment and valuation on the Balance Sheet date. These also include income from translation for consolidation purposes. Currency losses from these translations are carried under other operating expenses (see note on page 64).

Other operating income includes, in particular, income from vehicle use, income from the consolidation of income and expense and income from oncharging disposal costs. As in the previous year, the company did not receive any government grants in fiscal year 2005. The reduction in other operating income is due to the liabilities being booked out in the previous year as well as lower income from consolidation measures.

12 | Cost of materials

Cost of materials	Figures in thousand euros	IAS	IAS/IFRS
		Dec. 31, 2004	Dec. 31, 2005
Raw materials, consumables and supplies and merchandise		- 159,142	- 151,232
Cost of purchased services		- 3,688	- 1,882
Total cost of materials		- 162,830	- 153,114

The costs of raw materials, consumables and supplies and for purchased goods in the photofinishing segment include, in particular, the purchase of photographic paper, photo pouches, chemicals and other organizational materials and the purchase of merchandise in the retail segment. Expenses for purchased services include third-party work in the photofinishing segment.

13 | Personnel expenses

Personnel expenses	Figures in thousand euros	IAS	IAS/IFRS
		Dec. 31, 2004	Dec. 31, 2005
Wages and salaries		- 100,537	- 109,046
Social security		- 22,817	- 21,108
Expenses for pension plans and benefits		- 982	- 938
Total personnel expenses		- 124,336	- 131,092

Wages for blue-collar employees totaled 37.542 million euros (previous year: 38.653 million euros), salaries for white-collar employees totaled 46.166 million euros (previous year: 46.529 million euros).

Expenses for pension plans and benefits mostly relate to additions to provisions for pensions: 57 thousand euros (previous year: 90 thousand euros) were added for members of CeWe Color Holding AG's executive bodies; the difference compared to the previous year is due to staffing changes in the Managing Board and the foundation's management from the New Year. Please also see the comments on noncurrent provisions for pensions (see page 80).

The initial measurement upon recognition of the current Stock Option Plan (IFRS 2.10 and 2.11) gives a present value of 3.674 million euros, which is taken into account on a pro rata basis totaling 459 thousand euros as other personnel expenses. The offsetting entry is made in equity under other revenue reserves. The structure of the current Stock Option Plan is detailed in the comments on equity (see page 75 ff.). A Monte Carlo simulation was used for valuation. During this process, the log-normally distributed process for the price of shares of CeWe Color is simulated in order to map the performance target in the form of an increase in the average closing price of at least 15.0 % compared to the underlying price on ten successive trading days.

The possibility of advance exercise is also taken into account in the simulation using a modified version of the method proposed by Hull and White, taking into account the exercise window and the so-called advance exercise behavior of the participants. In the simulation, 2.79 % of the stock options were exercised immediately after the lock-up period if this is possible as a result of holders exiting the company. The risk-free interest rate for the term was assumed as being 2.71 % as of September 30. Discrete dividends were included in the calculation, with publicly available estimates being used as the basis for calculation. Finally, the historical volatility was included and estimated at 36.52 % as of September 30. There were no direct payments for benefits.

Number of employees	Figures in employees (extrapolated on a full-time basis)	IAS Dec. 31, 2004	IAS / IFRS Dec. 31, 2005
White-collar employees		1,914	1,912
Blue-collar employees		1,773	1,682
Apprentices		142	136
Total employees		3,829	3,730

Number of employees by segment	Figures in employees (extrapolated on a full-time basis)	IAS Dec. 31, 2004	IAS / IFRS Dec. 31, 2005
Central Europe		2,220	2,136
Western Europe		584	577
Benelux		62	65
Central Eastern Europe		963	952
Total employees		3,829	3,730

Figures are based on annual averages. As of December 31, 2005, the group had a total of 3,512 employees (December 31, 2004: 3,859 employees).

14 | Amortization of intangible assets and depreciation of property, plant and equipment

The breakdown of depreciation can be seen in the statement of changes in noncurrent assets. In fiscal year 2005, the goodwill for CeWe Color S.A.S., Paris (France) was subject to non-scheduled amortization totaling 4.823 million euros (previous year: 2.470 million euros, group total: 4.040 million euros). This amount is given by an impairment test conducted according to the principles of IAS 36. According to IFRS 3.54, IAS 36, the capitalized goodwill is no longer subject to scheduled amortization from fiscal year 2005.

15 | Other operating expenses

Other operating expenses	Figures in thousand euros	IAS Dec. 31, 2004	IAS/IFRS Dec. 31, 2005
Sales and marketing costs		–51,649	–57,070
Office costs		–14,780	–16,048
Administrative costs		–13,148	–14,795
Operating costs		–8,158	–7,733
Vehicle costs		–2,951	–3,224
Amortization/depreciation and write-downs for current assets		–3,271	–2,254
Currency translation losses		–742	–1,213
Sundry operating expenses		–8,866	–11,982
Total other operating expenses		–103,565	–114,319

Sales and marketing costs are the key item, including expenses for courier services in the photo-finishing branch business. The adjustments to the value of the current assets mostly relate to individual write-downs for receivables (2005: 1.734 million euros, 2004: 3.065 million euros), which result from estimating defaults for future returns.

Fees for the auditors of the Consolidated Financial Statements total 420 thousand euros (previous year: 521 thousand euros) and are carried under administrative expenses. The following individual amounts were invoiced for the individual consulting services (section 314 (1) no. 9 of the HGB):

Auditors' fees	Figures in thousand euros	IAS Dec. 31, 2004	IAS/IFRS Dec. 31, 2005
Audit of Financial Statements		121	105
Other valuation services and services for providing an opinion		71	66
Tax advice		217	195
Other consulting		112	54
Total		521	420

The fees for auditing include fees for auditing the Consolidated Financial Statements as well as the audit of the Financial Statements of CeWe Color Holding AG, Oldenburg and its German subsidiaries. Other valuation services and services for providing an opinion include the audit of interim reports, tax advice includes the preparation of tax returns, the audit of tax notices, and if necessary launching counter-proceedings, support during external tax audits and other tax issues.

The other, irregular other and non-period operating expenses in the year under review include additions to provisions for exchange rate losses, expenses from the fair value measurement of existing hedge transactions, losses from the disposal of noncurrent assets, warranty expenses, canteen costs, personnel recruitment costs, research and development costs and incidental costs of monetary transactions.

Currency losses mostly include losses from exchange rate changes between the time the transaction arises and the date of payment and valuation on the Balance Sheet date. These also include expenses from translation for consolidation purposes. Currency gains from these translations are carried under other operating income (see note on page 61).

Non-capitalized research and development expenses for intangible and other assets were incurred in the amount of 5.447 million euros (previous year: 4.050 million euros).

16 | Restructuring expenses

Ongoing personnel and material expenses were incurred as part of the modification to and restructuring of the group. These relate to the partial or full closure of plants in Le Blanc Mesnil (KPSF in France), Lille (France, plant closed after major fire damage), Marseille (France), Worms (Germany) and Arhus (Denmark). These closures depressed earnings by 12.8 million euros in 2005, with 7.7 million euros being carried under liabilities as a restructuring provision. The expenses mostly relate to social plans for compensation and subsequent wages and salaries. A total of around 310 employees were affected by the closures.

17 | Financial results

Financial results	Figures in thousand euros	IAS	IAS / IFRS
		Dec. 31, 2004	Dec. 31, 2005
Other interest and similar income		246	798
Interest and similar expenses		-1,945	-2,660
Net interest		-1,699	-1,862
Amortization of financial assets		-19	-1,332
Total other financial result		-19	-1,332
Total financial result		-1,718	-3,194

The amortization of financial assets includes the factors to be recognized in income from fair value measurement stemming from the portion deemed to be ineffective of a currency swap hedge for a net investment in an economically independent foreign subsidiary totaling 66 thousand euros and the fair value measurement of the existing hedge forward transactions to hedge income from the sale of silver totaling 1.001 million euros. The relationship to the hedged items exists in its full amount for existing silver hedge transactions.

18 | Income taxes

Effective and deferred expenses for income taxes	Figures in thousand euros	IAS Dec. 31, 2004	IAS/IFRS Dec. 31, 2005
Effective taxation Germany ¹⁾		11,937	14,955
Effective taxation Rest of Europe ²⁾		778	433
Total effective taxation		12,715	15,388
Deferred taxes Germany		-2,206	-2,551
Deferred taxes Rest of Europe		184	-1,225
Total deferred taxes		-2,022	-3,776
Total income taxes		10,693	11,612
¹⁾ of which non-period		-255	-868
²⁾ of which non-period		-66	-65

Income taxes in Germany include corporation tax including the solidarity surcharge as well as trade tax; in the rest of Europe the corresponding comparable taxes for the subsidiaries are included.

There were no key changes to the tax expenses resulting from changes to the respective national tax rates. The introduction of new national taxes also had no impact. No tax expenses were incurred in connection with extraordinary expenses and the closure of business segments.

The disclosed income tax expense is broken down as follows (based on anticipated income tax expenses):

Reconciliation of income tax	Figures in thousand euros	IAS Dec. 31, 2004	IAS/IFRS Dec. 31, 2005
Profit before tax (EBT)		11,862	23,114
Theoretical tax rate		39.0 %	39.0 %
Theoretical income tax expense		4,626	9,014
Increase and decrease in income tax charges from:			
– Different local interest rate		-425	-268
– Non-application of deferred tax assets for losses carried forwards		3,533	3,292
– Tax reduction from tax-free income		-192	-1,494
– Tax increases from non-deductible expenses		3,438	2,508
– Tax reductions from uptake of tax losses carried forwards for which no deferred taxes were formed in prior periods		0	-231
– Non-tax deductible amortization of goodwill		2,099	1,659
– Subsequent tax payments or tax refunds from previous years		-321	933
– Change in deferred taxes		-2,132	-3,776
– Other		67	-25
Total income taxes		10,693	11,612

A theoretical tax rate of 39.0 % (previous year: 39.0 %) is used to calculate the anticipated income tax expense. This comprises 25.0 % for corporation tax (previous year: 25.0 %), 5.5 % for the solidarity surcharge on corporation tax liabilities (previous year: 5.5 %) and 17.0 % for trade tax (previous year: 17.0 %).

In the event of full disbursement of consolidated earnings, there are deferred tax refund claims totaling 6.006 million euros (previous year: 5.754 million euros) which result from retained earnings accrued in previous years and taxed at a higher rate of corporation tax. The increase compared to the previous year is due to the subsequent impact of the external tax audit concluded during the year under review for the years from 1993 to 1999 including the subsequent effects resulting from this audit through to the year 2004. The Managing and Supervisory Boards will propose a dividend totaling 1.20 euros per no-par value share to the coming General Meeting. A dividend disbursement would result in a tax credit for fiscal year 2006 totaling 429 thousand euros. No tax credit was possible in 2005 as a result of the existing moratorium (section 37 (2a) of the Körperschaftsteuergesetz - German Corporation Tax Act).

The deferred taxes can be allocated to the following items:

Deferred taxation	Figures in thousand euros	IAS	IAS / IFRS
		Dec. 31, 2004	Dec. 31, 2005
Losses carried forward and tax credits		676	933
Depreciation of property, plant and equipment		48	51
Amortization of intangible assets		211	254
Receivables		299	1,160
Provisions for pensions		370	381
Other provisions		1,780	2,284
Special tax-allowable reserve for investment grants (investment subsidies)		225	172
Consolidation		399	1,408
Other		153	500
Total deferred tax assets (gross)		4,161	7,143
Netting		-2,611	-4,286
Total deferred tax assets (net)		1,550	2,857
Depreciation of property, plant and equipment		5,150	4,193
Amortization of intangible assets		1,141	1,066
Provisions for pensions		68	95
Other provisions		161	0
Consolidation		520	821
Other		102	96
Total deferred tax liabilities (gross)		7,142	6,271
Netting		-2,611	-4,286
Total deferred tax liabilities (net)		4,531	1,985

According to IAS 12, deferred tax assets and liabilities are netted to the extent that these are to the same tax authority and have the same term.

The total carryforward for tax losses not yet used totaled 23.557 million euros (previous year: 13.609 million euros) and mostly relates to our company in France. Of the loss carryforwards, 20.084 million euros (previous year: 13.406 million euros) can be carried forward without restriction. The remaining loss carryforwards can be carried forward at the longest until 2008. The ability to realize deferred taxes in future is material for their capitalization. This mostly depends on the future tax profits during the periods in which the tax differences will be reversed and tax losses carried forwards can be asserted. For capitalization, we assume the profit forecasts that we regard as being more probable than improbable. As a result, no deferred taxes were formed for tax loss carryforwards totaling 20.172 million euros (previous year: 11.188 million euros).

In addition to the income taxes recognized in income, there is also the following total tax expense under equity:

Total income tax expense in equity	Figures in thousand euros	IAS Dec. 31, 2004	IAS/IFRS Dec. 31, 2005
Income tax expense disclosed in Profit and Loss Account		10,693	11,612
Tax expense disclosed directly under equity		73	180
Total income tax expense in equity		10,766	11,792

19 | Other taxes

Other taxes for the group include in particular land and vehicle tax as well as various foreign taxes. Of this total, 1.213 million euros (previous year: 1.337 million euros) is due to the “taxe professionnelle” in France.

20 | Profit/loss attributable to minority interests

The profit/loss attributable to minority interests includes the share of other shareholders in the earnings of subsidiaries included in consolidation in proportion to the interests they hold. The bulk of this item is due to an atypical silent partnership in the group company CeWe Color AG & Co. OHG, Oldenburg. The atypical silent shareholders do not influence the company and are economically equivalent to a shareholder of CeWe Color Holding AG, Oldenburg. The shareholders' share of profits is subject to individual income tax.

21 | Earnings per share

Earnings per share	Figures in thousand euros	IAS Dec. 31, 2004	IAS / IFRS Dec. 31, 2005
Consolidated earnings after minority interests		244	7,087
Weighted average basic number of shares (in shares)		5,424,820	5,484,999
Basic earnings per share (in euros)		0.04	1.29
Consolidated earnings		244	7,087
+ minority interests who have subscription rights		922	4,415
+ interest expense from shareholder loan to OHGs		618	754
– Current and deferred taxes		–406	–1,527
Adjusted consolidated earnings		1,378	10,729
Weighted average diluted number of shares (in shares)		7,424,820	7,484,999
Earnings per share (in euros) taking into account the use of subscription rights		0.19	1.43

The **basic earnings per share** are calculated as the consolidated earnings divided by the weighted average number of shares in circulation during the fiscal year.

When calculating the **earnings per share taking into account the use of subscription rights**, the no-par value shares which could be issued when subscription rights are exercised from subscription right commitment certificates are added to the weighted average number of shares in circulation. The consolidated earnings are adjusted accordingly for the portions of interest and earnings due to the participants as well as for the resulting tax impact. Treasury shares are not included when calculating the diluted earnings per share (IAS 33.19). The subscription rights issued as part of the 2005 Stock Option Plan are also not considered, as the average stock market price of shares of CeWe Color has not passed the exercise price (see page 75) since the subscription rights were issued. The information on earnings per share taking into account the use of subscription rights is currently provided voluntarily as there is no dilutive effect within the meaning of IAS 33.41 et seq.

D. Notes to the Balance Sheet

Total noncurrent assets

CeWe Holding AG Group Assets	Acquisition/Historical costs						Balance on Dec. 31, 2005
	Carry- forward Jan. 1, 2005	Change to group of consolidated companies	Price modi- fication	Additions	Reclassi- fications	Disposals	
Figures in thousand euros							
I. Property, plant and equipment							
1. Land, land rights and buildings, including buildings on third-party land	59,736	0	540	1,831	2,133	918	63,322
2. Technical equipment and machinery	311,868	707	433	19,486	-1,707	21,712	309,075
3. Other equipment, operating and office equipment	54,220	333	274	8,228	97	5,785	57,368
4. Advance payments and assets under construction	1,536	0	42	2,013	-424	210	2,957
	427,360	1,040	1,289	31,558	99	28,625	432,722
II. Goodwill	36,627	115	29	1,221	-295	0	37,697
III. Intangible assets							
1. Industrial property rights and similar rights	28,125	575	39	3,271	276	507	31,779
2. Advance payments	159	0	0	173	-80	0	252
	28,284	575	39	3,444	326	507	32,031
IV. Noncurrent financial investments At Equity	0	0	0	500	0	0	500
V. Noncurrent financial investments							
1. Noncurrent interests in affiliates	789	333	0	0	0	0	1,122
2. Noncurrent other loans	567	0	0	220	0	235	552
	1,356	333	0	220	0	235	1,674
	493,627	2,063	1,357	36,943	0	29,367	504,624

22 | Property, plant and equipment

For changes to noncurrent assets please refer to the statement of changes in noncurrent assets above. The amortization/depreciation of noncurrent assets included in this table is carried in the Profit and Loss Account under the item amortization of intangible assets and depreciation of property, plant and equipment. With the exception of the non-scheduled write-down resulting from the fire at the production plant in Lille (1.494 million euros), there were no unscheduled write-downs to property, plant and equipment during the year (previous year: 1.691 million euros).

The book value of the temporarily unused property, plant and equipment is not material, this also applies to property, plant and equipment which is finally no longer used. There were no pledged items of property, plant and equipment. The amount of commitments for the acquisition of property, plant and equipment (order obligations) totaled 200 thousand euros (previous year: 3.062 million euros).

	Carry-forward Jan. 1, 2005	Change to group of consolidated companies	Amortization/Depreciation				Write-ups	Balance on Dec. 31, 2005	Depreciated book value	
			Price modi- fication	Additions	Reclassi- fications	Disposals			Book value Dec. 31, 2004	Book value Dec. 31, 2005
	25,182	0	43	2,105	1,293	210	0	28,413	34,554	34,909
	245,636	0	418	22,847	-1,290	18,971	0	248,640	66,232	60,435
	38,047	0	25	6,500	-3	5,281	0	39,288	16,173	18,080
	0	0	0	0	0	0	0	0	1,536	2,957
	308,865	0	486	31,452	0	24,462	0	316,341	118,495	116,381
	30,384	0	29	4,823	0	0	0	35,236	6,243	2,461
	19,612	0	42	3,578	0	196	0	23,036	8,513	8,743
	0	0	0	0	0	0	0	0	159	252
	19,612	0	42	3,578	0	196	0	23,036	8,672	8,995
	0	0	0	0	0	0	0	0	0	500
	19	0	0	266	0	0	0	285	770	837
	0	0	0	0	0	0	0	0	567	552
	19	0	0	266	0	0	0	285	1,337	1,389
	358,880	0	557	40,119	0	24,658	0	374,898	134,747	129,726

Leases

There were no finance leases within the meaning of IAS 17. CeWe Color also did not act as a lessor for finance leases.

It is much rather the case that there are passive rental and lease relationships, which constitute operating leases in terms of their economic content. This means that the leased assets are not to be allocated to CeWe Color, but to the lessor. These are mostly agreements for the use of production and office facilities, vehicles, and in individual cases agreements for office equipment and EDP hardware. The total future minimum lease expenses as a lessee from operating leases which cannot be terminated are as follows:

Lease payments	Figures in thousand euros	IAS	IAS/IFRS
		Dec. 31, 2004	Dec. 31, 2005
Total future minimum lease payments – due within one year		8,161	6,782
Total future minimum lease payments – due between one and three years		28,895	20,626
Total future minimum lease payments – due after more than three years		8,735	6,871

Assets which are leased under operating leases have a total book value of 4.745 million euros (previous year: 7.301 million euros). The total future minimum lease income as a lessor from operating leases which cannot be terminated are as follows:

Lease income	Figures in thousand euros	IAS	IAS/IFRS
		Dec. 31, 2004	Dec. 31, 2005
Total future minimum lease payments – due within one year		2,554	2,520
Total future minimum lease payments – due in one to three years		4,986	4,918
Total future minimum lease payments – due after more than three years		1,308	1,290

This relates to devices which are rented to customers. The payments received during the fiscal year totaled 2.498 million euros (previous year: 2.554 million euros).

23 | Goodwill

Goodwill includes sums from the acquisition of business operations and from capital consolidation. The key individual figures from capital consolidation relate to:

Changes in goodwill	Figures in thousand euros	Balance on	Additions	Scheduled	Balance on
		Jan. 1, 2005		amortization	Dec. 31, 2005
CeWe Color S.A.S., Paris/France		4,823	0	4,823	0
Standard Photographic, Warwick/United Kingdom		0	953	0	953
Other goodwill		1,421	87	0	1,508
		6,244	1,040	4,823	2,461

In the case of CeWe Color S.A.S., Paris/France, goodwill totaling 4.823 million euros (previous year: 7.293 million euros) still existed after scheduled amortization. An impairment test, in which the value in use was used as the basis for the valuation, showed that an additional write-down requirement resulted in a full write-off. The valuation was conducted from the French plants' income-oriented perspective as the total cash-generating unit. When determining the value, it was assumed that the companies being valued react on separate regional markets. When estimating the Cash Flow, quantity and value forecasts for the French market were assumed on which the operating budget is also based. Calculations for the amount that can be generated are based on the financial forecasts for the cash-generating unit and an additional estimate period totaling five years. Forecasts and estimates are assumptions regarding the growth of quantities on the sales side, growth in selling prices, purchase price growth, changes in personnel costs, changes in interest rates and general technical developments on the relevant market. Risk-free discounting is

based on a discount rate of 4.25 % plus a risk premium of 4.00 % (thus totaling 8.25 %). The discount rate has changed compared to the previous year in line with the valuation of pension provisions; with regard to the premium the 98 % risk surcharge remains unchanged. It was only necessary to make additional, non-scheduled write-downs from additional losses by the cash-generating unit and the results of reorganization after a transitional period.

The corresponding expenses are carried in the Profit and Loss Account under the item amortization/depreciation. It should be noted that, according to changes in IAS/IFRS, no scheduled amortization of goodwill was performed from fiscal year 2005. Scheduled amortization up to 2004 was over 15 years.

24 | Intangible assets

Software and other industrial property rights relate to acquired software as well as new and subsequent capitalization for internally generated intangible assets for in-house use and for market support in the fields of production, sales and digital photography (Invoicing, Pricing, ICOS, DWH/VIS, PhotoWorld, Offline-Client, OPS-Software, DigiPhoto Maker).

There was an order commitment for intangible assets totaling 408 thousand euros (previous year: 44 thousand euros).

25 | Financial assets At Equity

This item is used to carry Fotolux CeWe Color Ltd., Dnipropetrovsk (Ukraine), which was formed together with OOO "Invest", Dnipropetrovsk (Ukraine). This interest is carried as a joint venture at equity in summarized form. It is carried in the amount of the contribution still to be paid according to the agreement. This company had not yet commenced activities in fiscal year 2005. In previous years, at equity consolidation (IAS 28) was not possible as there was no material influence on the financial and business policy decisions at affiliated companies.

26 | Financial assets

The group's financial assets include interests in non-consolidated affiliated companies totaling 837 thousand euros (previous year: 770 thousand euros). The other loans totaling 552 thousand euros (previous year: 567 thousand euros) relate in particular to the repurchase value of the operating re-insurance. Affiliated companies are a company in which CeWe Color AG & Co. OHG, Oldenburg holds a 10 % interest. CeWe Color AG & Co. OHG wrote down the 25 % interest in Colour Art Photo Portaitstudio-Beratungsgesellschaft, Brilon in its single-entity Financial Statements for 2004 (expense: 19 thousand euros) as bankruptcy proceedings were opened for Colour Art on November 3, 2004.

27 | Noncurrent other receivables and assets

The noncurrent other receivables and assets include noncurrent receivables from customers, prepaid expenses and other assets. The reduction is based on the changed estimate of the enforceability of the net value of receivables and assets which can be generated.

28 | Deferred tax assets

Deferred tax assets Composition and changes	Figures in thousand euros	Balance on Jan. 1, 2005	Reversal	Addition	Balance on Dec. 31, 2005
From temporary differences		898	-230	1,345	2,022
From tax losses carried forwards		652	-316	499	835
Total deferred tax assets		1,550	-546	1,853	2,857

Deferred tax assets mostly relate to valuation differences for provisions for pensions and other provisions and the impact on earnings from consolidation; loss carryforwards only led to capitalizations to a low extent. For further information please see the notes on income taxes (see page 66).

29 | Inventories

Inventories	Figures in thousand euros	IAS	IAS/IFRS
		Dec. 31, 2004	Dec. 31, 2005
Raw materials, consumables and supplies		10,921	17,589
Work in progress		135	38
Finished goods and merchandise		23,471	21,325
Advance payments		56	8
Total inventories		34,583	38,960

The increase in raw materials, consumables and supplies is due to the strategic purchase of stocks of photographic paper resulting from a supplier's bankruptcy.

The depreciation of finished goods, work in progress and merchandise is carried in the Profit and Loss Account under the item other operating expenses. Inventories were not written up. The LiFo method was not applied; as in the previous year we do not have any pledged inventories.

30 | Current trade receivables

Current trade receivables	Figures in thousand euros	IAS	IAS/IFRS
		Dec. 31, 2004	Dec. 31, 2005
Trade receivables before write-downs		68,183	62,339
Write-downs for trade receivables		-7,799	-8,981
Total current trade receivables		60,384	53,358

Direct receivables from delivery and performance relationships are all of a short-term nature and are vis-à-vis external third parties. The depreciation of trade receivables is carried in the Profit and Loss Account under other operating expenses; in fiscal year 2005, this totaled 298 thousand euros (previous year: 130 thousand euros).

31 | Current other receivables and assets

Current other receivables and assets	Figures in thousand euros	IAS	IAS/IFRS
		Dec. 31, 2004	Dec. 31, 2005
Current receivables other taxes		1,200	2,014
Current loans to customers		1,982	1,747
Current prepaid expenses		3,135	1,712
Current receivables from employees		233	403
Current receivables from suppliers		317	249
Current sundry other receivables		1,792	1,867
Total current other receivables and assets		8,659	7,992

32 | Cash and cash equivalents

This item is used to disclose bank balances which are exclusively current in nature, as well as cash in hand. Balances in euros at various banks bore average interest rates of between 0.29 % and 1.75 % (previous year: between 0.25 % and 1.71 %). Balances in foreign currency (7.127 million euros, previous year: 5.414 million euros) bore interest in line with the specific rates negotiated; they are measured at the exchange rate on the Balance Sheet date.

33 | Subscribed capital

Share capital totals 15.600 million euros and comprises 6,000,000 no-par value bearer shares and 20 no-par value registered shares, or a total of 6,000,020 no-par value shares. The registered shares carry the right to appoint two members to the Supervisory Board of CeWe Color Holding AG, Oldenburg.

34 | Contingent capital

In order to secure the option rights of bearers' of subscription right commitment certificates, there is contingent capital totaling up to 5.2 million euros. The contingent capital comprises 2,000,000 no-par value bearer shares with profit participation rights from the start of the fiscal year following the subscription right being exercised (section 160 (1) no. 5 of the German Stock Corporation Law (AktG).

When the options are exercised, the interests held by other shareholders fall in the same amount, as only specific other shareholders are authorized to exercise the option. This does not result in a change in the earnings per share.

35 | Authorized capital

The Managing Board is authorized, with the approval of the Supervisory Board, to increase the company's registered share capital on one or several occasions, however, by a maximum of up to 7.8 million euros against cash or non-cash contributions by issuing new shares. In the case of non-cash contributions, shareholders' subscription rights are excluded. For further information please see the Managing Board's proposed resolution to revoke the existing authorization and to replace this with a new authorization valid until May 30, 2011. The reason for this is that the Managing Board, as is standard practice for listed companies, should also be in a position to also exclude subscription rights for cash capital increases in order to ensure reasonable latitude in its actions.

36 | Stock Option Plans

Stock Option Plans 1 and 2 from Stock Option Plan I have been concluded. The conditions of the first Stock Option Plan were not fulfilled. This ran for five years from September 1, 1999, i.e., until August 31, 2004. It was not possible to exercise the options as the performance target of 25.00 euros was not reached or exceeded at any time on ten successive stock market trading days in on-floor trading at the Frankfurt Stock Exchange. The second option plan commenced on September 1, 2000 and ended at midnight on August 31, 2005. The performance target was thus 27.50 euros (25 % above the underlying price of 22.00 euros). This was exceeded in March 2005 in a qualified manner. All of the option participants then exercised their rights in the period from April to June 2005, meaning that CeWe Color Holding AG, Oldenburg thus sold 98,500 shares at an underlying price of 22.00 euros.

As a result of a resolution by the General Meeting on June 30, 2005, the basis for further Stock Option Plans (Stock Option Plan II) has been created. The 2005 Stock Option Plan has been set up accordingly via resolutions by the Managing and Supervisory Boards. The option rights for employees were offered to the participants on September 9, 2005 and to members of the Managing Board on September 21, 2005, and these could be accepted up to the end of September. Senior employees bought a total of 124,000 of the options offered during the acquisition period from September 12 to 23, 2005, the Managing Board and managing directors bought a total of 75,500 options in the acquisition period from September 23 to 29, 2005, or a total of 37.8 % of the total of 199,500 options granted. The condition of the resolution by the General Meeting of June 30, 2005 that up to 50 % of the total volume of option rights may be given to the company's Managing Board and the board members and managing directors of group companies, was thus upheld.

Total scope of the Stock Option Plans

The following options were issued as part of the 1999, 2000 and 2005 Stock Option Plans:

Stock Option Plan	Term	Total options	Of which			Exercise price in euros	Can be exercised		
			Managing Board	CeWe Color Group managing directors	Other CeWe Color Group executives		From	to	Options exercised
1.	1999 to 2004	192,500	10,500	37,000	145,000	25.00	2001	2004	Lapsed
2.	2000 to 2005	103,500	22,500	34,000	47,000	27.50	2002	2005	98,500
3.	2005 to 2010	199,500	36,000	39,500	124,000	57.50 55.20	2007	2010	no

No stock options were issued at any time to members of the Supervisory Board or to members of other supervisory bodies for the company.

Structure of the 3rd Stock Option Plan 2005

The options were offered to top-level executives in Germany and abroad at an option premium of 0.50 euros per option. After expiration of the two-year lock-up period, starting with the term of the option on October 1, 2005, the options may only be exercised if the closing auction prices of shares of CeWe Color in Xetra trading by Deutsche Börse AG have totaled at least 115 % of the underlying prices on ten consecutive stock market trading days (performance target).

Strike prices and exercise periods

The 2005 Stock Option Plan runs for five years and commenced on October 1, 2005. It thus ends at the latest at midnight on September 30, 2010. The two-year lock-up period ends at midnight on September 30, 2007. The underlying prices have been defined as 50.00 euros for options for Managing Board members and 48.00 euros for other participating executives; this means that the performance target for Managing Board members is 57.50 euros and 55.20 euros for participating employees (each 115 % up on the underlying price).

Exercise periods

After the lock-up period has expired and the performance target has been reached, options can only be exercised within six four-week exercise periods. This is also the case for the later sale of shares from option transactions. The exercise periods commence in each case with publication of the results of the past fiscal year, the financials press conference, the ordinary General Meeting and the dates on which quarterly figures are published. The CeWe Color Group's Compliance Officer ensures that these periods are upheld.

For information on the calculation of the present value of the 2005 Stock Option Plan (IFRS 2.10 f.) please see the comments under personnel expenses (see page 62)

37 I Reports on shareholdings

The following reports*) on shareholdings in CeWe Color Holding AG, Oldenburg were made to the company:

Reporting date	Shareholder	Interest	From	Previous interest	Date	Published
July 11, 2005	Neumüller heirs, Oldenburg, represented by the executors (section 21 (1), section 22 (1) no. 6)	22.5 %	July 11, 2005	25.33 %	July 26, 2005 July 26, 2005 July 27, 2005	FAZ Bundesanzeiger (Federal Gazette), (electronic) Bundesanzeiger, (printed)
July 22, 2005	K Capital Management, Boston (section 22 (1) no. 6)	10.667 %	July 21, 2005	–	July 29, 2005 July 29, 2005 July 27, 2005	FAZ Bundesanzeiger (Federal Gazette), (electronic) Bundesanzeiger, (printed)
July 22, 2005	Neumüller heirs, Oldenburg, represented by the executors (section 21 (1), section 22 (1) no. 6)	0.000167 %	July 21, 2005	22.5 %	July 29, 2005 July 29, 2005 July 29, 2005	FAZ Bundesanzeiger (Federal Gazette), (electronic) Bundesanzeiger, (printed)
October 11, 2005	Fidelity (FMR Corp.), Boston (section 21 (1), section 22 (1))	5.18 %	October 11, 2005	–	Oct. 18, 2005 Oct. 18, 2005 Oct. 18, 2005	FAZ Bundesanzeiger (Federal Gazette), (electronic) Bundesanzeiger, (printed)
October 21, 2005	M2 Capital L.P., New York (sections 21 (1) in connection with 22 (1) sentence 1 no. 6)	5.36 %	October 2, 2005	–	Dec. 01, 2005 Dec. 01, 2005 Dec. 01, 2005	FAZ Bundesanzeiger (Federal Gazette), (electronic) Bundesanzeiger, (printed)
December 1, 2005	K Capital Management, Boston (section 22 (1) No. 6)	9.967 %	November 29, 2005	10.667 %	Dec. 09, 2005 Dec. 09, 2005 Dec. 09, 2005	FAZ Bundesanzeiger (Federal Gazette), (electronic) Bundesanzeiger, (printed)
December 22, 2005	M2 Group Partner, L.L.C., New York (sections 21 (1) in connection with 22 (1) sentence 1 no. 6)	(5.36 %)	November 2, 2005	–	Dec. 30, 2005 Dec. 30, 2005 Dec. 30, 2005	FAZ Bundesanzeiger (Federal Gazette), (electronic) Bundesanzeiger, (printed)
December 22, 2005	M2 Special Opportunities Master, New York (section 21 (1))	(5.36 %)	November 2, 2005	–	Dec. 30, 2005 Dec. 30, 2005 Dec. 30, 2005	FAZ Bundesanzeiger (Federal Gazette), (electronic) Bundesanzeiger, (printed)

*) Figures according to section 160 (1) no. 8 of the German Stock Corporation Law (AktG)

38 I Share premium

The premium is shown here that was generated in excess of the nominal amount of the shares for the issue of the 600,002 bearer shares (after the 1:10 share split implemented in 1999 now 6,000,020 bearer shares).

39 | Treasury shares

Figures according to section 160 (1) no. 2 of the German Stock Corporation Law (AktG)

Treasury shares	Figures in thousand euros	1st buyback	2nd buyback
Buyback period		July 7, 1999 – July 30, 1999	March 3, 2000 – March 17, 2000
Number of treasury shares held		200,000	200,000
Interest in share capital on Balance Sheet date in thousand euros		520	520
Interest in share capital on Balance Sheet date in %		3,33 %	3,33 %
Average purchase price per share in euros		22.24	24.63
Total value of shares bought back in thousand euros		4,447	4,952

Treasury shares are carried under a separate equity item as a so-called counter-equity item (IAS 32). These are measured at their original acquisition costs and incidental acquisition costs and thus reduce the amount of equity (cost method).

To service the first and second Stock Option Plans, the company bought back a total of 200,000 no-par value shares in 1999 and 2000. In line with the authorization by the General Meeting from June 20, 2002, the company then acquired a further 175,200 treasury shares in the period from October 1, 2002 to June 28, 2003. This resolution stipulated that all treasury shares, to the extent that these are not needed for Stock Option Programs and employee programs, can also be used as compensation for the acquisition of equity interests in companies or parts of other companies.

During implementation of the third Stock Option Plan, the company sold a total of 98,500 own shares at an underlying price of 22.00 euros in the period from April 27 to May 30, 2005. In line with the resolution by the General Meeting on June 30, 2005, the company bought back a further 9,490 no-par value shares in the period from December 23, 2005 to December 31, 2005. This resolution also includes the use of treasury shares to service Stock Option Plans, employee programs and use as compensation to acquire equity interests in companies or parts of other companies.

At the start of the new fiscal year, in continuation of the fourth buyback program, the company bought a further 113,810 no-par value shares by February 10, 2006, which means that a total of 600,000 treasury shares are now held (corresponds to 1.560 million euros of the share capital or 10.0 %).

40 | Revenue reserves and net retained profits

Revenue reserves and net retained profits are compounded to form a single item in the Consolidated Financial Statements. The group's net retained profits do not include minority interests totaling 4.415 million euros (previous year: 925 thousand euros). A total of 80.255 million euros is available for disbursement from the consolidated equity generated (previous year: 61.585 million euros). There are no disbursement lock-ups over and above the treasury shares which do not carry dividend rights. The item other revenue reserves is used to disclose changes to the fair value of hedge transactions that correspond to the hedge accounting conditions set out in IAS 39. During the year under review, changes in the fair value totaling – 582 thousand euros (previous year: 0 thousand euro).

3rd buyback	Total	Sale	4th buyback	Total	5th buyback	Total
October 10, 2002 – June 26, 2003	Balance Sheet date Dec. 1, 2004	April 27, 2005 – May 30, 2005	Dec. 23, 2005 – Dec. 30, 2005	Balance Sheet date Dec. 31, 2005	January 3, 2006 – February 2, 2006	From February 11, 2006
175,200	575,200	–98,500	9,490	486,190	113,810	600,000
456	1,496	–256	25	1,264	296	1,560
2.92 %	9.59 %	–1.64 %	0.16 %	8.10 %	1.90 %	10.00 %
15.82	21.11	21.11	38.08	21.44	36.38	24.27
4,771	12,143	–2,080	361	10,425	4,140	14,565

were taken directly to equity for Cash Flow hedges and for hedges for net investments for economically independent foreign subsidiaries. In addition, hedges in net investments in economically independent foreign subsidiaries totaling 66 thousand euros were recognized in income.

41 | Minority interests

This item is used to disclose interests held by other shareholders in the capital of CeWe Color AG & Co. OHG, Oldenburg (totaling 13.645 million euros, previous year: 13.357 millions) and in the capital of Fotolab a.s., Prague (Czech Republic) (30 thousand euros, previous year: 32 thousand euros) and Fotolab Slovakia a.s., Bratislava (Slovakia) (4 thousand euros, previous year: 8 thousand euros).

For the CeWe Color Group, third-party shareholdings in CeWe Color AG & Co. OHG, Oldenburg are also to be classified as an equity instrument after the changes to IAS 32 and are thus to be regarded as a portion in the equity of a subordinate group company; thus they do not represent financial liabilities (IAS 32.22). The conversion rights due to third-party shareholders are for the issue of a fixed number of shares irrespective of the respective current stock-market price in the event that they are exercised (IAS 32.22). In this case, the third-party shareholders' obligation to pay reserves correspondingly to CeWe Color Holding AG, Oldenburg also has the effect that upon conversion and payment via shares the third-party shareholders are not placed in a better position than the other shareholders.

For information on the changes in equity please see the statement of changes in shareholders' equity (see page 48).

42 | Noncurrent special tax-allowable reserve for investment grants

The special tax-allowable reserve is used to disclose investment grants and investment subsidies from the common task "improvement to the regional economic structure" that have already been granted (IAS 20.24). This item is broken down by maturities in line with IAS 1.60, however, in terms of content the items for noncurrent and current special tax-allowable reserves for investment grants are equal. A provision has been formed in the extent that repayment commitments are to be expected (222 thousand euros, previous year: 222 thousand euros).

43 | Noncurrent provisions for pensions

The provisions for pensions throughout the group changed as follows:

Provisions for pensions	Figures in thousand euros	IAS	IAS / IFRS
		Dec. 31, 2004	Dec. 31, 2005
Carryforward		7,814	8,293
Consumption		-93	-347
Addition		762	861
Reversal		-190	-115
Final total		8,293	8,692

The maturities of the provisions for pensions in the entire group were as follows:

Provisions	Figures in thousand euros	IAS	Of which	IAS / IFRS	Of which
		Dec. 31, 2004	due in following year	Dec. 31, 2005	due in following year
Provisions for pensions and similar commitments		8,293	344	8,692	556

Pension commitments are performance-oriented direct commitments within the meaning of IAS 19.48 et seq. They mostly comprise individual commitments to the Managing Board and Managing Directors, and also to executives from previous statistical pension commitments. The commitments include benefits for surviving dependents. Pension payments in foreign countries are granted depending on the specific circumstances in those countries.

The defined benefit obligations according to IAS 19 total 10.631 million euros for commitments made in Germany (previous year: 8.822 million euros). Pension commitments are measured using the projected unit credit method.

During the fiscal year, pensions totaling 254 thousand euros were paid to former members of the executive bodies. The defined benefit obligations under IAS 19 for this group of people total 3.107 million euros (previous year: 2.917 million euros).

No more direct commitments have been made to executives since fiscal year 2000. Instead, new executives receive a commitment which is economically equivalent based on a performance-oriented plan from the pension fund of Allianz Lebensversicherung AG. Expenses for this totaled 56 thousand euros in fiscal year 2005 (previous year: 56 thousand euros).

44 | Noncurrent deferred tax liabilities

Deferred tax liabilities	Balance as of Jan. 1, 2005	Change to group of consolidated companies	Currency difference	Consumption	Addition	Reversal	Balance on Dec. 31, 2004
	Figures in thousand euros						
Noncurrent deferred tax liabilities	4,531	152	-1	-5	431	-3,123	1,985

The changes in deferred taxes relate to changes from concluded external tax audits, mostly for noncurrent assets, as well as for the reduction of other previously existing temporary differences. The changes lead to slight differences between the tax base and the IAS/IFRS Financial Statements. The maturities of the deferred taxes are almost exclusively between 1 and 5 years.

45 I Noncurrent other provisions

Noncurrent other provisions Figures in thousand euros	Balance as of Jan. 1, 2005	Consumption	Addition	Balance on Dec. 31, 2004
Employee commitments	760	-278	13	495
Provisions for threatened losses	3,405	-333	806	3,878
Total noncurrent other provisions	4,165	-611	819	4,373

This item mostly includes provisions for threatened losses, formed for long-term ongoing contracts for the laboratory closed in 2002 in Hamburg and for the former laboratory building rented in Freiburg. They relate to the risk of losses from sub-leases given the best possible estimate of the respective local commercial property markets. The present value of the obligations is calculated by discounting, for which the interest rate corresponds to the valuation of noncurrent provisions for pensions (4.25 %, previous year: 5.00 %).

46 I Noncurrent financial liabilities

Noncurrent financial liabilities Figures in thousand euros	Balance as of Dec. 31, 2004	Balance as of Dec. 31, 2005	Of which residual period 1 to 5 years	More than 5 years
Loans from banks in euros	11,837	10,115	10,100	15
Current accounts with banks	0	16	16	0
Total noncurrent financial liabilities	11,837	10,131	10,116	15

Financial liabilities are exclusively to banks. This item is broken down by maturities according to IAS 1.60. Interest rates for the current medium and long-term loan agreements are between 2.67 % and 5.65 % (previous year: between 2.02 % and 5.65 %). For further information please see the item current financial liabilities (see page 82).

47 I Noncurrent other liabilities

In addition to general deferred income and other commitments, this item is used to disclose liabilities to other shareholders that will not lead to cash being used in the short term due to commitments under company law. These are abandoned profit participations in an amount corresponding to the parent company's previous and current reserve appropriation. These items are used to cover the contingent capital and the corresponding share premium if the subscription options are exercised. The loan accounts carried under liabilities to shareholders bear interest totaling Deutsche Bundesbank's base rate plus 2.0 %.

48 I Current provisions for taxes

This item includes provisions for income tax liabilities, liabilities for other taxes and other short-term deferred tax liabilities. These changed as follows:

Current provisions for taxes Figures in thousand euros	Balance as of Jan. 1, 2005	Currency difference	Consumption	Addition	Reversal	Balance on Dec. 31, 2005
Income taxes	5,626	15	-2,661	6,624	-1,344	8,260
Other taxes	179	-3	0	0	0	176
Total current provisions for taxes	5,805	12	-2,661	6,624	-1,344	8,436

49 | Current other provisions

Current other provisions	Balance as of Jan. 1, 2005	Change to group of consolidated companies	Currency difference	Consumption	Addition	Reversal	Balance on Dec. 31, 2005
Figures in thousand euros							
Employee commitments	4,327	0	5	-485	5,864	-3,224	6,487
Legal and consulting costs	124	0	0	-60	61	-47	78
Expenses for members of the board of trustees	37	0	0	-23	24	-14	24
Warranties and goodwill	612	0	0	-333	91	0	370
Provisions for threatened losses	504	0	0	-178	90	0	416
Supervisory Board remuneration	37	0	0	-27	24	-10	24
Audit of Financial Statements including internal costs of Financial Statements	321	0	1	-301	288	-9	300
Sundry other commitments	2,776	1,902	41	-3,556	5,553	-450	6,266
Total other provisions	8,738	1,902	47	-4,963	11,995	-3,754	13,965

Provisions for employee commitments include, in particular, provisions for social plans as well as claims vested as part of partial retirement, vacation entitlements still outstanding from the fiscal year, claims to bonuses, claims from overtime, outstanding contributions to insurance companies (e.g., institutions for statutory accident insurance and prevention), etc. Other current provisions relate to warranty commitments, ongoing litigation and other commitments. Restructuring was due to the partial or full closure of plants in Le Blanc Mesnil (France), Lille (France, plant closed after major fire damage), Marseille (France), Worms (Germany) and Århus (Denmark). In total, commitments totaling 7.7 million euros are carried as provisions for restructuring.

50 | Current financial liabilities

Current financial liabilities are shown in the following table:

Current financial liabilities	Figures in thousand euros		Balance as of Dec. 31, 2004	Balance as of Dec. 31, 2005	Of which residual period up to one year
Loans from banks in euros			8,766	4,882	4,882
Current accounts with banks			23	2,294	2,294
Total current liabilities			8,789	7,176	7,176

As of December 31, 2005, the CeWe Color Group had the following credit lines:

Credit lines	Total credit lines as of Dec. 31, 2004	Of which residual period		Total credit lines as of Dec. 31, 2005	Of which residual period	
		Up to one year	More than one year		Up to one year	More than one year
Figures in thousand euros						
Germany	83.45	62.45	21.00	78.66	57.66	21.00
Rest of Europe	0.13	0.13	0.00	0.13	0.13	0.00
Total	83.58	62.58	21.00	78.79	57.79	21.00

Of these credit lines, 71.680 million euros (previous year: 73.220 million euros) have not been drawn down.

51 | Current other liabilities

Current other liabilities	Balance as of Dec. 31, 2004	Balance as of Dec. 31, 2005	Of which re- sidual period up to one year
Figures in thousand euros			
Advance payments received on account of orders	5	1	1
Liabilities from the acceptance of bills drawn	1,434	15	15
Trade payables	58,764	45,673	45,673
Liabilities to affiliated companies	0	500	500
Liabilities to shareholders	889	2,912	2,912
Other liabilities	26,599	29,038	29,038
Total liabilities	87,691	78,139	78,139

Part of the liabilities totaling 3.506 million euros (previous year: 1.458 million euros) was calculated using best-possible estimates, e.g., using orders still open. These mostly relate to future charges and the resulting payments for deliveries and performance already received.

52 | Financial instruments

The company had hedge relationships within the meaning of IAS 39 primarily for hedging interest rate and currency risks from long-term loans to group companies with foreign functional currencies and for long-term liabilities and exchange rate fluctuations for marketing silver. When interpreting the positive and negative fair value of the financial instruments, the reader must bear in mind that these each have an underlying transaction with compensating risks. Irrespective of their purpose, all derivative financial instruments are measured at their fair value. Maturities for derivatives are based on the term of the underlying transaction and are thus exclusively short- to medium-term. The nominal volume of the derivatives detailed below is shown un-netted. This shows the total of all put and call amounts on which the derivatives are based. The amount of the nominal volume allows conclusions to be drawn regarding the scope of use of derivatives, however, it does not reflect the group's risk from the use of derivatives. The risks of interest rate changes, currency risks and silver price risks for the derivatives are measured using the value-at-risk method – in line with international banking standards. Based on historical fluctuations in value, a confidence interval of 99 % and a holding period of one day is calculated as the maximum loss potential that could result from a change in market prices. The commodity derivatives relate exclusively to the market price of silver. The following derivatives transactions were concluded:

Figures in thousand euros	Nominal volume		Remaining maturity > 1 year		Fair value	
	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005
Currency derivatives						
Interest rate/currency swaps	0	6,620	0	6,620	0	-518
Interest rate derivatives						
Option transactions	7,603	6,848	6,652	5,846	-8	59
Commodity derivatives						
Forwards/futures	0	8,908	0	2,083	0	-1,001

E. Other Notes

53 | Shareholdings

Shareholdings	Figures in thousand euros	2004 fixed capital	2004 equity	2005 fixed capital	2005 equity
1. CeWe Color AG & Co. OHG, Oldenburg (1)		99.66 %	134,268	99.66 %	161,681
2. Fotocolor GmbH, Eschbach (Freiburg)		99.66 %	1,730	99.66 %	1,628
3. CeWe Color Beteiligungsgesellschaft mbH, Oldenburg		99.66 %	28,591	99.66 %	43,476
4. Foto und Bild Vertriebs-GmbH, Leipzig		99.66 %	67	99.66 %	142
5. OneWebPhoto GmbH & Co. KG, Oldenburg		99.66 %	101	99.66 %	168
6. OneWeb GmbH, Oldenburg		99.66 %	26	99.66 %	28
7. CeWe Color S.A.S., Paris (France)		99.66 %	10,988	99.66 %	707
8. CeWe Color Belgium N.V., Brussels (Belgium)		99.66 %	1,244	99.66 %	769
9. Rainbow Color N.V., Kontich (Belgium)		99.66 %	64	0.00 %	0 *) ¹
10. Rainbow Color BVBA, Kontich (Belgium)		0.00 %	0	99.66 %	88
11. CeWe Color Nederland B.V. Nunspeet (The Netherlands)		99.66 %	44	99.66 %	840
12. Print Partners Nederland V.B., Veenendaal (The Netherlands)		99.66 %	- 119*) ¹	99.66 %	0 *) ²
13. CeWe Color Magyarország Kft., Budapest (Hungary)		99.66 %	1,920	99.66 %	2,098
14. Fotolab a.s., Prague (Czech Republic)		99.18 %	10,149	99.18 %	10,598
15. Fotolab Slovakia a.s., Bratislava (Slovak Republic)		99.09 %	1,387	99.09 %	846
16. CeWe Color Fotoservice AG, Dübendorf (Switzerland)		99.16 %	2,675	99.16 %	2,840
17. CeWe Color-Nordcolor Beteiligungsgesellschaft mbH, Bad Schwartau		99.66 %	14,689	0.00 %	0 *) ³
18. CeWe Color Danmark A/S, Skødstrup (Denmark)		99.66 %	1,844	99.66 %	504
19. Fotojoker Sp. z o.o., Kozle (Poland)		99.66 %	4,281	99.66 %	4,497
20. CeWe Color Sp. z o.o., Kozle (Poland)		99.66 %	4,900	99.66 %	4,862
21. Japan Photo Holding Norge AS, Oppegard (Norway)		99.66 %	4,157	99.66 %	4,132
22. Japan Photo Danmark A/S, Kopenhagen (Denmark)		99.66 %	8	99.66 %	7
23. Jubii Foto Aps, Esbjerg (Denmark)		99.66 %	7	99.66 %	0 *) ⁴
24. Japan Photo Sverige AG, Malmö (Sweden)		99.66 %	78	99.66 %	128
25. CeWe Color Zagreb d.o.o. (Croatia)		0.00 %	0	99.66 %	7
26. A.R. Bott & Sons Limited, Warwick (United Kingdom)		0.00 %	0	99.66 %	-26*) ⁵
27. Dipinto Limited, Warwick (United Kingdom)		0.00 %	0	99.66 %	1
28. Inet Distribution Limited, Warwick (United Kingdom)		0.00 %	0	99.66 %	27

The participating interests are as follows:

- (1) Directly held affiliated company;
all other participating interests held indirectly via the investment company
CeWe Color AG & Co. OHG, Oldenburg.

*)¹ The company was liquidated.

*)² The company's assets were transferred to CeWe Color Nederland B.V.

*)³ The company was merged with CeWe Color Beteiligungs GmbH.

*)⁴ The company was liquidated.

*)⁵ A loss not covered by equity was disclosed.

54 | Notes to the Cash Flow Statement

The Cash Flow Statement shows how the cash and cash equivalents in the CeWe Color Holding AG group changed during fiscal year 2005. In line with IAS 7, the Cash Flow was broken down into the Cash Flow from operating activities, the Cash Flow from investing activities and the Cash Flow from financing activities. The “cash and cash equivalents” carried over cover the Balance Sheet items “bank balances” and “cash in hand” including any fixed-term deposits. The non-cash transactions in the Cash Flow from operating activities relate, in particular, to the market valuation of concluded silver forward transactions (1.001 million euros) and the ineffective portion from the market valuation of hedge transactions (66 thousand euros).

During the year under review, the group acquired a 100 % interest in A.R. Bott & Sons Limited, Warwick (United Kingdom) and Q.S.S. BVBA, Kontich (Belgium). For information on the present value of the assets acquired and the liabilities assumed, please see the information on the group of consolidated companies (see page 52).

	Figures in thousand euros	
	2004	2005
Purchase price	650	1,820
Less cash and cash equivalents acquired	-187	-45
Net cash used in the corporate acquisition (IAS 7.42)	463	1,775

55 | Segment reporting

Segment reporting is based on IAS 14. The following country groups are reported:

- Central Europe
- Benelux
- Western Europe
- Central Eastern Europe

Segment reporting 2005	Central Europe	Benelux	Western Europe	Central Eastern Europe	Eliminations	CeWe Color Group
Figures in thousand euros						
a. Revenues with external third parties	261,593	48,683	52,058	68,796	(0)	431,130
Revenues with other segments	44,928	115	454	5,706	(51,203)	0
Other segment income	15,252	1,433	23,244	3,402	(9,197)	34,134
Total revenues	321,773	50,231	75,756	77,904	(60,400)	465,264
b. Segment result (IAS 14.16) ¹⁾	39,868	854	(8,165)	472	(6,601)	26,428
c. Profit before segment tax ²⁾	31,340	755	(6,985)	421	0	25,531
d. Total segment assets ³⁾	196,649	11,919	35,115	48,875	(37,894)	254,664
e. Segment liabilities ⁴⁾	98,406	10,758	31,646	28,686	(40,845)	128,651
f. Investments in noncurrent segment assets ⁵⁾	22,140	996	8,580	4,507	0	36,223
g. Amortization/depreciation per segment	24,899	284	6,700	3,634	4,336	39,853
h. Major non-cash income ⁶⁾	1,432	267	3,078	703	0	5,480
i. Major non-cash expenses ⁶⁾	2,220	56	672	438	0	3,386

Segment reporting 2004	Central Europe	Benelux	France	Central Eastern Europe	Eliminations	CeWe Color Group
Figures in thousand euros						
a. Revenues with external third parties	254,216	49,668	63,260	61,304	(0)	428,448
Revenues with other segments	39,877	32	2,950	2,498	(45,357)	0
Other segment income	17,785	808	3,245	3,683	(5,504)	20,017
Total revenues	311,878	50,508	69,455	67,485	(50,861)	448,465
b. Segment result (IAS 14.16) ¹⁾	27,843	176	(8,178)	2,569	(6,180)	16,230
c. Profit before segment tax ²⁾	18,182	(402)	(7,294)	3,722	(0)	14,208
d. Total segment assets ³⁾	180,549	10,875	32,173	45,792	(17,186)	252,203
e. Segment liabilities ⁴⁾	93,946	10,326	21,542	24,448	(24,186)	126,076
f. Investments in noncurrent segment assets ⁵⁾	28,674	1,118	3,723	3,708	(0)	37,223
g. Depreciation per segment	29,197	182	7,309	3,394	4,191	44,273
h. Major non-cash income ⁶⁾	1,078	20	78	1,940	(0)	3,116
i. Major non-cash expenses ⁶⁾	3,485	11	440	580	(0)	4,516

¹⁾ Earnings before financial result (net interest) and income taxes less other taxes

²⁾ The impact of consolidation in the group has been spread among the segments in order to make profit before segment tax comparable. If necessary, the allocation was estimated as best as possible.

³⁾ Noncurrent and current assets

⁴⁾ Liabilities and provisions

⁵⁾ Includes additions to noncurrent assets without financial assets

⁶⁾ e.g., exchange rate differences, reversal of provisions, depreciation not covered by f), income/expenses from value adjustments

Secondary segment information 2005	Figures in thousand euros	Photofinishing	Retail	CeWe Color Group
a. Revenues with external third parties		358,927	72,203	431,130
b. Total segment assets ¹⁾		219,330	35,334	254,664
c. Investments in noncurrent segment assets ²⁾		33,942	2,281	36,223

Secondary segment information 2004	Figures in thousand euros	Photofinishing	Retail	CeWe Color Group
a. Revenues with external third parties		368,373	60,075	428,448
b. Total segment assets ¹⁾		218,772	33,431	252,203
c. Investments in noncurrent segment assets ²⁾		35,859	1,364	37,223

¹⁾ Noncurrent and current assets

²⁾ Includes additions to noncurrent assets excl. financial assets

As a rule, revenue and income between the segments are recorded at prices that would also be agreed with third parties. Administrative services are charged as cost allocations.

The earnings in the Western Europe segment include the non-scheduled write-down of goodwill totaling 4.823 million euros (previous year: 2.470 million euros).

56 | Other explanatory notes

There were contingent liabilities from issuing guarantees and warranties for third parties totaling 2.403 million euros (previous year: 1.303 million euros). These figures are nominal in each case.

57 | Executive bodies of the companies

Supervisory Board including Supervisory Board mandates and mandates in comparable German and foreign supervisory bodies

Hubert Rothärmel, Oldenburg (Chairman)

- | Chairman of the Supervisory Board of CeWe Color Holding AG, Oldenburg
- | Member of the board of trustees of Neumüller CeWe Color Foundation, Oldenburg **)
- | Chairman of the Supervisory Board of Fotolab a.s., Prague/Czech Republic *) **)
- | Chairman of the Supervisory Board of Fotolab Slovakai a.s., Bratislava/Slovakia *) **)
- | Chairman of the Supervisory Board of CeWe Color SAS, Paris/France *) **)
- | Chairman of the Supervisory Board of CeWe Color Danmark A/S, Skødstrup/Denmark *) **)
- | Member of the Advisory Council of Wöltje Group, Oldenburg **)
- | Member of the Advisory Council of Gräper Holding GmbH, Ahlhorn **)

Hartmut Fromm, Berlin (Deputy Chairman)

- | Partner of the law firm Buse, Heberer, Fromm, Berlin
- | Deputy Chairman of the Supervisory Board of CeWe Color Holding AG, Oldenburg
- | Member of the Advisory Council of Buse, Heberer, Fromm, Berlin **)
- | President of the Board of Directors of A & A Liegenschaften Schweiz AG, Zurich/Switzerland **)
- | Member of the Supervisory Board of All Welding Technologies AG, Hanau
- | Member of the Supervisory Board of Arikon AG, Baugesellschaft, Berlin
- | Member of the Advisory Council of EAG European Advisory Group GmbH, Berlin **)
- | Chairman of the Supervisory Board of IMK Immobilien AG, Berlin
- | Chairman of the Supervisory Board of Jack White Productions AG, Berlin
- | Chairman of the Supervisory Board of M-Tech Technologie und Beteiligungs AG, Denkendorf
- | President of the Board of Directors of Vermar Verwaltungs- und Marktstudien AG, Zurich/Switzerland **)

Dr. Manfred Bodin, Burgwedel

- | Member of the Supervisory Board of CeWe Color Holding AG, Oldenburg
- | Member of the Supervisory Board of Continental AG, Hanover
- | Member of the Supervisory Board of VHV Versicherung Holding AG, Hanover

Dr. Fritz Kröger, Berlin

- | Vice President of A. T. Kearney GmbH, Berlin
- | Member of the Supervisory Board of CeWe Color Holding AG, Oldenburg

Andreas F. Schubert, Hamburg

- | Chairman of the management of Carl Kühne KG (GmbH & Co), Hamburg
- | Member of the Supervisory Board of CeWe Color Holding AG, Oldenburg
- | Chairman of the Board of Directors of Kühne Benelux B.V. Ter Aar/The Netherlands *) **)
- | Chairman of the Board of Directors of Kühne Nordic A/S, Ullerslev/Denmark *) **)
- | Chairman of the Supervisory Board of Carl Kühne Fermantasyon ve Gıda Sanayi ve Ticaret A.S., Istanbul/Turkey *) **)
- | Chairman of the Supervisory Board of Dansk Eddike Produktion A/S, Randers/Denmark *) **)

Prof. Hans-Jürgen Appelrath, Oldenburg

- | University professor for information technology at the Carl von Ossietzky University, Oldenburg
- | Chairman of the Oldenburger Forschungs- und Entwicklungsinstitut für Informatik-Werkzeuge und -Systeme (OFFIS), Oldenburg
- | Member of the Supervisory Board of CeWe Color Holding AG, Oldenburg
- | Member of the Supervisory Board of BTC Business Technology Consulting, AG, Oldenburg
- | Chairman of the Supervisory Board of OSCAR AG, Rügen

*) Group mandate

**) Membership in the supervisory bodies of comparable German and foreign businesses

Managing Board**Dr. Rolf Hollander, Oldenburg**

- Chairman of the Managing Board of Neumüller CeWe Color Foundation
- Member of the Supervisory Board of CeWe Color SAS, Paris/France *) **)
- Member of the Supervisory Board of Fotolab a.s., Prague/Czech Republic *) **)
- Member of the Supervisory Board of Fotolab Slovakia a.s., Bratislava/Slovakia *) **)

Andreas F.L. Heydemann, Bad Zwischenahn

- Member of the Supervisory Board of CeWe Color SAS, Paris/France *) **)
- Member of the Board of Directors of CeWe Color Belgium N.V., Brussels/Belgium *) **)
- Member of the Board of Directors of CeWe Color Fotoservice AG, Dübendorf, Zurich/Switzerland *) **)
- Member of the Supervisory Board of Japan Photo Holding Norge As, Oslo/Norway *) **)
- Member of the Supervisory Board of Japan Photo Sverige AG, Göteborg/Sweden *) **)

Wulf-D. Schmidt-Sacht, Oldenburg

- Member of the Supervisory Board of Fotolab a.s., Prague/Czech Republic *) **)

Michael Wefers, Oldenburg

Total remuneration for members of the Managing Board of CeWe Color Holding AG, Oldenburg for fiscal year 2005 for fulfilling their tasks in the parent company and the subsidiaries totaled 1.338 million euros (previous year: 797 thousand euros) for active members, and 319 thousand euros (previous year: 23 thousand euros) for former members. The increase was due to the addition of a further member of the Managing Board, whose remuneration was previously paid by CeWe Color AG & Co. OHG, Oldenburg, together with higher variable remuneration. Of this remuneration, 468 thousand euros was variable remuneration (previous year: 219 thousand euros). The variable remuneration comprised 187 thousand euros from compensation from Stock Option Plan II, the remainder (281 thousand euros) is linked to the group's operating results.

The total remuneration of the Supervisory Board totaled 65 thousand euros (previous year: 76 thousand euros) in fiscal year 2005. In fiscal year 2005 this comprised fixed remuneration totaling 27 thousand euros (previous year: 27 thousand euros), meeting expenses of 14 thousand euros (previous year: 12 thousand euros) and additional remuneration depending on the resolved dividend of 24 thousand euros (previous year: 37 thousand euros).

There are no longer any options for members of the Supervisory Board (previous year: 4,500 options). The options which existed last year were granted on a date on which the supervisory board mandate did not yet exist.

On December 31, 2005, members of the Managing Board held a total of 11,100 shares (previous year: 7,500 shares), members of the Supervisory Board held 25,000 shares (previous year: 100,001 shares).

Consulting and brokerage services and other personal services by members of the Supervisory Board were provided in the amount of 185 thousand euros (previous year: 156 thousand euros).

There are no receivables from loans from members of the Managing Board or the Supervisory Board, neither were any liabilities entered into for this group of persons.

*) Group mandate

**) Membership in the supervisory bodies of comparable German and foreign businesses

58 | Proposal for the appropriation of net profits

The net profits of CeWe Color Holding AG totaled 16,121,944.27 euros after the appropriation of 10,574,693.86 euros to revenue reserves. The Supervisory and Managing Boards propose to the General Meeting that a dividend of 1.20 euros be disbursed for the share capital bearing dividend rights totaling 14,040,052.00 euros, or 5,400,000 bearer shares and 20 registered shares (in addition, 600,000 treasury shares with a proportionate interest in the share capital of 1,560,000.00 euros are held) this totals 6,840,024.00 euros, and that a further amount of 3,000,000.00 euros be appropriated to the revenue reserve, and the remaining net profits of 6,641,920.27 euros be carried forward to new account.

59 | Declaration concerning the German Corporate Governance Code

The declaration of conformity with the German Corporate Governance Code required according to section 161 of the German Stock Corporation Law (AktG) was issued by the Managing and Supervisory Boards and made available to shareholders via the Internet.

Oldenburg, March 15, 2006

CeWe Color Holding AG
- The Managing Board -



Dr. Rolf Hollander
(Chairman)



Andreas F.L. Heydemann



Wulf-D. Schmidt-Sacht



Michael Wefers

Auditors' Opinion

“We have audited the Consolidated Financial Statements of CeWe Color Holding AG, comprising the Balance Sheet, Profit and Loss Account, Statement of changes in shareholders' equity, Cash Flow Statement and Notes to the Financial Statements as well as the Group Management Report for the fiscal year from January 1 to December 31, 2005. The preparation of the Consolidated Financial Statements and the Group Management Report in accordance with IFRS, as these are to be applied in the EU, and the supplementary provisions of the Handelsgesetzbuch (HGB – German Commercial Code) as set out in section 315 a (1) of the HGB are the responsibility of the company's legal representatives. Our responsibility is to express an opinion, based on our audit, on the Consolidated Financial Statements and the Consolidated Management Report.

We conducted our audit in accordance with section 317 of the HGB and in compliance with the principles of proper auditing adopted by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether inaccuracies and violations are identified that could have a material effect on the view of the financial position and results of operations presented by the Consolidated Financial Statements with due regard to the accounting standards to be applied and by the Group Management Report. The process of defining the audit procedures takes account of knowledge about the business activities and the economic and legal environment of the company, as well as expectations of possible errors. An audit includes examining, on a test basis, the effectiveness of the internal control system and evidence supporting the amounts and disclosures in the Consolidated Financial Statements and the Group Management Report. An audit also includes assessing the Annual Financial Statements of the companies included in the Consolidated Financial Statements, the definition of the scope of consolidation, the accounting and consolidation principles used and significant estimates made by the legal

representatives, as well as evaluating the overall presentation of the Consolidated Financial Statements and the Group Management Report. We are confident that our audit provides a sufficiently sound basis on which to make an assessment.

In our opinion, based on the results of our audit, the Consolidated Financial Statements comply with IFRS as these are to be applied in the EU and the supplementary provisions of the HGB as stipulated by section 315 a (1) of the HGB and the supplementary provisions of the Articles of Association, and convey a true and fair view of the group's situation. The Group Management Report is in line with the Consolidated Financial Statements, provides an accurate picture of the group's situation and accurately reflects the opportunities and risks of future growth.”

We have issued the above report on the audit of the Consolidated Financial Statements as of December 31, 2005 of CeWe Color Holding AG, Oldenburg in line with statutory requirements and the principles of proper reporting for audits.

Oldenburg, March 15, 2006

COMMERZIAL TREUHAND
Gesellschaft mit beschränkter Haftung
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Manfred Szusziés
(Wirtschaftsprüfer)

Holger Novy
(Wirtschaftsprüfer)

The CeWe Color Group – Structure and Executive Bodies

Neumüller CeWe Color Foundation

Board of Trustees

- Wilfried Mocken, Rheinberg (Chairman)
- Otto Korte, Oldenburg (Deputy Chairman)
- Hubert Rothärmel, Oldenburg
- Helmut Hartig, Oldenburg
- Maximilian Ardelt, Munich
- Wilfried Barnstedt, Oldenburg

Managing Board

- Dr. Rolf Hollander, Oldenburg (Chairman)
- Hans-Joachim Prziklang, Oldenburg
- Harald H. Pirwitz, Oldenburg
- Felix Thalmann, Westerstede

Managing Directors

- Andreas F.L. Heydemann, Bad Zwischenahn
- Wulf-D. Schmidt-Sacht, Oldenburg
- Michael Wefers, Oldenburg
- Dr. Michael Fries, Oldenburg
- Dr. Reiner Fageth, Oldenburg

CeWe Color Holding AG

Supervisory Board

- Hubert Rothärmel, Oldenburg (Chairman)
- Hartmut Fromm, Berlin (Deputy Chairman)
Partner der Anwaltskanzlei Buse Heberer Fromm, Berlin
- Dr. Manfred Bodin, Hanover
Chairman of the Managing Board
of Norddeutsche Landesbank Girozentrale,
Hanover (to June 30, 2004)
- Dr. Fritz Kröger, Berlin
Vice President of A. T. Kearney GmbH, Berlin
- Andreas F. Schubert, Hanover
Chairman of the management of Carl Kühne KG
(GmbH & Co.), Hamburg
- Prof. Hans-Jürgen Appelrath, Oldenburg
University professor for information technology at the
Carl von Ossietzky University of Oldenburg, Oldenburg
Chairman of the Managing Board of Oldenburger
Forschungs- und Entwicklungsinstitut für Informatik-
Werkzeuge und -Systeme (OFFIS), Oldenburg

Managing Board

- Dr. Rolf Hollander, Oldenburg (Chairman)
- Andreas F.L. Heydemann, Bad Zwischenahn
- Wulf-D. Schmidt-Sacht, Oldenburg
- Michael Wefers, Oldenburg

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... CeWe Color production plants in Europe



Financial Statements of CeWe Color Holding AG

Profit and Loss Account of CeWe Color Holding AG

for the period from January 1 to December 31, 2005
(HGB)

Figures in thousand euros	2004	2005
1. Income from investments	17,309	27,705
2. Other operating expenses	1,291	501
3. Personnel expenses	-246	-273
4. Amortization of intangible assets and depreciation of property, plant and equipment	-1	0
5. Other operating expenses	-827	-847
6. Net interest	2,281	2,460
7. Result from ordinary activities	19,807	29,546
8. Income taxes	-5,276	-8,373
9. Other taxes	0	-24
10. Net income for the year	14,531	21,149
11. Profit carried forward from previous year	2,402	4,675
12. Withdrawal from (previous year: addition to) reserve for treasury shares	-1,179	1,373
13. Addition to revenue reserves according to the resolution by the General Meeting on June 30, 2005 (previous year: June 24, 2004)	-500	-500
14. Addition to other revenue earnings	-7,265	-10,757
15. Net retained profits	7,989	16,122

Balance Sheet of CeWe Color Holding AG

as of December 31, 2005 (HGB)

Assets	Figures in thousand euros	Dec. 31, 2004	Dec. 31, 2005
I. Financial assets		15,600	15,600
A. Noncurrent assets		15,600	15,600
I. Receivables and other assets			
1. Receivables from associated companies		87,777	109,094
2. Other assets		21	36
II. Financial assets			
Treasury shares		11,849	10,476
B. Current assets		99,647	119,606
C. Prepaid expenses		4	21
		115,251	135,227

Liabilities and shareholders' equity	Figures in thousand euros	Dec. 31, 2004	Dec. 31, 2005
I. Subscribed capital		15,600	15,600
II. Share premium		29,144	29,144
III. Revenue reserves			
1. Statutory reserves		1,534	1,534
2. Reserve for own shares		11,849	10,476
3. Other reserves		47,272	58,346
IV. Net retained profits		7,989	16,122
A. Equity		113,388	131,222
1. Provisions for pensions and similar commitments		464	510
2. Provisions for taxes		1,011	2,716
3. Other provisions		297	277
B. Provisions		1,772	3,502
Other liabilities		91	502
C. Liabilities		91	502
		115,251	135,227

Production Plants and Distribution Branches

Production Plants

- CeWe Color AG & Co. OHG
Meerweg 30 – 32
D–26133 Oldenburg
Tel. +49 (0) 4 41/4 04-0
Fax +49 (0) 4 41/4 04-421
- Oskar-von-Miller-Straße 9
D–82110 Germering
(Munich)
Tel. +49 (0) 89/8 40 07-0
Fax +49 (0) 89/8 40 07-30
- Erftstraße 40
D–41238 Mönchengladbach
Tel. +49 (0) 21 66/8 53-0
Fax +49 (0) 21 66/8 53-109
- Karl-Marx-Straße 18
D–01109 Dresden
Tel. +49 (0) 3 51/8 85 44-0
Fax +49 (0) 3 51/8 85 44-13
- Am Goldberg 2
D–99817 Eisenach
Tel. +49 (0) 36 91/6 21-220
Fax +49 (0) 36 91/6 21-223
- Vogelherdstraße 46
D–90513 Zirndorf
(Nuremberg)
Tel. +49 (0) 9 11/6 08 02-0
Fax +49 (0) 9 11/6 08 02-55
- Freiburger Straße 20
D–79427 Eschbach
(Freiburg)
Tel. +49 (0) 76 34/5 05-0
Fax +49 (0) 76 34/5 05-250
- Gutenbergstraße 1
D–23611 Bad Schwartau
Tel. +49 (0) 4 51/29 60-0
Fax +49 (0) 4 51/29 60-203
- Saturnstraße 6
D–13405 Berlin
Tel. +49 (0) 30/41 77 87-0
Fax +49 (0) 30/41 77 87-44

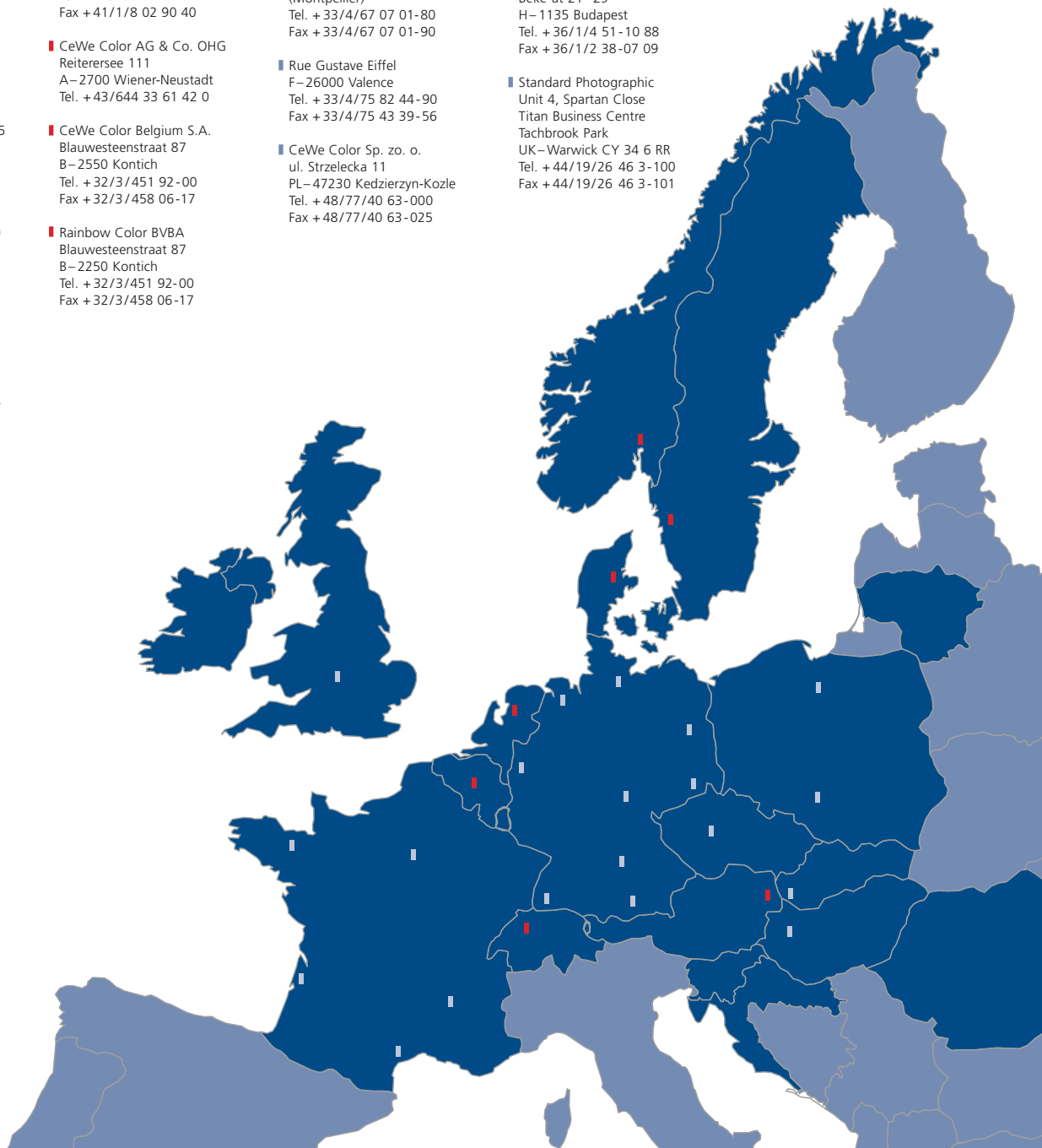
Foreign Branches

- Japan Photo Holding
Norway A/S
Flåtestadtveien 3
N–1416 Oppegård (Oslo)
Tel. +47/66 82 26-60
Fax +47/66 82 26-70
- Japan Photo Sverige AB
Norra Hamngatan 40
S–41106 Göteborg
Tel. +46/31 61 94-90
Fax +46/31 61 94-91
- CeWe Color Danmark A.S.
Segaltvej 16
DK–8541 Skødstrup (Århus)
Tel. +45/86/99 14 22
Fax +45/86/99 24 33
- CeWe Color Fotoservice AG
Hochbordstraße 9
CH–8600 Dübendorf
(Zurich)
Tel. +41/1/8 02 90 30
Fax +41/1/8 02 90 40
- CeWe Color AG & Co. OHG
Reitererse 111
A–2700 Wiener-Neustadt
Tel. +43/644 33 61 42 0
- CeWe Color Belgium S.A.
Blauwesteenstraat 87
B–2550 Kontich
Tel. +32/3/451 92-00
Fax +32/3/458 06-17
- Rainbow Color BVBA
Blauwesteenstraat 87
B–2250 Kontich
Tel. +32/3/451 92-00
Fax +32/3/458 06-17
- CeWe Color Nederland B.V.
Industrieweg 73
NL–8071 CS Nunspeet
Tel. +31/3 41/25 53-55
Fax +31/3 41/25 53-33
- CeWe Color S.A.S.
189 rue d'Aubervilliers
F–75886 Paris Cedex 18
Tel. +33/1/53 26 66-66
Fax +33/1/53 26 66-38
- 28, rue Francis Garnier
F–33000 Bordeaux
Tel. +33/5/56 69 67-85
Fax +33/5/56 69 80-03
- Z.A. de la Croix Rouge
F–35770 Vern sur Seiche
(Rennes)
Tel. +33/2/99 04 85-85
Fax +33/2/99 04 85-89
- Z.A.E. des Trois Ponts
F–34690 Fabrègues
(Montpellier)
Tel. +33/4/67 07 01-80
Fax +33/4/67 07 01-90
- Rue Gustave Eiffel
F–26000 Valence
Tel. +33/4/75 82 44-90
Fax +33/4/75 43 39-56
- CeWe Color Sp. zo. o.
ul. Strzelecka 11
PL–47230 Kedzierzyn-Kozle
Tel. +48/77/40 63-000
Fax +48/77/40 63-025

- ul. Droga Mazowiecka 23
PL–86300 Graudenz
Tel. +48/56/4 51 58 00
Fax +48/56/4 51 58 01
- Fotojoker Sp. zo. o.
ul. Strzelecka 11
PL–47230 Kedzierzyn-Kozle
Tel. +48/77/406 32 00
Fax +48/77/406 32 01
- Fotolab a.s. Prag
Kloknerova 2278/24
CZ–14800 Prague 4
Tel. +4 20/2/72 07 11-11
Fax +4 20/2/72 93 73-46
- Fotolab Slovakia a.s.
Kopcianska 14
SK–85101 Bratislava 5
Tel.: +421/2/68 20 44 11
Fax: +421/2/68 20 44 23
- CeWe Color
Magyarország Kft.
Béke út 21–29
H–1135 Budapest
Tel. +36/1/4 51-10 88
Fax +36/1/2 38-07 09
- Standard Photographic
Unit 4, Spartan Close
Titan Business Centre
Tachbrook Park
UK–Warwick CY 34 6 RR
Tel. +44/19/26 46 3-100
Fax +44/19/26 46 3-101

■ Production Plants

■ Distribution Branches



10-Year Overview

CeWe Color Group	HGB accounting				
	1996	1997	1998	1999	2000
Sales and employees					
Number of colour prints (in million units)	2,124	2,456	2,787	3,047	3,132
- of which digital prints (in million units)	0.0	0.1	0.3	1.5	3.0
Number of developed films (in million units)	64.9	72.3	80.2	87.0	88.2
Image CDs (in thousand units)	0.0	0.0	0.0	0.0	364
Employees (extrapolated on a full-time basis)	2,907	3,226	3,431	3,506	3,681
From the Consolidated Balance Sheet (in million euros)					
Assets					
Noncurrent assets	88.1	92.4	98.5	109.9	119.3
Current assets	62.9	74.7	83.4	109.6	103.8
- Cash and cash equivalents	18.4	14.0	13.5	21.9	10.7
Liabilities and Shareholders' Equity					
Equity	76.4	79.3	84.0	90.9	93.3
Borrowing	75.9	91.4	102.1	131.6	131.8
- Liabilities to banks	6.4	7.0	10.0	15.2	14.0
Total assets	152.3	170.8	186.1	222.5	225.1
From the Consolidated Profit and Loss Account (in million euros)					
Revenues	283.4	322.4	358.9	394.2	403.2
Amortization/depreciation	25.8	30.1	32.1	33.2	35.7
EBITDA	45.6	54.8	62.9	71.6	68.7
EBITA	21.0	26.3	32.4	41.0	35.4
Result from operating activities (EBIT)	19.9	24.7	30.8	38.4	33.0
Profit before tax (EBT)	19.8	24.3	30.1	37.2	30.0
Profit after tax (EAT)	10.4	12.0	16.2	19.4	13.7
From the Cash Flow Statement (in million euros)					
Cash Flow (profit after tax (EAT) + amortization/depreciation)	37.5	43.1	50.8	54.1	54.5
Free Cash Flow (Cash Flow – Capital expenditure)	8.1	4.0	9.0	11.4	7.5
Cash Flow per share (in euros) ¹⁾	4.69	5.68	6.35	6.78	6.82
Capital expenditure	33.9	39.7	42.5	42.8	47.0
Key indicators – financial position and results of operations (in %)					
Proportion of noncurrent assets to total assets	57.8	54.1	52.9	49.4	53.0
Proportion of amortization/depreciation to total revenues	-9.1	-9.3	-8.9	-8.4	-8.9
Equity ratio ³⁾	50.2	46.4	45.1	40.9	41.4
Liquidity ratio	12.1	8.2	7.3	9.8	4.8
Profitability indicators (in %)					
Return on Equity after taxes ³⁾	13.6	15.1	19.3	21.3	14.6
Total return on capital after taxes	6.9	7.0	8.7	8.7	6.1
Return on revenues after taxes	3.7	3.7	4.5	4.9	3.4
CeWe Color Holding AG					
Net profit for the period (in million euros)	6.6	7.3	10.1	13.6	9.7
Number of shares (in units)	6,000,020	6,000,020	6,000,020	6,000,020	6,000,020
Earnings per share (in euros) ²⁾	1.30	1.46	1.83	2.33	1.88
Number of own shares at end-of-year (in units)	-	-	-	200,000	400,000
Shares in circulation (in shares)	6,000,020	6,000,020	6,000,020	5,800,020	5,600,020
Market capitalization at end-of-year (in million euros) (only shares in circulation)	107.34	116.06	90.50	118.90	103.60
Year-end price (in euros)	17.89	19.33	15.08	20.50	18.50
Annual high (in euros)	28.84	24.93	25.05	24.12	25.20
Annual low (in euros)	17.84	18.15	13.24	13.75	17.50
Dividend per share (in euros)	0.72	0.77	0.93	1.15	1.00
Dividend return on year-end price (in %)	4.02	4.00	6.20	5.61	5.41

2001	2002	IAS accounting			IAS / IFRS accounting	
		2002	2003	2004	2004	2005
3,326	3,395	3,395	3,402	3,534	3,534	3,433
8.5	38.8	38.8	170.3	508.6	508.6	829.8
93.0	94.3	94.3	89.4	81.5	81.5	70.7
1,531	2,593	2,593	4,055	4,842	4,842	4,825
4,002	3,977	3,977	3,906	3,829	3,829	3,730
125.9	119.6	151.2	142.3	134.7	134.7	129.2
110.0	115.4	106.3	103.8	118.8	124.4	128.7
13.5	14.7	14.8	11.4	17.2	17.2	27.4
94.1	99.7	100.8	95.0	93.0	106.4	113.0
143.7	137.3	113.0	108.7	120.7	121.2	109.6
18.6	14.5	14.4	20.8	20.6	20.6	17.3
237.8	237.1	260.2	250.3	260.7	260.7	261.3
436.9	439.2	439.2	416.2	428.5	428.5	431.1
37.6	32.6	38.5	42.9	44.3	44.3	39.9
62.6	60.1	57.4	58.1	60.2	60.2	68.6
28.9	30.9	23.2	25.3	24.7	24.7	37.1
24.9	27.5	18.9	15.2	15.9	15.9	28.7
20.2	26.1	17.5	13.2	14.2	14.2	25.5
9.9	16.4	9.1	3.6	1.2	1.2	11.5
51.8	46.4	47.6	46.5	45.4	45.4	51.4
14.2	17.7	18.1	6.1	8.2	8.2	15.2
6.47	5.73	7.95	7.75	7.57	7.57	8.56
38.7	28.7	29.5	40.4	37.2	37.2	36.2
53.0	50.4	58.1	56.9	51.7	51.7	49.6
-8.6	-7.4	-8.8	-10.3	-10.3	-10.3	-9.3
39.6	42.1	38.8	38.0	35.7	40.8	43.3
5.7	6.2	5.7	4.6	6.6	6.6	10.6
10.5	16.4	9.0	3.8	1.3	1.1	10.2
4.2	6.9	3.5	1.4	0.5	0.5	4.4
2.3	3.7	2.1	0.9	0.3	0.3	2.7
9.8	12.9	12.9	11.0	14.5	14.5	21.1
6,000,020	6,000,020	6,000,020	6,000,020	6,000,020	6,000,020	6,000,020
1.25	2.19	1.22	0.41	0.04	0.04	1.29
400,000	554,340	554,340	575,200	575,200	575,200	486,190
5,600,020	5,445,680	5,445,680	5,424,820	5,424,820	5,424,820	5,513,830
64.40	98.19	98.19	101.99	120.76	120.76	228.00
11.50	18.03	18.03	18.80	22.26	22.26	41.35
20.50	18.03	18.03	21.50	22.26	22.26	52.90
10.65	10.28	10.28	15.35	12.30	12.30	22.26
0.80	1.00	1.00	0.80	0.60	0.60	1.20
6.96	5.55	5.55	4.25	2.25	2.25	2.90

¹⁾ 1994 - 2002 DVFA/SG less minority interests, 2002 - 2003 Profit after tax (EAT) plus amortization/depreciation divided by all shares

²⁾ 1994 - 2002 DVFA/SG, 2002 - 2003 IAS 33

³⁾ IFRS including minority interests

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Financial Diary 2006

April 11, 2006	Financials press conference, Bremen
April 12, 2006	Analysts' conference, Frankfurt
May 30, 2006	Report on I. quarter of 2006
June 1, 2006	Annual General Meeting
June 2, 2006	Dividend payment
August 28–30, 2006	SCC-Small- and Mid-Cap Conference, Frankfurt
August 29, 2006	Report on I. – II. quarter of 2006
November 28, 2006	Report on I. – III. quarter of 2006

This annual report is also available in German.
We would be happy to send you a copy upon request.

Phone: +49 (0) 4 41/4 04-400
Fax: +49 (0) 4 41/4 04-421

<http://www.cewecolor.com>
hella.hahm@cewecolor.de

CeWe Color Holding AG is a member of the Deutscher Investor Relations Kreis e.V. (German Investor Relations Association)

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Auditor of the Consolidated Financial Statements
COMMERZIAL TREUHAND
Gesellschaft mit beschränkter Haftung Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft
Wilhelmshavener Heerstraße 79, D–26125 Oldenburg



 **cewe color**
Holding AG

Cewe Color Holding AG
Meerweg 30-32
D-26133 Oldenburg
Phone: +49 (0) 441/404-0
Fax: +49 (0) 441/404-421
<http://www.cewecolor.com>
info@cewecolor.de