



 **Cewe**

**ANNUAL REPORT 2018**

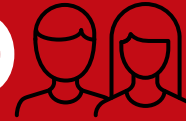
## CEWE AT A GLANCE

26



EUROPEAN COUNTRIES

3.900



EMPLOYEES\*

9

DISTRIBUTION  
OFFICES

18.000

CEWE PHOTOSTATIONS



14

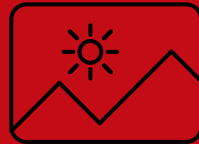
PLANTS



6,18

MILLION

CEWE  
PHOTOBOOKS

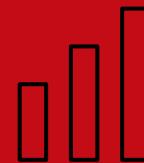


2,23

BILLION PHOTOS  
PRODUCED

RETAILERS SUPPLIED

20.000



653,3

MILLION  
EUROS OF  
TURNOVER

\* Average workforce in 2018 (FTE).

## ANNUAL REPORT 2018

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“Together with all of the company’s employees, we have ensured that the established market leader for industrial photofinishing of analogue photos and films is now also the market leader in the market for digital photo products. As the no. 1 product on the market, CEWE PHOTOBOOK is the outstanding symbol of this successful transformation. With CEWE CALENDARS, CEWE CARDS and CEWE WALL ART, we have now brought further brand products onto the market. We intend to build on this position. We have also added online offset printing to our expertise in the field of digital printing and developed our Commercial Online Printing business.”

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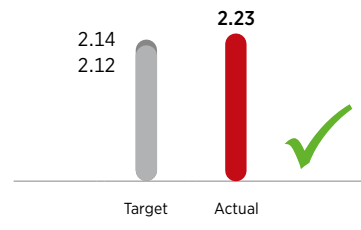
Dr Christian Friege, Chairman of the Board of Management of Neumüller CEWE COLOR Stiftung



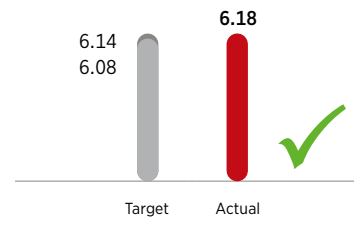
## HIGHLIGHTS 2018

### 2018 erreicht

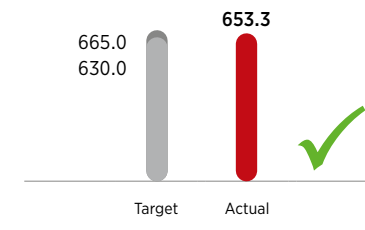
Digital prints in billion units



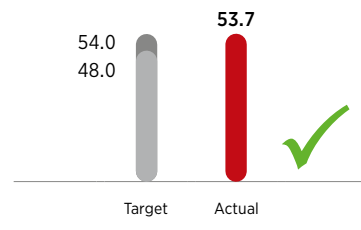
CEWE PHOTOBOOKS in million units



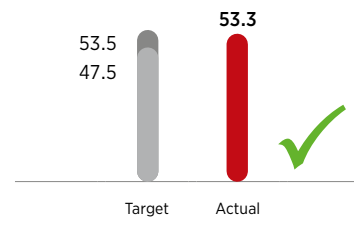
Turnover in millions of euros



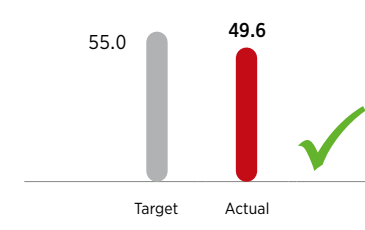
EBIT in millions of euros



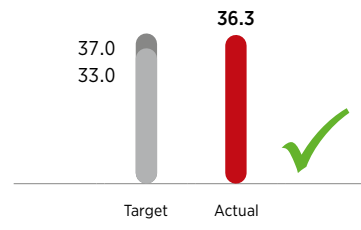
EBT in millions of euros



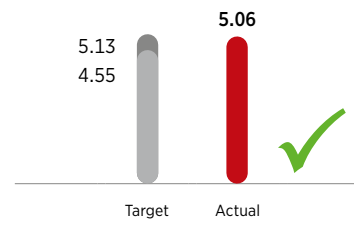
Investments in millions of euros



Earnings after taxes in millions of euros



Earnings per share in euros/share



### Photofinishing sales

- Total volume of photos exceeds the expected range, with 2.23 billion photos
- 6.18 million CEWE PHOTOBOOKS sold: + 2.6 %
- Further increase in the volume of CEWE CALENDARS, CEWE WALL ART, CEWE CARDS and other photo gifts, reinforcing the trend of higher-quality products
- 62.0 % of all photos are collected from retail stores

### Photofinishing turnover

- CEWE brand products achieve further growth and strengthen Photofinishing turnover
- Turnover per photo continues to increase: + 6.2 % to 22.42 euro cents per photo
- Photofinishing turnover of 499.0 million euros in 2018: strong growth of + 8.6 % on previous year
- Fourth-quarter turnover increases by a solid 11.7 % to 218.3 million euros

### Photofinishing earnings

- Photofinishing EBIT increases to 57.8 million euros in 2018 (2017: 53.9 million euros, + 7.2 %)
- Photofinishing's operating margin once again increases in the financial year 2018, despite the planned initial losses resulting from "Cheerz", and now amounts to 12.1 % (2017: 11.9 %).
- Fourth quarter delivers 96 % of Photofinishing's EBIT for the year as a whole

### Commercial Online Printing results

- Turnover increases to 101.6 million euros, due to the acquisition of LASERLINE in 2018 in particular (2017: 84.0 million euros)
- Business trend in 2018 once again shaped by Brexit in the UK as well as price pressure in Germany
- Extraordinary expenses due to the integration of LASERLINE and partly one-off cost increases result in negative EBIT for the year 2018 as a whole: -1.6 million euros (2017: 1.6 million euros)
- Fourth quarter provides result of 2.0 million euros, with an EBIT margin of 7.0 %

### Retail results

- CEWE RETAIL's hardware turnover in 2018 amounts to 48.7 million euros (2017: 53.0 million euros)
- EBIT once again positive thanks to more profitable Christmas business: 0.1 million euros (2017: 0.3 million euros)

### Consolidated profit and loss account

- Group turnover increases to 653.3 million euros (2017: 599.4 million euros)
- All of the company's goals for 2018 achieved or surpassed: Group EBIT increases to 53.7 million euros (2017: 49.2 million euros)
- Outstanding fourth quarter with a result (EBIT) of 57.5 million euros (Q4 2017: 46.1 million euros, + 24.8 %)
- EBIT margin for the Group unchanged at 8.2 %, despite planned still negative EBIT contributions from acquisitions
- Group tax rate of 31.9 %
- Earnings per share increase to 5.06 euros (2017: 4.59 euros / share)

### Balance sheet and financing

- Solid balance sheet: equity ratio declines to 53.8 %
- Operating net working capital reduced by 25.0 %
- Solid financing structure, net cash position of 24.2 million euros - even after acquisitions

### Cash flow

- Working capital and reduced tax payments cause cash flow from operating activities to increase to 78.7 million euros
- Acquisitions result in increase in net cash used in investing activities
- Christmas business results in 12.8 million euros growth in free cash flow for the fourth quarter

### Return on capital employed

- Average capital employed increased to 300.9 million euros, due to acquisitions
- ROCE of 17.9 % due to increase in capital employed

## CEWE – Europe’s online printing and photo service

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CEWE supplies consumers with photos and digital print products via over-the-counter trade as well as Internet sales. CEWE is the service partner for the leading brands on the European photography market. In 2018, the company developed and produced over 2.2 billion photos – including in around 6.2 million CEWE PHOTOBOOKS as well as photo gifts. CEWE PHOTOBOOK (Europe’s leading photo book brand) and the company’s other product brands CEWE CALENDARS, CEWE CARDS and CEWE WALL ART, easy-to-use ordering applications (PC, Mac and mobile iOS, Android and Windows), our high level of expertise in digital printing, the benefits of scale offered by our efficient industrial production and logistics system, broad distribution via the Internet, 20,000 retailers supplied and over 18,000 CEWE PHOTOSTATIONS are the key competitive advantages of CEWE’s Photofinishing business.

As well as these photo products, CEWE’s Retail business also distributes photographic hardware (e. g. cameras) in several countries.

Through its brands CEWE-PRINT.de, SAXOPRINT, viaprinto and LASERLINE, in its Commercial Online Printing business unit CEWE is increasingly serving customers as an online printing service provider through printed advertising media which can be ordered online, such as flyers, posters, brochures, business cards, etc.

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○ **Plants**

Oldenburg, Mönchengladbach, Eschbach, Germering, Dresden, Bad Kreuznach, Berlin (all DE), Warwick (GB), Paris, Montpellier, Rennes (all FR), Koźle (PL), Prague (CZ), Budapest (HU)

● **Distribution offices**

Paris (FR), Mechelen (BE), Nunspeet (NL), Aarhus (DK), Oslo (NO), Gothenburg (SE), Zurich (CH), Vienna (AT), Bratislava (SK)

■ **Delivery area**

Germany, Ireland, Iceland, United Kingdom, Norway, Sweden, Finland, Denmark, Lithuania, Belgium, Luxembourg, Netherlands, Spain, Portugal, France, Switzerland, Serbia, Italy, Austria, Slovenia, Hungary, Croatia, Poland, Czech Republic, Slovakia, Romania



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## 03

## 04







*An item of data only becomes an image when printed on a product or in a **CEWE PHOTOBOOK.***

Selfies of CEWE employees taken at their workplace.



Board of Management of Neumüller CEWE COLOR Stiftung as the general partner of CEWE Stiftung & Co. KGaA

## Dear Shareholders,

“As you can see, we have done everything possible to ensure that our company CEWE once again achieves a decent result in 2018. Please lean back, and why not order your business stationery or CEWE photo products from us? We would be delighted to be of service to you ... and also if, at the start of 2019, we can once again report to you: mission accomplished.”

Those were the last words of our letter to you for the third quarter of 2018.

### CEWE sets new records again in 2018

And today we can indeed proudly report: “mission accomplished!” In 2018, your company CEWE once again set a large number of new records. These improvements are ultimately reflected in turnover and earnings growth rates, both amounting to 9%. This is considerable progress which the entire CEWE team has worked hard to achieve. It represents great commitment from all of our workforce and a superb team effort.

### As expected, Q4 is strong again throughout the company in 2018

In all of our business units – whether Photofinishing, Retail or Commercial Online Printing – the fourth quarter of every year is quite significant in terms of turnover and earnings, increasingly so in some areas. Already after the third quarter of 2018, we informed you of the good opportunities we saw to achieve the necessary earnings boost in the fourth quarter of 2018 – at least +3.8 million euros of additional earnings were needed for 2018. Instead of just the 3.8 million euros required, we were able to increase our EBIT figure by +11.4 million euros and thus achieved a fourth-quarter EBIT figure of 57.5 million euros. All in all, we have significantly exceeded the increase needed in the fourth quarter and have clearly achieved our goals for the year.

#### Q4 is a guaranteed success for CEWE's Photofinishing

Due to the increasing significance of the Christmas business season, the fourth quarter has been gaining relevance for some years now. Besides Christmas and its gifts, this also reflects the dark and rainy time of year. Such weather is increasingly proving to be "order-friendly" for Photofinishing. In 2018, there was a clearly noticeable and impressive process of change over the course of the year. Everyone remembers the great summer we all enjoyed last year throughout much of Europe. You might also recall what such good-weather phases mean for us – fewer orders. Lots of photos are taken, but not many orders are placed for a photo product. This had a strong negative impact on our "Photofinishing" turnover and earnings in the second and third quarters. But we could set our watches by it: once the weather took a turn for the worse, consumers remembered their photo products and we saw the orders come flooding in. This was a nice confirmation of our earnings comments to you which we were obliged to fall back on over the summer. It really did turn out the way we said it would.

#### Photofinishing quite successful again in the year as a whole

Photofinishing provided a great contribution once again in the year 2018 as a whole, with a turnover improvement of +8.6% and an EBIT increase of +7.2%. This reflected a combination of existing strengths and new ones. CEWE PHOTOBOOK is certainly an existing Photofinishing strength, which boosted its sales by 2.6% in 2018 and by as much as 4.5% in the fourth quarter. We are delighted with the ongoing stable growth of this strong brand. We would like to point out the latest member of our family, Cheerz, as a source of new strength. This Paris-based "grown-up" – for a company established in 2012, it is no longer appropriate to talk of a "start-up" – integrated splendidly into the CEWE family in 2018, worked well with us and developed just like we all hoped it would at the time of its acquisition. We are delighted with the broad-based strength of our Photofinishing business unit.

#### Through acquisition, Commercial Online Printing grows as well in the year as a whole

In our reports over the course of 2018, we had already informed you of the challenges for Commercial Online Printing: the planned negative first year for our acquisition of Laserline in Berlin was accompanied by delays in its integration, with related additional costs. Our UK business continues to suffer due to the uncertainties

associated with the Brexit decision. Particularly in Germany, the price situation remained tense. We have experienced higher costs in the areas of logistics and production, albeit temporarily in some cases. Overall, we are at least not entirely dissatisfied with the turnover trend for our business: +18.6% including our acquisition and a purely organic growth rate of +2.4% are clear steps in the right direction.

#### Q4 demonstrates the earnings potential in Commercial Online Printing

However, we are not satisfied with our earnings trend. Over the year as a whole, our operating earnings were negative: -1.6 million euros. This is clearly the wrong direction. That will require some work on our part. But the fourth quarter provides us with a sense of perspective: turnover picked up considerably by +22.9% (organic turnover: +4.5%), while our EBIT increased to 2 million euros or 7.0% of turnover. One swallow doesn't make a summer and we certainly have a lot left to do, but our Commercial Online Printing team is continuously developing our business in this competitive market. As mentioned above, we have a strong core business with Photofinishing and are therefore well-placed to calmly push forward with Commercial Online Printing.

#### Retail also contributes earnings in Q4

With its camera and other hardware business, Retail has likewise always generated much of its profit - if not (more than) its total profit for the year - in the fourth quarter. In 2018, the fourth quarter once again provided an EBIT figure of approx. 0.8 million euros in the Retail business segment, so that earnings for the year as a whole were positive. Hardware turnover was actively reduced overall. Retail is also increasingly focusing on photofinishing products. For the sake of improved strategic transparency, turnover and profits from these are allocated to the Photofinishing segment.

#### With all of these results, Q4 increases return on capital employed as announced

The volume of capital employed has increased significantly since the start of the year due to the acquisitions of LASERLINE and Cheerz. The more that this effect worked its way into the rolling 12-month average volume of capital employed and the worse that the Photofinishing results became over the summer (the good weather in 2018 meant fewer orders were placed), over the course of 2018 this resulted in a gradual reduction in the

ROCE as far as 15.7% at the end of the third quarter. We had already informed you that the ROCE figure would likely pick up again in the fourth quarter. We are therefore all the more delighted to be able to present you with a ROCE of 17.9% for the year 2018 as a whole. This is a respectable figure, we think – particularly since it still includes start-up losses for Cheerz and LASERLINE, which are likely to disappear in future.

#### CEWE is the “world and European champion”

We were especially thrilled to receive two prizes in 2018, the first of which was “Best Photo Service Worldwide”. We were awarded this prize at the photokina trade fair by the prestigious Technical Image Press Association (TIPA). In addition, CEWE PHOTOBOOK pure received the well-known EISA Award for “Best Product 2018/2019” at the European level. We are delighted with these accolades in our main business unit.

#### Numerous “concept cars” are presented in Photofinishing ... others are in progress

At photokina we presented the general public with concepts for future technical innovations as “smart solutions”, e.g. “CEWE PHOTOBOOK on command”: “create a CEWE PHOTOBOOK of my last holiday in Holland” ... and our software will provide a suggestion straight away. CEWE PHOTO DIARY and developments such as facial/object recognition, location and event recognition have also illustrated how CEWE will develop in future: using smart solutions to help our customers create great photo products as easily as possible. “Smart solutions for tomorrow’s photofinishing” – that was the headline which appeared in the trade fair’s newspaper, photokina Daily.

#### The innovation engine is still running

We are already looking ahead to Christmas. In February, we have just held our innovation fair for 2019, a presentation of a wide range of ideas at CEWE. We will now prioritise and define the ideas to win you over once the 2019 Christmas business season arrives. Just wait and see what great ideas we have in store for you here.

#### Further increase in shareholding employees

In October 2018, CEWE once again offered its employees CEWE shares at a reduced price – up to eight shares free-of-charge for every participant, provided that these shares are held until retirement. Employees who are also shareholders – and likewise customers – understandably have a better grasp of the concerns of these important groups and can better respond to them. We are firmly convinced that we are thus acting appropriately in a company where all of our employees are jointly responsible for our long-term success. In this way, we have made approx. 80% of CEWE's workforce co-owners of our company. We think that this is an outstanding trend.

#### Let the sun shine! Now is the time to take lots of photos

To put it bluntly, in the second and third quarters of the current year we may well again be faced with a difficult market trend, particularly in Photofinishing. Once again, this can all be summed up with “good weather – fewer orders”. And to be quite honest, while that would again be tricky for all of us here at CEWE, it would also come with a silver lining: the nicer the weather, the more opportunities to take pictures and the greater the number of possibilities for our customers to place orders in the fourth quarter, if not earlier. We are mindful of that, and that is what we are working towards.

#### The CEWE team is always at your service

If you would already like to place Photofinishing orders for Easter or for Mother's Day, you are welcome to do so! We would also be delighted to receive your Commercial Online Printing orders for business cards, flyers, customised packaging etc. Other than that, enjoy the spring weather which is now on its way and also the summer ... and remember to capture your nicest moments with great photos. At Christmas time at the very latest, together we can then turn them into something special!

Oldenburg, March 15, 2019



Best wishes, Christian Friege



Otto Korte, Chairman of the Supervisory Board of CEWE Stiftung & Co. KGaA and Member of the Board of Trustees of Neumüller CEWE COLOR Stiftung



## REPORT OF THE SUPERVISORY BOARD

### Dear shareholders, dear friends of our company,

In the year under review, the Supervisory Board duly performed the tasks required of it by law, the company's articles of association and the Supervisory Board's rules of procedure as well as the German Corporate Governance Code. In particular, we carefully and regularly monitored the work of the Board of Management and advised it on its management and its strategic development of the company and in case of key decisions.

#### Meetings of the Supervisory Board

The Supervisory Board met in full five times in the year under review, on February 8, March 15 (balance sheet meeting), June 6, September 13 and November 8. In addition, extraordinary meetings were held by telephone on January 31, April 20 and December 13.

The members of the Board of Management attended the Supervisory Board's meetings. Where necessary, the Supervisory Board met internally following these meetings.

#### Core issues dealt with by the Supervisory Board

At all of the Supervisory Board's meetings during the year under review, the Board of Management presented the turnover and earnings trends for the individual segments, including the figures for the previous year and the planning figures, as well as the Group's results of operations and its net assets and financial position.

At every meeting held in person, the Supervisory Board was provided with an outline of the risk report and how the risk management system is being continuously adjusted while taking into consideration the Group's business model.

The investment acquired in Stardust Media and Communication SAS (Cheerz), which is seated in Paris, was an important issue. In two extraordinary meetings held by telephone, the acquisition of this investment and the use of treasury shares within the scope of an incentive programme for executives of Cheerz were discussed and approved.

In addition, the development of the commercial online printing market, the use of artificial intelligence in the area of photofinishing, the positioning of the "CEWE" brand and cost unit accounting were discussed following presentations given by the Board of Management on these subjects.

The company's strategy and its planning for 2018 were the subject of an entire meeting.

At the balance sheet meeting held in March, as well as a detailed discussion of the annual financial statements and the consolidated financial statements preparations were made for the general meeting on June 6, 2018 and the relevant proposed resolutions were prepared.

At the meeting held by telephone on April 20, 2018, the Supervisory Board discussed and approved the non-financial reporting.

The Supervisory Board's meetings were once again very well attended. Two members were each absent on one occasion from the meetings held in person, which was partly due to illness. Two members were absent from the meetings held by telephone on two occasions, while four members were absent on one occasion.

### Committee meetings

The Nomination Committee met twice in the year under review and prepared for the election of the shareholders' members at the general meeting 2018, by talking to various candidates and submitting appropriate nominations.

The Audit Committee met on March 14, September 4 and November 8, 2018 with all of its members present.

At its meeting held on March 14, 2018, the Audit Committee considered the audit of the separate financial statements and the consolidated financial statements of CEWE Stiftung & Co. KGaA for the financial year 2017 as well as the report on related parties. The Chairman of the Board of Management, the Chief Financial Officer and representatives of the auditor were present at this meeting. The Audit Committee obtained explanations of the auditors' audit activities in relation to the Group's German and foreign subsidiaries, the results of these audits as well as the audit of the early risk detection system and provided the Supervisory Board with a recommendation for its proposal to the general meeting on the appointment of the auditor.

Ms Geibel-Conrad was appointed as the chair at the meeting held on September 4, 2018.

At the meeting on November 8, 2018, the auditor reported on the outcome of its preliminary audit for 2018 as well as the newly applicable rules on financial instruments (IFRS 9). In addition, questions regarding impairment tests for the equity investments and goodwill were discussed, together with the finalisation of the purchase price allocation for Cheerz and Laserline. This meeting also covered the IT audit, the structure of transfer prices, the status of the tax compliance management system as well as the impact of the new leasing accounting rules applicable from 2019 (IFRS 16) and their implementation status.

The audit findings have not given rise to any objections in relation to the internal control system, the early risk detection system and compliance with corporate governance regulations.

Finally, the transposition of the CSR Directive was also a subject of discussion. The Audit Committee resolved to issue the Supervisory Board with a recommendation for the auditor to review the non-financial declaration for 2018.

### Corporate governance

In the year under review, the members of the Supervisory Board once again pursued discussions regarding the German Corporate Governance Code.

In the year under review, the Supervisory Board included five female members up to the general meeting and thus fulfilled the quota which is required by law. Following the general meeting held on June 6, 2018, the Supervisory Board now has seven female members.

For the financial year 2018, the Board of Management and the Supervisory Board have submitted an updated declaration of conformity in accordance with § 161 of the German Stock Corporation Act (Aktiengesetz – AktG), which has been permanently available on the company's website since February 1, 2019. In addition, in the Board of Management's corporate governance report – which the Supervisory Board adopts as its own – the Board of Management reports on corporate governance at CEWE.

At its meeting of November 8, 2018, the Supervisory Board resolved a competence profile which is available on the company's website and which comprises the goals of the Supervisory Board as well as its diversity concept.

### Conflicts of interest

There were no conflicts of interest on the part of members of the Board of Management or the Supervisory Board which must be immediately disclosed to the Supervisory Board and notified to the general meeting.

### Efficiency review

The makeup of the Supervisory Board has undergone significant changes on account of the new elections discussed below. The members have therefore decided not to implement an efficiency review for the time being and to wait and see how the Supervisory Board's activities develop.

### Changes to the Supervisory Board

The Supervisory Board's makeup underwent significant changes in the year under review.

Ms Adolph, Ms Gerdes, Ms Lukaßen, Mr Oyen, Mr Schwarz and Ms Wall were elected on March 23, 2018, in accordance with the provisions of the German Codetermination Act (Mitbestimmungsgesetz – MitbestG). The Supervisory Board appointed Mr Schwarz as its deputy chair at its meeting on June 6, 2018.

The general meeting held on June 6, 2018 appointed Mr Dell'Antonio, Ms Geibel-Conrad, Professor Dr Hipp, Mr Korte, Dr Vemmer and Dr Wiegmann. Mr Korte was appointed as the chairman at the following meeting of the Supervisory Board.

The Supervisory Board appointed Ms Geibel-Conrad and Mr Korte as well as Ms Gerdes and Mr Schwarz as members of the Audit Committee. Ms Geibel-Conrad was appointed as the chair of the Audit Committee at the meeting held on September 4, 2018.

Mr Dell'Antonio, Mr Korte and Dr Wiegmann were confirmed as members of the Nomination Committee.

All of these persons' terms of office will end routinely following the end of the 2023 general meeting.

The Supervisory Board would like to thank those of its members who have retired for their service.

### Annual financial statements and consolidated financial statements, audit

The annual financial statements of CEWE Stiftung & Co. KGaA have been prepared by the Board of Management in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB), while the consolidated financial statements and the consolidated management report have been prepared in compliance with the International Financial Reporting Standards (IFRS), as applied in the European Union (EU), as well as the provisions of German law which apply in addition under § 315e (1) HGB.

BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, (BDO) – which was appointed as the auditor for the financial year 2018 by the general meeting – audited the annual financial statements and the consolidated financial statements as well as the consolidated management report including the management report for CEWE Stiftung & Co. KGaA for the financial year 2018, including the accounting, and issued an unqualified auditor's opinion in each case. The auditor also determined that the Board of Management has established an appropriate information and monitoring system which is suitable in order to identify early on any developments which jeopardise the continuation of the company as a going concern.

At its meeting held on March 20, 2019, the Audit Committee initially verified on the basis of the audit reports and the Board of Management's report that these two sets of financial statements and the combined management report provide a true and fair view of the net assets, financial position and results of operations in compliance with applicable accounting regulations. At this meeting, the auditor discussed in detail the process as well as the key findings of its audit of the separate financial statements and the consolidated financial statements and of the combined management report including the key audit matters as well as its audit of the non-financial reporting and was available to respond to any additional questions. In particular, it reported on the structure of the accounting-related internal controls and the risk management system. The chair of the Audit Committee reported to the Supervisory Board on the outcomes of these discussions.

For its part, the Supervisory Board also audited the annual financial statements, the proposal for appropriation of unappropriated profits and the consolidated financial statements as well as the consolidated management report for the financial year 2018. All of these documents were provided in good time. Representatives of the auditor were also present at the balance sheet meeting of the Supervisory Board held on March 21, 2019 and were available to provide further information. Additional questions from the members of the Supervisory Board prompted an in-depth discussion of the results.

 Page 185 | Auditor's fees

 Page 112 | Corporate governance

Page 117 | Risk management system

The Supervisory Board was able to verify the appropriateness of the general partner's proposal for appropriation of unappropriated profits in relation to the company's net assets, financial position and results of operations and agreed to this proposal, following a discussion in the presence of the auditor.

Following a preliminary audit by the Audit Committee at a meeting held on March 20, 2019, at its meeting of March 21, 2019 the Supervisory Board endorsed the annual financial statements and the consolidated financial statements of CEWE Stiftung & Co. KGaA as well as the combined management report, and found that there were no grounds for objections. Following a discussion at its balance sheet meeting held on March 21, 2019, the Supervisory Board agreed to the general partner's proposal to the general meeting for approval of the annual financial statements of CEWE Stiftung & Co. KGaA and issued its consent for the general partner's proposal for the appropriation of profits, with the distribution of a dividend of 1.95 euros, a further dividend increase.

#### Report on related parties

The Supervisory Board's independent audit also covered the report prepared by the general partner pursuant to § 312 AktG on relationships with affiliates (report on related parties) for the year under review. The report on related parties has also been audited by the auditor, which has issued the following audit opinion for this report:

"Upon due completion of our audit and assessment, we hereby confirm that

1. the factual statements provided in the report are accurate,
2. the company has not made any disproportionately large payment for any of the legal transactions listed in the report."

The report on related parties and the audit report of the auditor on the report on related parties were available to the Audit Committee at its meeting held on March 20, 2019 and to all of the members of the Supervisory Board at its balance sheet meeting held on March 21, 2019. Even after consultation with the auditor and the Board of Management following the final outcome of its audit, the Supervisory Board has not raised any objections in relation to the general partner's declaration at the end of its report on related parties. The Supervisory Board has approvingly noted the outcome of the auditor's audit of the report on related parties.

#### Thanks

The Supervisory Board would like to thank the Board of Management and all of the company's employees for the commitment which they have once again displayed in the year under review.

Oldenburg, March 21, 2019

The Supervisory Board of CEWE Stiftung & Co. KGaA



Otto Korte, Chairman

## INTERVIEW WITH DR CHRISTIAN FRIEGE

Chairman of the Board of Management of Neumüller CEWE  
COLOR Stiftung

*Dr Friege, we already asked you this question one year ago. Are you still sitting comfortably in the boss's chair at CEWE? Even after your first full year?*

(Laughs) That's right – you've already asked me that question ... and if I correctly recall my answer back then, it still holds true: all of my colleagues at CEWE make it quite easy for me to be sitting in this chair.

*That's easy to say from today's perspective: following a record-breaking performance, a record-breaking dividend is now planned. So you can breathe easy for the moment.*

You're certainly right about that. We can breathe easy for now. Just like every year, our Christmas business season is the final spurt that requires the entire company to give it their all. But it's a great feeling when everyone's hard work pays off.

However, we're not all that keen on the word "record-breaking". We're pleased when we can generate presentable earnings. Essentially, the figures that you can now see for 2018 merely mark the successful continuation of past trends – and that's the way it should be. After all, the world keeps on turning and the company continues to develop steadily along with it – no disruptions, just constantly moving forward with some slight adjustments here and there.





So in addition to being grateful to my entire team, I am particularly indebted to my predecessor, Dr Rolf Hollander, for his many years of groundwork in my position. Many of the fruits which we are now harvesting grew on trees planted by him and, in some cases, even by his predecessor, Mr Rothärmel.

*Continuous development is all well and good – but wouldn't you admit that Commercial Online Printing once again slipping back into the red does represent a disruption in terms of the fairly positive trend that this business unit has achieved over the past few years?*

In our communications over the past year or two, we've already been complaining about the fact that the market situation for Commercial Online Printing has not been easy. Price competition is fierce – particularly in the German market – and then there's also the uncertainty over Brexit, where we are also still fighting against a certain “Buy British” attitude. We've been feeling that headwind for some time now.

**2.23 million** photos produced  
**over 24,000** tonnes of printed paper  
**6.2 million** CEWE PHOTOBOOKS

It's true that there were also additional aspects in 2018: material price rises for paper, for instance, which the entire industry is faced with. But then there are a few homemade problems as well, particularly at the start of 2018, such as unnecessary capacity bottlenecks which we tried to make up for with extra charges for ultra-fast logistics. We also hoped that the integration of LASERLINE – which we took on board in early 2018 – would have been easier. But things often take longer than expected.

We are looking back at a difficult 2018 in Commercial Online Printing and, for those areas which we have control over, we resolve to do better in 2019. At any rate, our team is highly motivated and has a lot of ideas for improvements.

*You're lucky that Photofinishing saved you in 2018!*

Well, I wouldn't call it just luck – although luck and hard work do go hand in hand.

*Why do you think that is? What are the reasons for that difference?*

We attribute CEWE's success with Photofinishing to a number of positive trends that we have been pushing forward with for many years now in numerous cases. But in a nutshell, if you will, it's the difference between a quality brand and alternative products which only stand out because of their lowest possible price. Nearly 15 years ago, we began to position CEWE PHOTOBOOK as a brand product which three out of four Germans are now familiar with. That was followed by CEWE CARDS, CEWE WALL ART and CEWE CALENDARS as well as CEWE INSTANT PHOTOS. Not least, the CEWE brand is at the heart of things and in people's minds it is increasingly becoming a synonym for photos in general ... for high-quality photos and photo products that are worth their money. Our business partners appreciate this, particularly since customers are deliberately opting for these brand products and remaining faithful to these products and this brand. We maintain close contact with them, take note of many of their suggestions and hope to be of service to them for a long time to come. We have established this position over a period of many years. That has required large investments – in marketing, in software, in production technology, and more.

When the only argument a company has to attract customers is a low price, then it risks losing those customers if another firm can offer an even lower price. Our impression is that CEWE is virtually the only company to have invested so continuously in its brand and its technology. This means that we've carved out quite a unique position for ourselves.

Ok, so it wasn't just luck, but Photofinishing nonetheless saved you, didn't it?

Photofinishing certainly delivered very presentable figures in 2018. That underscores our view of the relationship between our two main business units. In Photofinishing, we've established the position I just outlined over a period of many years. The numbers are no accident, and we see the opportunity for continued strong performance over the next few years as well. That strength allows us to look patiently, and also with a certain degree of humility, at Commercial Online Printing. Many competitors are also complaining about the market situation in this respect. Of course we don't want to lose any money here. But we have the financial power to take the right steps with a steady hand.



*Why do you assume that you will continue to have good opportunities in Photofinishing over the next few years?*

Well, the market is there. People like to document their family history, to remember their holidays or even to enjoy photography as a hobby. And even if it isn't a hobby – with these great smartphones, we've all got a good camera in our pocket at all times. So the photos and the demand are there. We're ready to meet that demand: in our core "DACH" market (Germany, Austria, Switzerland) and, with the growing profile of the CEWE brand, increasingly in other countries as well. Our French subsidiary Cheerz is likewise helping us to boost our international success – particularly in France, Italy and Spain.

*What makes you so certain that people are still interested in photo books? What would happen if your customers no longer wanted to invest the necessary time for creating a CEWE PHOTOBOOK?*

We still have a lot of customers who are creating absolutely wonderful books with a huge amount of commitment and a real love for detail. But we also deal with many people who know which CEWE PHOTOBOOK they want and are willing to pay for it, but don't have enough time to design it themselves. Our assistant is already helping these people. We will continue to refine this technology significantly over the next few years to attract even more customers.



*Aha, but what makes you so sure of that?*

Let's not use the word "sure", let's just say "confident".

*Ok, so what makes you so "confident"?*

The enthusiasm with which our employees are developing our software assistant and incorporating new possibilities such as artificial intelligence. The great prophecy behind artificial intelligence is that it will make our lives easier by taking care of certain tasks for us. For instance, these tasks might include selecting images for a CEWE PHOTOBOOK or inserting these images into such a book. We will certainly see great progress here over the next few years.

*And why should CEWE, as a medium-sized German company, spearhead artificial intelligence? There are other players, a long way west from us and a long way east from us, who dominate this technology!*

You are certainly right about that, but at the same time I can think of a whole series of points that I would like to mention in response. None of them is a guarantee for success, but overall they fit together

quite well: first of all, we've always cooperated with such major companies successfully. Previously we existed alongside Kodak, Fuji and Agfa – now it's the computer and Internet giants. It's always been a "coopetition" scenario that everyone could often benefit from. Great partnerships could emerge from this.

Secondly, we don't have to reinvent the wheel. From the partnerships I just mentioned and also from other sources, functional software modules are now available that we can make use of. There's a general atmosphere of change. The market is on the move. We "just" need to keep at it and to recognise opportunities.

And thirdly, we're on the right track with our own efforts. We've pooled our internal resources into a competence centre, which is closely cooperating with our local university in Oldenburg, where a competence cluster for AI is being established. All of CEWE's employees recently had the pleasure of listening to a presentation given by Professor Dr Dr h. c. mult. Wolfgang Wahlster, the founder of the German Research Centre for Artificial Intelligence. So we are increasingly well integrated within this community. All in all, I am confident that all of these efforts will produce concrete results for us too.

With all of these developments, one thing is key for us: we pursue digitalisation responsibly and are committed to carefully considered progress. CEWE uses digital technologies responsibly and in a customer-centred manner. We have therefore defined our philosophy in the form of a customer charter. The core aspects of this charter are data protection, transparency, full control by the customer, users' freedom of choice and a commitment to promote research and teaching on these issues in Europe. (The full charter can be found at <https://company.cewe.de>.)

*Can your company keep up with all that innovation? What are you doing to ensure that it's not just a few highly specialised colleagues who know what's going on, so that CEWE can continue to operate as a single unit?*

That's a very good question. Things are developing at lightning speed. Not just in our company. The good thing is that CEWE has already surfed a huge wave quite successfully with its analogue / digital transformation. Looking back, people might now say: "It was completely obvious that things would turn out the way they did." But that's only ever clear with the benefit of hindsight.

But I have a very important point to make here: the feeling of already having successfully coped with such a fundamental transformation has deep roots at CEWE, in each and every one of us. It's therefore not with arrogance but with great optimism that all of us at CEWE are approaching the wave of changes that lie ahead of us.

And another very important point for us is that everyone is free to give things a try. Anyone can make mistakes. A person who acts with careful consideration has nothing to fear if setbacks arise. Setbacks are normal and part of progress. The important thing is not to repeat the same mistake twice. And where things don't work out, we use that as a learning experience.


That attitude helped us to successfully handle the analogue / digital transformation, and with the same attitude we will achieve further progress. Whether it's the mobile Internet, artificial intelligence, agile working or other innovations ... CEWE is ready!


*Dr Friege, thank you for this interview.*




Where  
print  
meets  
passion.



 Free Standard Delivery

 Payment on Account

 Online Designer

## CEWE SHARE

### Stock market suffers significant decline in 2018

Germany's DAX leading index – which comprises Germany's 30 strongest stocks on the basis of market capitalisation and stock exchange turnover – suffered in 2018 due to the trade dispute between the USA and China, the threat of a “no-deal Brexit” as well as the interest-rate hikes in the USA.

This leading index started out in 2018 at 12,897.69 points. It developed positively up to the end of January and reached the previous all-time high of 13,559.60 points. However, in February the DAX then dropped sharply in line with the Dow Jones. On February 9 it reached its lowest

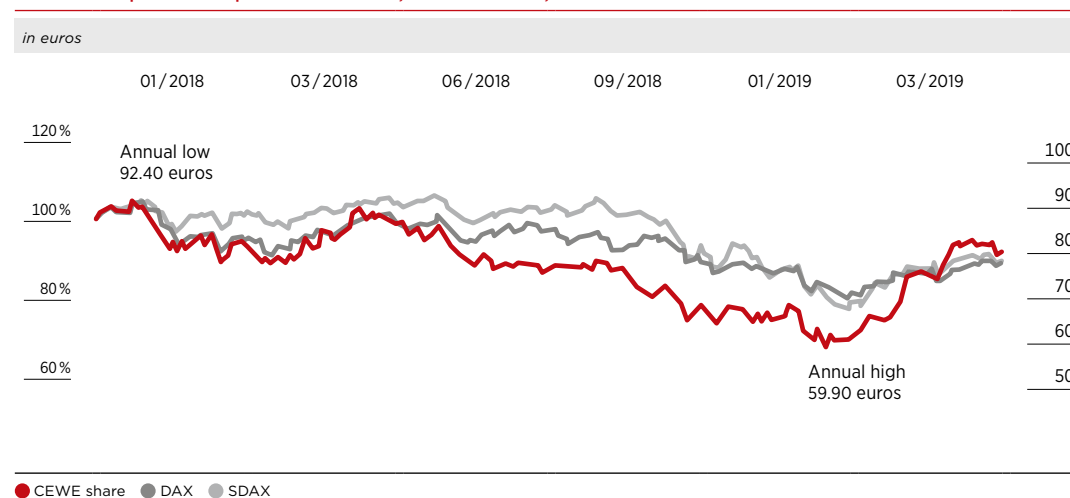
level so far that year, at 12,107.48 points. The DAX subsequently failed to stage a significant recovery. At 11,886.31 points on March 23, the nosedive even dropped below the 12,000 mark for the first time in 2018. The leading index then recovered up to May. On May 10 it once again passed the 13,000-point mark.


Following a calmer phase, a downward trend once again ensued from late August 2018 onwards which then remained intact for the rest of the year. On December 6, 2018, at 10,810.98 points the Dax fell to its lowest level in over two years. Germany's leading index ended the year at 10,558.96 points, a loss of around 18 % over the year as a whole.

### Key share information

Type of security	No-par value share
Market segment	Regulated market, PRIME STANDARD
Index	SDAX (from March 23, 2009)
ISIN	DE 0005403901
Symbol	CWC
Reuters	CWCG.DE
Bloomberg	CWC GR
Date of initial quotation	March 24, 1993
Number of shares	7,400,020 units
Daily volume (2018 average)	13,379 units
Annual high in 2018	92.40 euros
Annual low in 2018	59.90 euros
Year-end price 2018	62.10 euros

### CEWE share price in the period from Jan. 1, 2018 to Mar. 10, 2019



 <https://company.cewe.de/en/home.html> > Investor Relations > CEWE share > Analysts

### The CEWE share also lost ground in 2018

The price of the CEWE share was likewise influenced by the general market trend – in fact, disproportionately strongly – and registered a decline of 25.95 euros to 62.10 euros (– 29.5 %) in the period up to the end of December 2018, on the basis of its 2017 year-end closing price (88.05 euros). However, the CEWE share already recovered considerably in early 2019 and had already reached a level in excess of 80 euros following publication of the provisional figures for 2018 and the dividend proposal in February.

### Dividend for 2018 to rise for the tenth consecutive occasion

With a goal of dividend continuity, CEWE seeks to issue a dividend every year which is at least unchanged in absolute terms, and ideally an increased dividend, provided that its balance sheet is solid enough to permit this. In 2018, CEWE was able to offer its shareholders a dividend of 1.85 euros per share, an increase for the ninth consecutive occasion. With this dividend, on the basis of the year-end price for 2017 shareholders also received a dividend yield of 2.1%.

For the financial year 2018, the Board of Management and the Supervisory Board of CEWE Stiftung & Co. KGaA will propose to the general meeting an increase in the dividend to 1.95 euros for each share conferring a dividend entitlement. On the basis of the 2018 year-end price of 62.10 euros, this corresponds to a dividend yield of 3.1% – the tenth consecutive dividend increase and also the highest dividend in the company's history.

### CEWE shares continued to be traded with a daily volume of over 1 million euros in 2018

On average, 13.379 CEWE shares were traded every day on German stock markets in 2018. This was slightly lower than the level in the previous year (2017: 16,292 shares per day). The daily euro trading volume remained unchanged at more than 1 million euros (2017: 1.3 million euros per day). The daily volume of CEWE shares traded continues to clearly and constantly exceed this level of 1 million euros per day which influences the investment decisions of many institutional investors. The CEWE share thus also remains attractive for other larger institutional investors on a long-term basis.

### Analysts continue to have a consistently positive view of CEWE

All of the analysts who follow CEWE continue to concur in their positive analysis. Six analysts are signalling “Buy” for the CEWE share and one “Hold”. For an overview of these analysts and their recommendations, please go to the Investor Relations section of CEWE's website (<https://IR.cewe.de>).

### CEWE share continues to feature in the SDAX following the reform of this index

CEWE remains a member of the SDAX following the reform of this index and fulfilled the trading volume (December 2018: 156th position) and market capitalisation (160th position) criteria. Due to the restructuring of the indexes on September 24, 2018, a total of 160 stocks are now listed in the DAX, MDAX and SDAX. 70 stocks are now represented in the SDAX instead of the previous 50 and 60 stocks in the MDAX instead of 50, while the DAX remains unchanged with 30 stocks. The shares currently listed in the TecDAX qualified for a position in the three DAX, MDAX and SDAX indexes. A TecDAX listing will be maintained at the same time. The CEWE share is thus a permanent fixture on the SDAX index, whose new structure normally features shares with a ranking of up to 170.

### Stable shareholder structure strengthens management's strategy

CEWE enjoys a high level of ownership stability thanks to its anchor investor, the heirs of Senator h. c. Heinz Neumüller (ACN Vermögensverwaltungsgesellschaft mbH & Co. KG), who hold 27.3 % of its shares.

### CEWE is there for its shareholders

The clear objective of investor relations activities at CEWE is to notify all market participants promptly, comprehensively and equally in line with the principles of "Fair Disclosure", while achieving a high level of overall transparency.

CEWE thus naturally publishes all of its annual and interim reports and capital market information online at <https://ir.cewe.de>. All analyst telephone conferences are immediately made available as webcasts and audiocasts on the CEWE website. All of the company's key presentations at conferences and other events are published online at the same time.

Moreover, in 2018 the Board of Management and the Investor Relations team once again presented the company at a total of seven capital market conferences and attended 15 roadshow days in European financial centres. For details of the dates currently planned for 2019, please refer to the financial diary on the penultimate page of this report.

 Page 249 | Financial diary

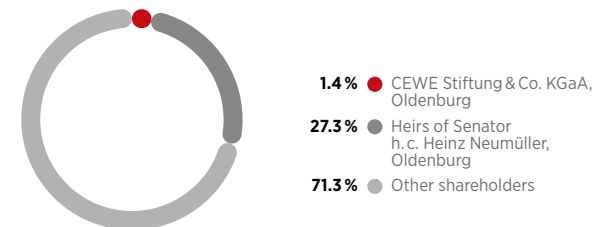
 <http://ir.cewe.de>

### Overview of current analysts' assessments

	Analysts' assessment	Date
Oddo Seydler	Buy	Feb. 21, 2019
GSC Research	Buy	Feb. 13, 2019
Warburg Research	Buy	Feb. 8, 2019
Bankhaus Lampe	Buy	Feb. 1, 2019
Kepler Cheuvreux	Buy	Jan. 14, 2019
Baader Bank	Buy	Dec. 6, 2018
Berenberg Bank	Buy	Nov. 13, 2018
Deutsche Bank	Hold	Aug. 29, 2018

### Shareholder structure

as % (100 % = 7.4 million shares)



# 02

## COMBINED MANAGEMENT REPORT

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“

SAXOPRINT's **highly efficient online offset printing** facility in Dresden is a world-class example of **state-of-the-art** production.

Selfies of CEWE employees taken at their workplace.

## BASIC INFORMATION ON THE GROUP

### Business model

CEWE operates in three strategic business units: Photofinishing, Retail and Commercial Online Printing. Its segment reporting by business unit also reflects these strategic business units (together with a further business unit, Other Activities).

#### Photofinishing – CEWE's traditional core business unit achieves growth

Photofinishing is the name we give to our photo products business. CEWE is the European market leader in photofinishing, previously based on analogue film and now replaced by digital data. CEWE PHOTOBOOK has established itself as the key product in this field. CEWE has also rigorously expanded its product range, with other significant turnover and growth generators now including CEWE CALENDARS, CEWE CARDS, CEWE WALL ART, CEWE INSTANT PHOTOS and other photo gifts.

Through its product management strategy, CEWE is not only developing new products but also strengthening demand and sales through its product and brand communication activities. Consumers can purchase CEWE's photofinishing products from business partners supplied by CEWE and in some cases also from CEWE directly. For almost all of the photofinishing products ordered from CEWE, CEWE also handles acceptance of orders and customer communication.

Europe accounts for almost 100 % of CEWE's Photofinishing business.

As an addition to its core Photofinishing business unit, in February 2018 CEWE acquired an initial 80 % of the shares in the high-growth French market leader for photofinishing apps, "Cheerz". CEWE expects this equity investment to strengthen its business in France and southern Europe through additional growth in its mobile business segment. In addition, this acquisition will develop synergies in the areas of mobile expertise, purchasing, production and logistics.

#### CEWE RETAIL: proprietary hardware retail business unit handles important functions

CEWE has multichannel retailing operations for photo hardware and photofinishing products in Poland, the Czech Republic, Slovakia, Norway and Sweden. In addition to selling photo hardware, over-the-counter outlets and online shops are a key channel for distributing CEWE photo products directly to end-consumers. Turnover and income from photofinishing products are shown in the Photofinishing business unit.

In addition, CEWE is able to test and develop new marketing strategies for CEWE brand products directly over the Internet and at retail outlets. It is then able to pass on this know-how to its business partners. CEWE RETAIL provides important insights and guidance for this process.

#### Commercial Online Printing – a further key business area

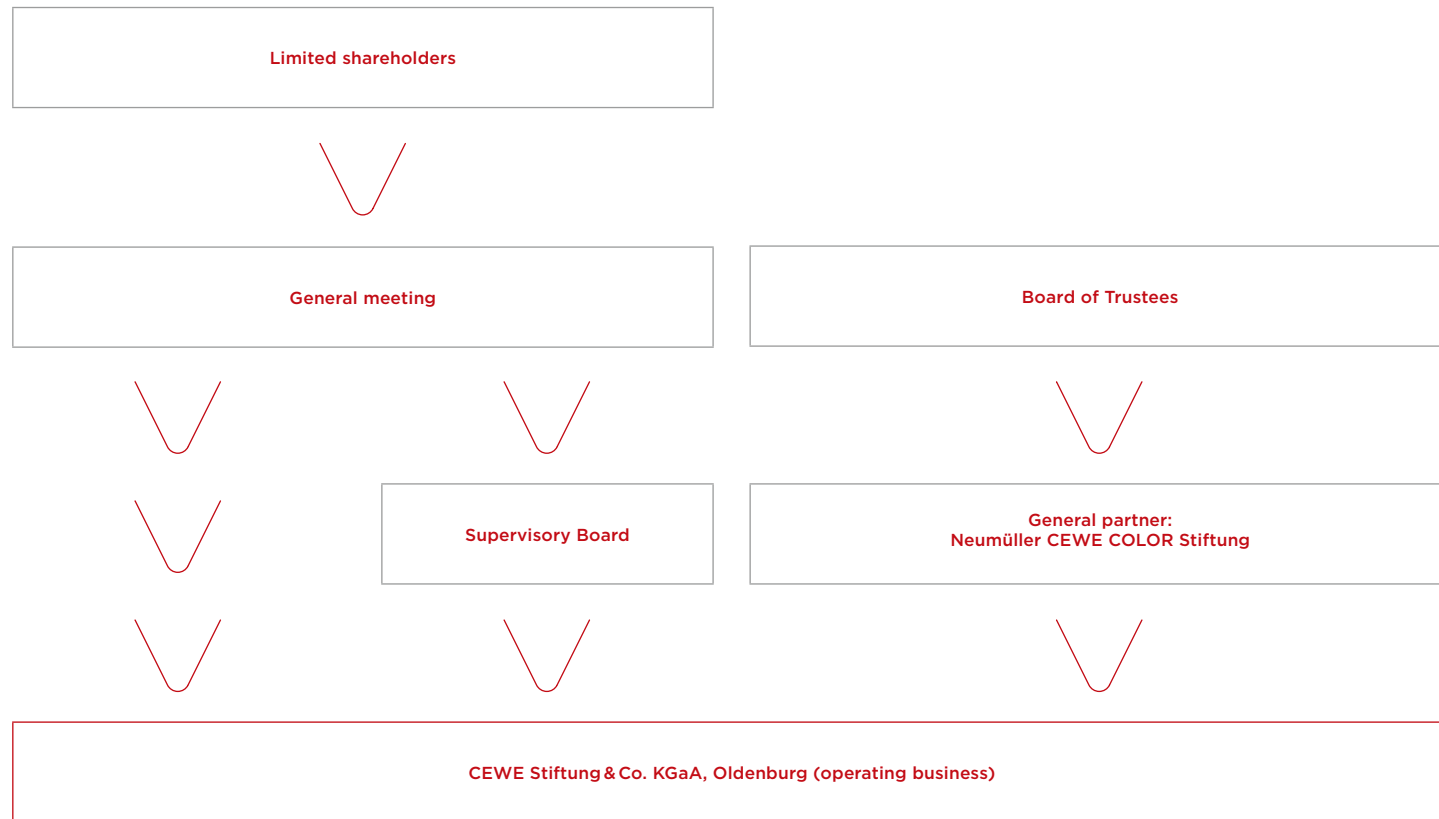
CEWE is active in its Commercial Online Printing business unit through the production and marketing of printed advertising media via the distribution platforms CEWE-PRINT.de, SAXOPRINT, viaprinto and LASERLINE. In 2012, in this business unit CEWE acquired the SAXOPRINT Group, a specialist in online offset printing. CEWE launched Commercial Online Printing for printed advertising media in Germany and has already rolled out this business model in other European countries, where local websites are present and are increasingly generating business. In 2018, the online printing firm LASERLINE was acquired in addition. This has a strong market position in the online printing market in Berlin and the surrounding region. The depth of added value in Commercial Online Printing is very similar to Photofinishing. However, CEWE provides less software here for the creation of printed products (unlike in the case of CEWE PHOTOBOOK, for instance).

### Organisation and management systems

#### Organisational structure

The CEWE business group has the following structure:

Page 152 | Board of Management



In 2018, Neumüller CEWE COLOR Stiftung was represented by seven members of the Board of Management. The Group's remaining 3,893 staff were employed by CEWE Stiftung & Co. KGaA and the subordinate Group companies.

### Legal structure combines the advantages of the capital market and a family approach

The legal form of a partnership limited by shares enables the CEWE Group to combine the typical strengths of capital-market-oriented companies with those of family firms.

The company's founder, Senator h. c. Heinz Neumüller, intended to ensure that his entrepreneurial principles would remain permanently established within the company. He also aimed to ensure the company's long-term future. This is safeguarded by Neumüller CEWE COLOR Stiftung and the major interest held by ACN Vermögensverwaltungsgesellschaft mbH & Co. KG (the heirs of Senator h. c. Heinz Neumüller, the largest shareholder with 27.3%). The first of these entities ensures that the business group continues to be managed true to the legacy of Senator h. c. Heinz Neumüller and thus upholds the character of the family firm. It stands for a long-term orientation in terms of the company's business policy. For this reason, it is also responsible for its management.

The company's founder always demanded that the CEWE business group should operate innovatively, while optimising income. The capital market effectively promotes these entrepreneurial objectives. The decision-making of the company's executive bodies – i. e. its management and its Supervisory Board – reflects its shareholders' interest in an attractive investment, with the goal of solid and sustainable long-term growth in the value of the company and thus of their investment.

The combination of these two advantages enables an innovative company which is managed on the basis of an income-oriented and sustainable economic model which also lives up to its social responsibility as an employer and as an economic engine.

As its general partner, Neumüller CEWE COLOR Stiftung is entitled to receive reimbursement from CEWE Stiftung & Co. KGaA or for CEWE Stiftung & Co. KGaA to bear any expenses resulting in connection with its management activities. For its management activities and to cover its personal liability Neumüller CEWE COLOR Stiftung receives annual remuneration – irrespective of any profit or loss – in the amount of 50,000 euros plus any value added tax applicable; for the previous year, 2017, its entitlement likewise totalled 50,000 euros.

 Page 29 | Shareholder structure

 Page 152 | Board of Management

 Page 61 | Results

#### CEWE operates through a total of 35 subsidiaries

CEWE Stiftung & Co. KGaA is the parent company which manages all of the CEWE Group's activities. Retail is directly combined with Photofinishing in countries where a production plant is present. Otherwise, it operates independently. From an operational point of view, photo products are also sold through the Group's retail companies. However, in terms of strategic management they form part of the strategic business unit of Photofinishing, since they follow an entirely different growth path and their strategic significance differs from that of photo hardware, which is reported in the Retail business unit.

#### Management of the CEWE Group

The Board of Management of Neumüller CEWE COLOR Stiftung is responsible for overall planning and fulfilment of the goals of the CEWE Group. The allocation of responsibilities is set out in the "Board of Management" chapter.

#### Regular strategic planning: economic forecast reflects identifiable trends

The Board of Management of Neumüller CEWE COLOR Stiftung determines the long-term strategy of the CEWE Group. This reflects trends in CEWE's competitive, market and technological environment. Since the analogue/digital transformation, this environment has been characterised by considerable momentum. The Board of Management thus reviews the company's strategic orientation several times a year and discusses the resulting tactical and operational measures. External experts also take part in these meetings, where necessary. At the start of each year, the company's current strategy is discussed with its supervisory bodies as well as its executives and the core aspects of this strategy are communicated within the company.

### Inclusion of profit centre managers in planning

On the basis of the strategic outlook and expected market trends, once a year CEWE determines the planning parameters which are submitted to the managers of the production plants and distribution companies. On this basis, these managers produce their own planning, focusing on the following year but also encompassing a broader perspective which may include multiple iterations. The cornerstones of the finalised business plan for the following year will then be presented to the general public. On the basis of this planning and the actual figures, over the course of the year target/previous-year/actual comparisons and extrapolations are produced for the company's key indicators. Due to the seasonal migration outlined in the "Turnover" and "Costs and earnings" sections of the "Results" chapter, the fourth quarter – and the final two months of each year in particular – has become ever more significant. This represents a particular challenge for extrapolations.

### Investments on the basis of profitability calculations

Investments which consistently assume profitability calculations and which entail continuous as well as follow-up monitoring also form part of this planning.

### Close monitoring through monthly target/actual comparisons

Every month, a target/actual comparison is implemented for the strategic business units and for each of the profit centres and for the CEWE Group as a whole. These target/previous-year/actual comparisons enable close monitoring of goal achievement and an early response by the Board of Management and the management. At the same time, these and other operating indicators of the production plants and the distribution companies are passed on to all of the managers of these profit centres, for internal benchmarking and discussion. The key financial figures used at CEWE are outlined in the "Goals and strategies" section.

#### Diverse and detailed management information systems

As well as this core element of accounting-oriented comparison, profit centre managers, the Board of Management and all relevant executives are able to draw upon comprehensive systems of operating indicators, some of which are even updated daily. For instance, this includes market data supplied by various market research institutes, sales information including quantities, prices and turnover, comprehensive production figures comprising production and delivery times, costs and quality, further controlling information for each corporate function (e. g. HR, logistics, customer service, investor relations, finance, etc.) and product and business partner margin costings, etc. The key non-financial indicators used at CEWE are also described in the “Goals and strategies” section.

#### Clear meeting structure

Management activities at Group level are coordinated through regular meetings as well as ad hoc meetings. These discussions are based on the following framework: the Board of Management meets once a week. The core measures implemented for management of innovations are also discussed once a week. As well as the responsible Board of Management members, the managers and employees dealing with these various issues – particularly from the fields of marketing, product management, research & development and production – also attend these meetings. Several times a year, the Board of Management members and the managing directors meet with the profit centre managers to discuss the company’s current situation and the latest competitive, market and technological developments and to agree new steps for the company’s development, where necessary.



## Goals and strategies

Findings derived from market research and strategic activities are factored into CEWE's long-term forecast model and provide CEWE's management with a perspective on possible future profit and loss accounts, balance sheets, cash flows and the company's enterprise value.

### Continuous business development: CEWE defines initiatives and consistently follows through on them

On the basis of this forecast, CEWE defines initiatives so as to shape its future development in the interest of the company and its various stakeholders. The effect of these initiatives is also factored into CEWE's forecast model. Within the scope of the structures outlined above, the company's management thus continuously monitors the implementation of these initiatives. In this way, CEWE is evolving all the time.

### A focus on long-term profit and enterprise value

Through these measures, CEWE clearly focuses on optimising its long-term business performance. Earnings for a single quarter or even for an entire year are viewed within the perspective of the company's long-term development. CEWE thinks in terms of decades.

### The goal: profitable and capital-efficient growth, which will boost enterprise value

The supreme long-term goal of the CEWE Group is continuously profitable and capital-efficient growth. For this purpose, CEWE uses both financial and non-financial indicators, for which annual target figures are published. No target figures are published for the additional, balance-sheet-related indicators. The capital market is notified of these figures at the close of every quarter.

### Non-financial indicators: in particular, the number of photos

CEWE uses the total number of photos as a non-financial indicator in the Photofinishing business unit. These photos include all of the images which are used in value-added products (e. g. CEWE PHOTOBOOK, CEWE CARDS, CEWE CALENDARS and CEWE WALL ART). Due to its key significance, the number of CEWE PHOTOBOOKS produced is shown as a separate indicator. CEWE's management analyses all of these indicators at least weekly, and in some cases daily. CEWE also provides information on its development in its annual report, by means of a target/actual comparison ("Highlights") and discusses this in the "Results" chapter. A target figure for the following year is indicated in the forecast. Non-financial indicators do not play such a significant role in Commercial Online Printing and thus are not discussed in external communications.

		Internal reporting	External reporting	Forecast for the year
Non-financial indicators	Photos from film	Week	Quarter	yes
	Digital photos			yes
	CEWE PHOTOBOOKS			yes
Financial indicators	Turnover	Day	Quarter	yes
	EBIT	Month		yes
	EBT			yes
	Investments	Month/ quarter	Quarter	yes
	Earnings after tax	Quarter	Quarter	yes
	Earnings per share			yes
Additional indicators	ROCE	Quarter	Quarter	—
	Free cash flow			—
	Operating WC			—
	Equity ratio			—
	Dividend	Year	Year	—

#### Turnover and EBIT/EBT are very closely monitored for operational purposes

CEWE analyses its turnover trend every day in all of its units (but not for the consolidated Group) and conducts a monthly review of its earnings (incl. EBT) as key variables. The financial statements prepared by all of the Group companies are likewise consolidated and analysed

in a target/actual/previous-year comparison. Deviations from target figures and previous-year figures are assessed in terms of their effect on financial goals. The responsible individuals already account for any such discrepancies through comments during preparation of the company's reports. The Board of Management discusses every month both earnings in the strategic business units and for the Group as a whole and the detailed figures for the individual profit centres. Turnover, EBIT and EBT are presented in the "Highlights" section of the annual report in terms of a target/actual comparison and are discussed in the results; a forecast figure is notified for the following year.

#### Other important indicators: investments and earnings after tax

Investments are an important indicator, since they have a significant impact on the volume of capital employed (which is practically irreversible over the useful life of the capital item) and (besides the earnings figure) have the largest impact on free cash flow. The situation differs for the additional indicator "Operating working capital", as outlined below. CEWE therefore monitors investments very closely. Beyond the volume already authorised, subsequent increases in these areas are not possible without further authorisation from the responsible investment managers. Consolidated investment reporting is provided at least quarterly in the first half of the year. During the phase of larger investments – i. e. in preparation for year-end business – the management reviews this indicator every month.

Earnings after tax (and earnings per share) may fluctuate strongly, particularly due to special tax factors which are analysed in the annual financial statements especially. Partly in view of its commitment to a sustainable role within the regional and national structures in which its plants are located, CEWE does not seek to increase its earnings after tax through extreme tax optimisation measures. Instead, it aims to achieve the normal tax rate and above all to stringently comply with applicable legal requirements.

Investments and earnings after tax are also presented in the “Highlights” section of the annual report in terms of a target/actual comparison and are discussed in the results; a forecast figure is notified for the following year. However, in case of investments this forecast is not a fixed target figure and instead serves as rough guidance in relation to the approximate value of the investment.

**Additional indicators:**

**ROCE, free cash flow and operating working capital**

In every annual report, CEWE analyses its ROCE figure to determine the rate of return on its capital employed. For many years now, CEWE has achieved figures above the 10 % mark. Since CEWE's pre-tax capital cost rate has been clearly below 10 % for some years now, according to analysts' calculations in their research reports, CEWE is certainly delivering increasing value. The long-term goal is an ROCE figure which clearly exceeds the capital costs. In 2018, its ROCE – influenced by

the latest acquisitions, which are not yet contributing to earnings – was 17.9 % and thus remained at a very solid level (2017: 20.3 %).

Free cash flow is a key variable determining the company's enterprise value and is therefore transparently analysed in the annual report.

As well as investments – which are closely monitored, as already mentioned – and EBIT, the development of operating working capital is a key factor affecting capital employed and the free cash flow. This figure is therefore explained together with the ROCE and the free cash flow. As already outlined above, more frequent assessment of this figure is not necessary, since undesirable effects on working capital as of the reporting date can generally be compensated for on a short-term basis. For instance, a business partner's year-end payment which is delayed by just a few days can easily reduce the company's free cash flow by several million euros. While any such development will naturally be closely monitored, in operational terms it is meaningless, particularly since other operational monitoring systems highlight such delays much more directly than the cash flow statement does. Moreover, from the point of view of its outflow of liquidity, CEWE's liquidity is so strong that the company is able to exploit an earnings opportunity, even on a short-term basis, to the detriment of its liquidity. A typical example of this are “trade-fair special offers”, where machine manufacturers offer special discounts which are generally worthwhile even taking interest rate factors into consideration.

**Stable balance sheet: equity ratio as a further indicator**

CEWE aims to ensure the company's continuous and sustainable development. Particularly during the phase of the analogue/digital transformation, the company learned to greatly appreciate the benefit of a strong balance sheet with this goal in mind. For instance, the indicators of a strong balance sheet include sufficient cash reserves, available lines of credit and a solid equity ratio. At the present time, CEWE considers its level of capitalisation to be stable, with an equity ratio in excess of 50 %. In CEWE's opinion, sufficient liquidity or sufficient lines of credit and an extremely solid equity capital position (also by comparison with the competition) not only boost the company's stability and resilience in the event of a crisis, they also enable it to purposefully exploit any strategic options which become available, such as attractive acquisition opportunities.

The company's ROCE, free cash flow, working capital and equity ratio are analysed in further detail in the quarterly financial statements. Due to possible short-term setbacks which may arise for the company's cash flow or working capital, as outlined above, no precise planning variables are stated for these additional indicators. Due to their significance, these indicators are discussed in detail in the "Results" chapter.

**Target: as far as possible, stable dividend or even dividend growth**

CEWE has the declared goal of offering its shareholders a dividend which is at least constant or even shows slight dividend growth, if the company's economic situation permits this. The distribution ratio is explicitly not a control variable, and is rather the outcome of this dividend policy.

## Corporate functions

### Research & development

In 2018, the intact trend of increasing smartphone use naturally prompted an even stronger focus on these devices in CEWE's research & development activities. These activities cover the camera which always comes built-in as well as the device itself and how smartphone owners use it to visit websites, in order to find out more about photo products and ordering channels. CEWE impressively demonstrated the importance of this combination at photokina 2018 in Cologne, with its smart solutions. As well as improvements to all of its apps, it also presented concepts such as CEWE PHOTOBOOK "on command". Voice input brings up a suggestion for a CEWE PHOTOBOOK, or for a CEWE PHOTO DIARY where users can likewise use voice input to document a trip or an event. The system will thus generate beautiful pages with the right images. These two solutions met with a favourable response from visitors and the press, so that CEWE is now devoting increased attention to the issue of language and bots throughout the company.

A first app for placing orders using a mobile-only product was already presented at photokina in 2010, and since then many additional apps have been developed and continuously improved from the point of view of usability and product diversity. Besides the possibility of ordering CEWE's portfolio by means of apps as well as editors optimised for mobile devices, special apps have been developed for mobile users: CEWE POSTCARD, CEWE PHOTOS and CEWE CALENDAR are examples of such applications. With CEWE PHOTOBOOK Pure, in the year under review CEWE very successfully developed a major update of its mobile-only app with a mobile-only product for this customer group.

Smartphones continue to generate more images per device and user than traditional digital cameras, which is why CEWE has made further improvements to the assistant function in the current version of CEWE PHOTOWORLD. Smartphones are also being used to film increased numbers of videos (short sequences). For some time now, it has been possible to integrate videos in a CEWE PHOTOBOOK by means of a QR code. Through a proactive notice, CEWE has made it even easier for consumers to integrate their homemade videos and to use this product to tell even better stories.

To be sure, smartphone photography is continuing to have an impact on traditional ordering systems – through online applications and also computer-based ordering systems, the images which smartphones save to the cloud can be easily integrated in CEWE products, without the need to exit CEWE's ordering applications. During the Christmas season, almost every other image sent via one of CEWE's applications to CEWE plants for printing had been created using a smartphone.

Besides CEWE's own solution CEWE MYPHOTOS – which stores images and videos in Germany – CEWE also offers the option of integrating in CEWE products images from the key platforms which consumers use for photo storage purposes.

Back in the film age, a large number of patents for production machinery and equipment helped CEWE to transform its technological and innovation leadership into competitive advantages. And even now, CEWE develops its own equipment in order to increase its level of productivity and quality for print finishing, for automated packaging and also for shipping. Saxoprint is now likewise using equipment which it has produced through its own research & development activities. Key achievements and processes have once again been patented in the past year.



Since 2017, CEWE has increasingly looked into the use of applications based on artificial intelligence (AI), in order to make image selection and the design of CEWE products even simpler, more intuitive and better. CEWE is closely cooperating with universities as well as industry partners here. In 2018, CEWE ramped up these efforts and created an additional research unit, its MAIC (Mobile and Artificial Intelligence Campus).

For all of CEWE's solutions (both its current solutions and the new approaches presented here), the benefit for the customer and protection of his privacy are always the prime considerations. Images will not be transferred to public albums or to servers outside the scope of the GDPR or else to third parties for marketing purposes. Consumers retain full control over the whereabouts of their images.

In order to increase the quality and quantity of research in this area in Oldenburg, CEWE has also played a key role in the establishment of an endowed chair for applied artificial intelligence.

#### My CEWE PHOTOWORLD mobile and other apps

Since the launch of CEWE PHOTOWORLD mobile at photokina 2012, this software has undergone continuous development. The improvements implemented include the availability of products within this app and also, above all, its user-friendliness. For this purpose, CEWE continuously analyses feedback from consumers and the results of several usability tests and reacts to these findings by releasing new versions in app stores several times a year. A special version of this app was developed in 2018 for Apple's App Store. The number of downloads and installations and the generally highly positive customer feedback in the relevant app stores provided CEWE with very strong rankings and thus visibility during the Christmas period above all.

CEWE CALENDARS once again did particularly well in our Christmas business. Customers were able to place orders through CEWE PHOTOWORLD and also directly using their smartphones and tablets, via the special CEWE CALENDAR app. CEWE's strategy of two different apps for relevant products has also paid off here: CEWE PHOTOWORLD offers our full product range, while a single-purpose app such as CEWE CALENDAR or CEWE POSTCARD simplifies target-group-specific marketing and use of these apps. The above-mentioned app CEWE PHOTOBOOK Pure can even be used to order a product which is unavailable in CEWE PHOTOWORLD.

### My CEWE PHOTOWORLD

Many new products have been added, the range of finishes for CEWE PHOTOBOOK and CEWE CARDS has been further expanded and new levels of paper quality have been included. As well as these products, attractive new design templates were introduced for CEWE PHOTOBOOK in particular. These were very rapidly taken up by consumers, so as to produce even more attractive gifts for Christmas. This software was launched in Germany in time for Christmas, and thus contributed to our success during the Christmas season. It is not just on smartphones that there are very many different screen formats and resolutions. These also vary for the current range of computers and monitors. The new software has thus been optimised for these new resolutions and therefore has an even more attractive overall look.

Our consumers generally use our software “My CEWE PHOTOWORLD” to produce CEWE PHOTOBOOKS. With this software, users can receive a highly attractive draft version using the CEWE PHOTOBOOK assistant and then individually design each page using the edit option or the large number of design functionalities. Customers can also use an online software package to produce a CEWE PHOTOBOOK.

The many fans of this ordering software talk to each other on CEWE's platforms. The CEWE PHOTOBOOK FORUM, Facebook, exhibitions and trade fairs and our Customer Service department provide valuable tips for the company's ongoing development. Crowdsourcing – i. e. obtaining feedback, requests and suggestions from users – continues to play an important role in the development process.

### COPS, the CEWE ONLINE PRINTING SYSTEM

The changeover to a design which is optimised for mobile devices and is responsive – i. e. optimised for various screen sizes – boosted use of the company's online platform even further. Many customers use their portable devices to find out about the company's product range via the websites of our business partners which are operated by CEWE, but subsequently use our CEWE PHOTOWORLD software to place orders either immediately or at a later date. In the financial year 2018, a fully responsive and completely redesigned system went live for a major customer and delivered great results while operating at full capacity during the Christmas season. Almost all of the parameters which played a key role in its development were fulfilled or even exceeded. The system is now being fine-tuned for other partners and will be rolled out further in 2019. New products will now only be integrated in this system for our online offerings.

For this reason, too, our product sites have once again been upgraded, to provide further space for the emotionality of these products and for the new brand elements developed by our Marketing department for CEWE WALL ART, CEWE CARDS and CEWE CALENDARS as well as our redesigned theme worlds.

### CEWE MYPHOTOS

CEWE MYPHOTOS is very popular with our existing customers. The images in these products ordered from CEWE are generally particularly valuable for customers, CEWE ensures safe storage in Germany, in line with German data protection legislation. Above all, however, this service makes it possible to store digital images and videos securely in the cloud and to share, organise, edit and order them – anytime, anywhere and on any device. CEWE accordingly supplies an open ECO system allowing the exchange of images across all computer- and mobile-based operating systems. As an independent service provider, CEWE thus offers its customers a benefit which is not available from any closed-system hardware or software manufacturer.

For our existing customers, a positive new feature is the option of saving projects (CEWE PHOTOBOOK, CEWE CALENDAR, etc.) in CEWE MYPHOTOS. This keeps important memories safe, simplifies reordering of images via the cloud and enables users to easily transfer projects from one computer to another.

Three new features were presented at photokina 2018 and have now been implemented. All of these features are optional and require activation by the consumer:

- using artificial intelligence-based facial recognition, all of the pictures of a particular person will be assembled in a cluster. If a name is assigned to this cluster, images of this person can now be searched for.
- Object recognition classifies images fully automatically and assembles them in clusters with one or more categories such as nature, sport, fun, beach, etc. which users can likewise search for.
- Where images include information on where they were taken, they will be assigned to locations and marked on maps.

A user who has activated all three of these features will be able to search for “pictures of Lara and Nadine on the beach on Kos”, for instance. The key services are still the same:

- CEWE MYPHOTOS is a service for storing and organising photos. This service makes it possible to upload images easily and securely from any device to one of CEWE’s data centres in Germany (e.g. in order to create space on a full-up mobile phone).



- CEWE MYPHOTOS is the specialist tool for arranging, editing and ordering photos and photo products.
- The photos stored on CEWE MYPHOTOS are available at any time and anywhere, on any device (PCs and laptops, smartphones, tablets, smart TVs, CEWE PHOTOSTATIONS).
- CEWE MYPHOTOS supports multiple-platform devices, for all common operating systems (Windows, Mac OS, Linux / Android, iOS, Windows Phone). CEWE MYPHOTOS can also be used by means of desktop software, a browser and an app.
- CEWE MYPHOTOS provides access to all of CEWE's ordering channels. In the new group mode, images from various sources and from multiple users can be copied into a single album, where the product can be (jointly) created with all of these pictures.
- CEWE MYPHOTOS enables owners of images to share them safely with invited persons. Invitations can be time-limited and password-protected, if desired. If the EXIF header of the image file contains data which the user would prefer not to share, these can be previously removed. This further accommodates users' increased desire for control over their data.

#### Further optimisation and flexibilisation of high-performance back-end system

All of the above-mentioned applications and orders placed in the production plants through CEWE PHOTOSTATIONS deliver finalised jobs to CEWE's back-end system. This back-end system continues to be distributed across two independent and redundant data centres. The set-up enabling the distribution of orders and the products included in these orders between the various plants during the Christmas season in particular has been further flexibilised through the back-end system, while bandwidths have been increased for some plants. To ensure rapid transmission of these volumes of data from the central data centres to the company's plants, the necessary additional servers were further optimised (virtualised) or reinstalled in good time ahead of the season. The company also made further progress in optimising its approach to the issue of sustainability, particularly at its plants. CEWE has once again reduced its power use by means of further virtualisation as well as new servers and storage devices. For instance, in the data centre at its Oldenburg site CEWE is using new innovative cooling techniques in order to reduce its energy requirements.

## Marketing and distribution

The Marketing and Distribution divisions plan and manage all customer-centred marketing activities. CEWE uses integrated multichannel concepts for the distribution of its products.

Marketing has become increasingly important at CEWE over the past few years. The national and international introduction of the CEWE PHOTOBOOK brand in 2005 and further Photofinishing brands in 2013 have enabled CEWE to clearly distinguish itself from the competition. Strong business partners in Germany and many other countries stock CEWE's brands, thus benefiting from them while also contributing to their success. CEWE has impressively risen to the challenge of evolving from being a white-label supplier to a branded supplier. At the same time, this development underpins and guarantees CEWE's long-term success. Moreover, as is normal for many brand manufacturers in some situations end-customers also place orders directly with CEWE, online and through CEWE RETAIL's stores.

### Holistic marketing approach


At CEWE, the end-customer and his needs are the key priority. On the one hand, product marketing defines the breadth and depth of the company's product range, in coordination with each of its divisions. On the other hand, through a 360° communications strategy our marketing team is planning integrated marketing concepts which can be modulated to ensure an appropriately broad reach or else on a target group-specific basis. Consistent communication gives optimal consideration to the customer journey.

CEWE uses holistic multichannel concepts to sell its products. CEWE utilises various distribution channels and cooperates with business partners in the over-the-counter segment (food retail trade, chemist's, electronics and specialist photography stores) and with online retailers. CEWE customers can have their orders delivered to them or collect them from the nearest branch of their chosen CEWE business partner. In cooperation with Marketing, Distribution comprehensively manages relationships with CEWE's business partners, equips and maintains sales points for brand promotion purposes and coordinates campaigns.

CEWE focuses on the following key strategic marketing and distribution areas:

- **A high level of product and service quality:** CEWE PHOTOBOOK has established itself as Europe's most popular photo book since its launch on the market and has maintained this position consistently and successfully. Millions of customers trust in the quality of this bestselling product, which has gained multiple awards. The same is true of CEWE's other brand products. In 2018, products in all of its brands once again won a large number of victories in tests organised by independent organisations. CEWE also strongly emphasises customer service – its 100% satisfaction guarantee and the availability of its Customer Service seven days a week (in the UK, now even 24/7) have long been standard at CEWE.

 [www.cewe-fotobuch.de](http://www.cewe-fotobuch.de)  
[www.cewe.de](http://www.cewe.de)

 <https://cewe-photoworld.com/photobooks/examples>

- **Innovations at the product and marketing level:** leading the way in terms of innovations is part of CEWE's DNA. This is true of Marketing just as much as every other area of CEWE. Identifying product innovations every year, preparing them for the market and subsequently marketing them is an important goal of CEWE's marketing. Marketing must also reflect consumers' changing habits and user behaviour.
- **Customer focus:** the customer is the key priority at CEWE – both new and existing customers. The success of this focus is confirmed through the high level of customer satisfaction among purchasers of CEWE products. Both product innovations and marketing campaigns are always closely aligned with the needs of CEWE's customers. This focus thus became the key marketing theme: customers provide authentic and convincing reports of their experience of using CEWE PHOTOBOOK. Cooperation with the company's business partners also emphasises this point. Overall, CEWE maintains an intensive customer dialogue through a wide range of points of contact, so as to be able to adequately respond to consumers' wishes at any time.
- **Ongoing development of the company's premium brand strategy:** CEWE's success over the last few years is strongly based on its creation of strong and valuable brands. CEWE brands have a strong profile and CEWE customers have a very positive view of them. Marketing and Distribution at CEWE are committed to the development of these two aspects. CEWE's photography culture marketing also performs an important task, by enabling an experience of the medium of photography encompassing all of its different aspects.
- **Consistent international execution of its brand and marketing strategy which has proved successful in Germany:** CEWE has been the clear market leader in the field of photofinishing for many years, not only in Germany but also in many other European markets. It aims to consolidate and to extend this position. The same strategic objectives are pursued as in the company's key German market, but with fine-tuning for the market in question.

## Production

With twelve industrial photofinishing plants and two online offset printing firms, CEWE supplies its customers with photo and printing products every day in 24 European countries.

### Improved production efficiency in the Photofinishing business unit

In 2018, efficient use of installed equipment, avoidance of waste and a further reduction of turnaround times were the core priorities. Overall, the company continuously modernised the machinery at all of its plants and further optimised processes. In particular, modern dispatch facilities have now been installed at all of the company's German plants, which make missorting almost impossible. Delivery quality has thus once again been further enhanced. Besides quality improvement measures, the company's plants established the foundations for further reductions in turnaround times for core products such as CEWE PHOTOBOOK. The turnaround time for the newly introduced CEWE PHOTOBOOK Pure product is just one day.

CEWE also further expanded its production capacities for its CEWE PHOTOBOOK product and for CEWE CALENDAR, in order to meet the increasing level of demand – in the lead-up to Christmas especially – in Germany and other countries. The finishing options for CEWE PHOTOBOOK and for CEWE CARDS using the latest digital production technology have been rolled out at further plants. The CEWE CALENDAR product range has likewise been supplemented with many new product options. CEWE also stepped up in-house production of its chocolate Advent calendars in various formats in 2018.

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### Expansion in Commercial Online Printing

In 2018, CEWE continued to focus on shorter turnaround times and increased production efficiency at its Dresden plant. LASERLINE, which has a production plant in Berlin, was acquired in early 2018 and integrated into the Group's production landscape. Berlin mainly handles speciality items as well as digital printing products, while Dresden produces standard products with a high level of efficiency. CEWE continued to supply its customers punctually and with a high level of quality. The company's activities at its Dresden offset plant focused on optimising the value chain in relation to brochure printing and cut products. Brochures are generally cut to size using sheeters and printed on the production line. LED drying permits rapid finishing, thus enabling a further overall improvement in the quality of the printing products and reducing the turnaround time. The company has five large-format printing machines and several B3 printing machines at its Dresden plant. Further progress was also made in the automation of the company's finishing and shipping processes. Plate production is now fully automated. CEWE likewise invested in modern machine technology in Berlin.

CEWE also expanded its range of services in the Commercial Online Printing business unit. The company has further expanded its product range in its existing product categories. The breadth of the company's existing portfolio has also increased e. g. through further advertising products. Specialties such as special colours and products with gold and silver foil round off the product range of the company's online printing portals SAXOPRINT, CEWE-PRINT.de and viaprinto. CEWE-PRINT.de now also offers self-designed business cards, while SAXOPRINT offers an expanded range of folding boxes whose dimensions can likewise be individually designed, with a broad range of basic models. Through its use of FSC®-certified paper and the option of climate-neutral printing, CEWE also provides another important contribution to ecological sustainability in its offset printing segment. The entire lighting system in Dresden has now been changed over to LED.

## Personnel

The Personnel Management division contributes to the company's growth and value-added activities by recruiting and training highly qualified, motivated and performance-oriented employees and executives for CEWE who will remain loyal to the company. The primary task of the Personnel division is to ensure long-term employability and to develop a workforce and organisation so as to achieve and safeguard the goals of an innovative company like CEWE. Personnel Management acts as a service provider within the company. Intensive cooperation and a regular dialogue with employees and executives help identify current and future requirements, in order to enable lifecycle-oriented employment. A trusting working relationship with the employees' representative bodies is a matter of course.

### Workforce

On average in 2018, the CEWE Group had 3,900 employees, of which 152 apprentices (previous year: 3,589).

Of this number, 2,623 employees or approx. 67% (previous year: 2,445 or 68%) worked at the CEWE Group's domestic plants and 1,277 employees or around 33% (previous year: 1,144 or 32%) at the CEWE Group's foreign plants.

### Collective wage agreement changes in Germany

The currently valid collective wage agreement is due to expire on May 31, 2019, so that new negotiations will once again take place in 2019. For the first time ever, in the most recent collective agreement a nominal increase in the first year was negotiated instead of a percentage increase. Apprenticeship allowances and holiday pay were also increased. The signing of this collective agreement represents a deal which clearly acknowledges the performance of all of CEWE's employees while taking into consideration the economic situation of companies in the photofinishing industry and the overall trend for collective wage agreements.

Occupational health and safety is an important and integral aspect of employees' everyday work in the CEWE Group. As in previous years, CEWE registered a low level of sickness. At its German plants, this amounted to 5.1% in 2018 (2017: 4.5%), while the figure was 2.5% (2017: 4.3%) at its foreign plants. In 2018, 36 notifiable accidents and 17 commuting accidents were registered.

Various screening examinations and training measures and the company's annual health day took place with the goal of increasing employees' level of awareness and sensitivity.

### Volume of apprenticeships remains high

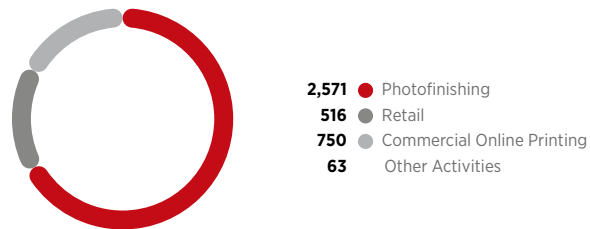
In 2018, CEWE trained 154 young people (2017: 125) in Germany for 19 different professions. In addition, three dual study programmes were introduced. Overall, the number of apprenticeships remains high.

### Positive cooperation

In the financial year 2018, the relationship with the works councils and the trade union represented at the company's plants, IG BCE, was once again trusting and constructive. CEWE would particularly like to thank all of the company's employees for their commitment and loyalty.

### Average workforce of the CEWE Group in 2018 by business unit

number of employees



### Number of apprentices in Germany as of reporting date

	2017	2018
Dual course of studies: business management	2	2
Dual course of studies: IT expert	15	13
Dual course of studies: media design	1	1
Electronics engineer for systems and equipment	4	2
IT expert for applications development	0	4
IT expert for system integration	12	14
Warehouse logistics expert	2	3
Photographer	3	2
Photographic media expert	4	4
Industrial manager	16	18
Industrial mechanic	1	1
E-commerce specialist	0	3
Office administrator	5	7
Dialogue marketing specialist	7	8
Marketing communication specialist	1	0
Machinery and plant operator	2	3
Mechatronics engineer	7	7
Digital & print media designer	13	22
Printing media technologist	10	14
Print finishing media technologist	20	26
<b>Total number of apprentices in Germany</b>	<b>125</b>	<b>154</b>

## Purchasing and Materials Management

Central Purchasing is the key contact for all CEWE business units – i. e. for the Photofinishing, Commercial Online Printing and Retail business units – in relation to cost, process, quality and innovation issues. Its tasks are not limited to traditional issues such as planning, scheduling, sourcing and warehousing / production supplies of production materials. They also include “non-production materials / other costs” for all of the company’s departments which receive organisational and material support. Our warehousing system contributes to the continuous improvement of our production plants’ performance capacity.

### Central Purchasing secures extension of cost / quality leadership position

The continuous expansion of our product portfolio and challenges at every level of the company’s supply chains necessitate continuous optimisation of our supplier base. CEWE pursues the goal of achieving an improvement in its cost situation and ensuring long-term product and service quality together with strong innovative partners. CEWE develops strong supplier partnerships for this purpose. CEWE is a reliable but demanding partner for its suppliers.

Central Purchasing at CEWE continues to stand not only for price-oriented procurement with the goal of expanding the company’s cost leadership, but also for integrated quality management.

### Systematic management of purchasing potential and risks

Thanks to an even more uniform IT infrastructure in all of its business divisions, CEWE has comprehensive capabilities for identifying potential within each individual category as well as any risks within the scope of its portfolio.

With the expansion of the company’s new e-procurement system and its use in further business units, significant progress was made in the field of digitalisation.

In the past year, additional suppliers were once again integrated within the delivery chain, so as to reduce the risk of production and service outages. For delivery-critical production material especially, the company’s dual-source strategy was expanded for risk minimisation purposes.





### Central Purchasing strengthens CEWE's capacity for innovation

CEWE's Central Purchasing division forms an integral part of its innovation process.

In 2018, successful new developments were initiated and implemented through joint projects with innovative partners, thus actively shaping innovation at CEWE as well as the company's future. In addition to the use of new materials and products, production and process optimisations were implemented with new and existing suppliers. CEWE WALL ART broke new ground with an expanded selection of frames and new material components, such as for "hexxas".

In future, in the company's Central Purchasing division suppliers will be assessed and selected according to a comprehensive range of criteria (such as their capacity for innovation) rather than just cost issues.

### Purchasing sustainability

In 2018, the company once again implemented its own supplier audits focusing on the issues of quality, product safety and social compliance at Far Eastern suppliers, for imported material groups. In these audits, CEWE was able to once again verify compliance with sustainability requirements throughout the value chain.

### Improved supply of materials through modern logistics processes

We have changed over our internal logistics system to new logistics concepts (pull principle, Kanban supply) in all of the relevant sub-segments. The volume of production work in progress is reduced by means of these procedures. At the same time, the reliability of the production supply system is improved through an increased delivery frequency.

## ECONOMIC REPORT

### Markets

#### Overall economic environment

##### World economic growth matches previous year's level – Germany suffers significant growth slowdown

In the view of the International Monetary Fund (IMF), in 2018 with 3.7% growth the global economy achieved a slightly weaker rate of growth than had been expected in April and thus matched the previous year's level. In particular, the reduced level of momentum in Europe and China – which fell short of original expectations – prevented a stronger result.<sup>1</sup> In the Eurozone, GDP growth was significantly weaker than in the previous year, at 1.8% (2017: 2.4%). Overall in 2018, the emerging economies and the developing countries registered a growth rate of 4.6% which was almost in line with the previous year's level (2016: +4.7%). While Chinese economic growth declined slightly on the previous year, at 6.6% (2017: 6.9%), in India growth picked up comparatively strongly at 7.3% (2017: 6.7%). The decline in growth in Europe was mainly due to the significantly weaker results for its two largest economies, Germany and France. In both countries, the economy grew by just 1.5%. (2017: Germany: 2.5%, France 2.3%).<sup>2</sup> Real gross domestic product (GDP) increased by 1.9% in the Eurozone.<sup>3</sup>

While the pace of growth slowed, the German economy set a new record with an unprecedented number of people in work: in 2018, this averaged 44.83 million persons in employment over the year as a whole (2017: 44.3 million). Unemployment fell for the fifth consecutive occasion to 5.2% in 2018.<sup>4</sup> Gross wages and salaries increased by 4.8%, the strongest rate since 1992 (2017: 4.4%).<sup>5</sup>

##### Inflation close to its target level

Inflation remained moderate in the developed economies in the past year. Oil prices were initially volatile over the course of the year. They dropped and then stabilised towards the end of the year at around USD 55 per barrel, which market observers consider to be a realistic price level for the next 4 to 5 years.<sup>6</sup> For the Eurozone, in its economic bulletin which appeared at the end of 2018 the European Central Bank identified increasing inflationary pressure and envisages further convergence towards the inflation level of 2%.<sup>7</sup> In 2018, the annual rate of inflation in the Eurozone according to the Harmonised Index of Consumer Prices (HICP) was 1.8% (2017: 1.5%). This increase is mainly attributable to higher levels of capacity utilisation, an increasingly tense situation on the labour markets and related wage increases.<sup>8</sup> The ECB's Governing Council left its key interest rate unchanged and is thus pursuing a goal of sustained convergence towards its inflation goal. The ECB's Governing Council also decided to end net purchases within the scope of its asset purchasing programme in December 2018.<sup>9</sup>

In Germany, according to the Federal Statistical Office at an average annual rate of 1.9% inflation was slightly higher than in the previous year (2017: 1.8%). Inflation was mainly driven by energy (+4.9%) and food (+2.5%) prices. On average in 2018, the consumer price index picked up to an index level of 111.4 (2017: 109.3).<sup>10</sup>

### Euro gains ground, significantly in some cases

The euro's nominal effective exchange rate against the currencies of the Eurozone's 19 key business partners increased over the course of 2018 and reached an index value of 99.2 in the third quarter, or 98.3 in November (annual average for 2017: 96.6).<sup>11</sup> In terms of the most important currencies for CEWE outside of the Eurozone, on average over the course of the year the euro rose slightly against the Polish zloty (0.11%) and the British pound (0.92%). The euro realised stronger gains against other key currencies for CEWE: 2.9% against the Norwegian crown and 3.9% against the Swiss franc, year-on-year. The euro increased particularly strongly in value against the Swedish crown over the year as a whole on average, at 6.5%.<sup>12</sup> Since CEWE realises turnover in these countries in their national currencies, the stronger euro exchange rate had a negative impact on its results of operations. However, overall these exchange rate fluctuations are within the normal expected limits.

<sup>1</sup> International Monetary Fund: World Economic Outlook Update, January 2019, p. 1

<sup>2</sup> Ibid., table p. 8

<sup>3</sup> European Central Bank: Economic Bulletin 8/2018, p. 4

<sup>4</sup> German Federal Employment Agency: End-of-Year Review 2018, press release of January 4, 2019

<sup>5</sup> German Federal Statistical Office: National Accounts. First Results for the Year, p. 14

<sup>6</sup> International Monetary Fund: World Economic Outlook Update, January 2019, p. 2

### CEWE largely independent of cyclical factors

CEWE's development remains stable and positive and largely independent of the overall economic trend. No relevant cyclical sensitivity is apparent. Photographic memories of special moments have a strong emotional value for people and thus appear to satisfy a basic need. This is reinforced by affordable prices for consumers. In Commercial Online Printing, the price advantage by comparison with traditional printing firms is a key competitive advantage. This effect would likely be even more strongly felt in a time of crisis. In this case, an economic downturn would probably not have any negative impact on the company's business model.

<sup>7</sup> European Central Bank: Economic Bulletin 8/2018, p. 3

<sup>8</sup> Ibid., p. 4 f.

<sup>9</sup> Ibid., p. 5 f.

<sup>10</sup> German Federal Statistical Office, Consumer Prices 2018, press release of January 16, 2019

<sup>11</sup> European Central Bank: Economic Bulletin 8/2018, p. 84

<sup>12</sup> Deutsche Bundesbank Exchange Rate Statistics, as of February 1, 2019

## Photofinishing market

### Schnelle Smartphone-Fotografie immer beliebter

Two trends have been apparent on the photography market for several years now, which have both shaped and reinforced one another. On the one hand, the volume of mobile devices sold and used is on the increase. In 2018, approx. 57 million Germans over the age of 14 were smartphone users – and the trend continues to point upwards. In 2013, the figure was just 37.4 million (source: Bitkom Research, February 2019). Smartphone-based photography is also increasingly important. In 2017, 90 % of smartphone users already used their phone's photo/ video camera function (source: Bitkom Research).

This contrasts with a decline in sales of digital cameras in Europe since 2013. CIPA companies' volume of digital camera sales amounted to approx. 7.9 million units in Europe in 2017 (source: CIPA, 2018).

While these two trends appear contradictory at first glance, they reflect the same underlying development: the proliferation of mobile devices is promoting changes in users' photography behaviour. The number of images taken using mobile devices is on the increase, as is the level of interest and enthusiasm for photos. Nowadays, every smartphone user also has a camera in his pocket (and its quality is getting better all the time). Users with a strong interest in photography generally purchase higher-end digital cameras, which continue to offer a genuine difference in quality by comparison with smartphones.

### Versatility and a top level of quality – opportunities for presenting images

More photos have been created than ever before over the past few years. The number of images taken is significantly increasing, due to mobile devices. While 660 billion photos were taken worldwide in 2013, this number had already increased to 1,200 billion in 2017 (source: Bitkom Research).

This pleasure in taking photographs partly reflects the wide range of possibilities for their presentation. On the one hand, they are available for digital sharing. Nearly half of German consumers who use their smartphone to take pictures also share them in social networks or send them via messenger apps. This behaviour is in no way confined to younger age groups – even among people over the age of 65, 27 % of those surveyed share their smartphone photos (source: Deloitte 2019). Traditional photo products constitute the second pillar of the options for presentation. Photo books, calendars and greetings cards are buoying the market as much as canvas prints, phone cases and traditional photo prints.

The photofinishing market is responding to this trend, e. g. through product variations and improved mobile ordering applications.

### Connectivity and online storage technology – hot topics in the field of mobile imaging

Being online everywhere and at any time, so as to be able to share content and pictures – this trend also poses challenges for the imaging industry. Moreover, many new apps offer comfortable and exciting functionalities for mobile photo editing and ordering. Online storage technology is another continuously growing area. For instance, this already enables the integration of videos in photo books. Over the next few years, this area will undergo further expansion, permitting users to access all of their content such as films and photos across a range of different systems.

## Online printing market

### Business climate supports changeover to online printing

In overall terms, the year 2018 ended with a change of mood in the German printing and media industries. In December, the business climate index produced by the German Federal Printing and Media Association (Bundesverband Druck und Medien – BVDM) fell by 7.2% on the same month in the previous year. The seasonally adjusted index decreased by 7.1% to 96.1 points by comparison with November 2018 and thus fell to its lowest level since August 2013.

The printing and media companies surveyed by the ifo Institute stated that their current business situation was worse than in previous months. Only around 8% of those surveyed intend to increase production over the next few months, while nearly 26% envisage declines in production. In view of these envisaged declines in production, increasing numbers of companies are expecting that they will be forced to lay off staff over the next few months. (Source: BVDM Economic Telegram, December 2018).

Within the printing and media industry, particularly in case of a declining overall business climate index online printing offers its customers considerable advantages: besides consistently high printing quality, convenient ordering over the Internet and rapid delivery, above all there is the price advantage by comparison with traditional “offline” printing firms. Online printing is likely to be largely independent of the general economic trend, since it offers its customers these significant cost benefits in particular.

Many providers are continuing to diversify into the field of print-related products. This reflects the goal of intensifying and expanding their customer relationships and realising further growth potential.

No discernible bottlenecks resulted in the relevant raw materials markets in the course of the financial year 2018. In particular, the availability of printing paper and printing plates was not jeopardised at any time. The price trend for purchased merchandise and services may once again be characterised as continuously increasing.

### Online printing market: high barriers to market entry

As in previous years, no new market participants with their own production facilities emerged as a relevant competitor as an “online printing firm” in 2018. CEWE was able to further expand its market share in the relevant online printing market through its “CEWE-PRINT.de”, “SAXOPRINT”, “viaprinto” and “LASERLINE” brands.

Market entry barriers in the online printing segment, such as the necessary volume of investment, advertising expenses and the competitive price level which has now established itself and thus the pressure to exploit economies of scale continue to represent effective obstacles for new market participants.

In the past financial year, relevant market participants implemented price reductions. The market is likely to remain characterised by price movements. Foreign markets especially still offer a degree of potential, due to price levels which are higher in some cases.

## Retail market

Retail turnover in Europe is benefiting from the enduring low level of unemployment and from households' consistently high net incomes. The average retail volume for 2018 once again increased on 2017 in the Eurozone and also in the EU28, by +2% (source: Eurostat). Europe's largest and most-developed economies continue to offer favourable conditions for trade but are extremely competitive and in some cases almost saturated (source: GfK).

The integration of over-the-counter business and online business continues, through the development of physical retail outlets by merchants who previously only had online presences as well as traditional merchants' expansion of omnichannel business models. The younger generation in particular like to use their smartphones to purchase things online. Merchants need to adapt to this through web content which is optimised for mobile devices. Despite declining customer frequency in several over-the-counter trade segments, the ability to pick up products there and to try them out, or try them on, is greatly appreciated. In an age of digitalisation, ever more frequently retail outlets serve as an experience venue and showroom to provide information and inspiration, while their significance as an actual point-of-sale is declining. Over-the-counter retail feeds off local frequency and needs to exploit and stimulate this by means of an active product range policy through which it meets customers' needs while suggesting shopping ideas.

The trend of rising average prices in the camera segment which has been apparent over the past few years continued in 2018, since higher-quality models are in particularly strong demand. In terms of the number of units delivered, cameras with a built-in lens (compact/bridge cameras, etc.) are still ahead, followed by digital reflex cameras (DSLR) and mirrorless system cameras, with the latter reporting the strongest growth. This trend will remain intact. The specialised photo trade is its main beneficiary, since it is able to provide advice on these models.

## Results

### Photofinishing business unit

#### Developments in the Photofinishing business unit

In 2018, CEWE's value-added products once again provided solid turnover growth. In particular, CEWE PHOTOBOOK and CEWE CALENDARS achieved significant turnover growth, thanks to the strong Christmas business.

#### Innovation and service

CEWE is the market leader, with many years of strong expertise in the field of photography. Innovations in general and product innovations in particular once again played a very considerable role in 2018. As in the previous year, the highlight in 2018 was the strong growth in the range of CEWE PHOTOBOOK finishes, with gold, silver and special-effect print varnish. The cover has a finish with raised (and therefore touchable) text, clip art, frames and designs. In addition, various sizes and formats have been added to CEWE CALENDARS, which are developing positively.

For many years now, CEWE has pursued a long-term climate protection strategy. CEWE PHOTOBOOK and CEWE's other brand products are produced climate-neutrally – demonstrably so, and at no extra cost for the company's customers. CEWE is thus assuming full responsibility for the climate and protecting our environment. CO<sub>2</sub> emissions are offset through protection of existing forests in Kenya through the Kasigau Wildlife Corridor project.

CEWE's quality commitment includes a strong service and customer focus. This encompasses a comprehensive customer service, a satisfaction guarantee for all CEWE brands and a range of ordering and collection options for its photo products.

CEWE's customer service is an important part of its brand promise. A team of experts is available every day until 10 p.m. (during the Christmas season, even up to midnight) to answer any questions on products or CEWE's ordering software and to help customers to create CEWE's photo products. The Customer Service department is directly present at the company's production plants and receives regular training. It is thus able to act competently and rapidly in response to customers' inquiries.



Any recurrent issues identified are directly forwarded to the Research & Development and Marketing divisions. Problems and suggestions are thus directly taken into consideration for the further development of products and processes. This feedback process unfolds continuously. Facebook is also increasingly used as a service channel and is accepted as having the same validity as other channels of communication for customer dialogue purposes. Moreover, in case of direct contact customers are regularly asked by email whether they are satisfied with the handling of their orders or whether there are any unresolved issues. This feedback is also directly used for continuous optimisation of CEWE's products and software and its customer service.

CEWE intensively uses its continuous customer dialogue, its quantitative and qualitative market research and comprehensive assessments of the competition for the ongoing development of its products and processes.

In 2018, these activities were once again honoured through top results in tests organised by prestigious specialist magazines. The recognition bestowed by the TECHNICAL IMAGE PRESS ASSOCIATION (TIPA), which has rated CEWE the "Best Photo Print Service Worldwide", was a particular highlight here.

#### CEWE acquires French market leader for photofinishing apps, "Cheerz", in 2018

As an addition to its core Photofinishing business unit, in February 2018 CEWE acquired the high-growth French market leader for photofinishing apps, "Cheerz". With its premium brand "Cheerz" which mainly targets smartphone users, the Cheerz Group is enjoying dynamic growth in France, Spain and Italy. In addition, this acquisition will develop synergies in the areas of mobile expertise, purchasing, production and logistics. For the financial year 2018, CEWE had envisaged an initial negative EBIT effect of around 4 million euros due to this acquisition (including the purchase price allocation), which was actually slightly lower than originally expected.

#### An established name: CEWE PHOTOBOOK

CEWE PHOTOBOOK is Europe's most popular photo book. To satisfy customers' high expectations, this brand product undergoes continuous development, to ensure its long-term market leadership. With over 60 options available, CEWE PHOTOBOOK offers the broadest product range, can include up to 178 pages and can be assembled in many different ways. Various levels of paper quality and different covers and formats offer a suitable starting point for every project and for every taste. CEWE PHOTOBOOK is notable for its user-friendly ordering software, which is available for the operating systems Windows, Mac and Linux. More than 6,000 designs and items of clip art and a variety of mounts, backgrounds and layouts are available during the editing process and provide lasting enhancements of products' value.



In 2018, CEWE once again lived up to its role as an innovation leader in the photofinishing industry. CEWE PHOTOBOOK True Matte photographic paper offers top picture and product quality for particularly demanding requirements. The option of putting a finish on a CEWE PHOTOBOOK cover is unique. The covers provide an exceptional look and feel, with text and designs featuring gold, silver and raised special-effect print varnish finishes.

In 2017, a charming new small version of CEWE PHOTOBOOK was introduced: CEWE PHOTOBOOK Pure. 22 matt pages in a compact square format, a high-class hardcover, an elegant slipcase and, since 2018, a series of new styles: CEWE PHOTOBOOK Pure lends your favourite motifs a particularly modern and purist charm – while ensuring unique memories of your nicest moments. CEWE PHOTOBOOK Pure can be ordered using a smartphone or tablet app or at CEWE PHOTOSTATIONS.

#### Positive trend: CEWE's other brands

The CEWE CARDS, CEWE WALL ART and CEWE CALENDARS brands are already well established on the market and realising strong levels of turnover growth, year after year. Clear positioning and communication of the benefit for the consumer is an important issue here.

CEWE WALL ART provides a perfect frame for special moments and lends rooms a personal atmosphere. This category is highly popular with our customers thanks to a choice of sizes, with pinpoint accuracy, and its excellent level of quality. This positive trend has also been reinforced through various innovations. CEWE's introduction of hexxas enables its customers to bring to life their favourite photos on out-of-the-ordinary hexagonal tiles.

CEWE CARDS express joy and appreciation for special occasions. As well as product quality and a broad portfolio, high-quality designs which are suitable for a wide range of different occasions and are also offered with a finish are key to the success of this category.

CEWE CALENDAR offers a suitable frame to record very special personal moments and is one of CEWE's photo products most frequently chosen as a gift. The company's broad product portfolio – to which Square XL and XXL options were added in 2018 – as well as the high level of quality and its very high standard of delivery reliability – even during the peak season in the run-up to Christmas – resulted in a very strong performance in 2018.



### High-quality and stylish: new photo gifts and photos

Customised photo gifts have a unique charm and are a particularly special gift. Our extensive range (from porcelain cups to puzzles, from smartphone cases to Advent calendars) leaves nothing to be desired, but CEWE is nonetheless continuously working on identifying new trends and satisfying these.

In the product group of individual smartphone cases, a silicon slim case has been added to the existing range of materials. The range of more than 200 different models is being permanently updated and expanded. CEWE thus offers the largest phone case portfolio currently available on the market.

Advent calendars are all the rage. In 2018, the company's product portfolio was expanded to include further formats as well as a deluxe Advent calendar. This new product was very popular with end-customers.

You can provide a creative setting for your favourite motifs with our contemporary art prints. These specially designed photos are delivered in high-quality decorative packaging and are particularly popular with our younger customers. Retro prints with raised special-effect print varnish have been added to this trendy category.

### CEWE in the mobile world

CEWE offers a broad range of apps for the operating systems Android and iOS. These are continuously optimised and are marketed through every channel of communication: websites, online/mobile marketing, social media, newsletters, print, POS, cooperative ventures and PR.

The CEWE PHOTOWORLD app is at the heart of the company's mobile applications. Once installed on your smartphone or tablet, you can design and order photo products either on the move or at home on your sofa. For example, in 2018 Square wall calendars and, at Christmas time, Advent calendars were added to the product range available for order using the app.

### CEWE's marketing activities in Germany and other countries

In 2018, the company used all available channels for integrated marketing activities with the goal of consistent communication for its brand family clustered around its top seller, CEWE PHOTOBOOK. These activities were adjusted and supplemented for the international markets, in view of local factors in individual countries.

Since 2015, CEWE has visited genuine customers in their homes and interviewed them about the personal experiences and emotions which they have captured in their CEWE PHOTOBOOKS. Further occasions and target groups were added to this campaign in 2018, which was also expanded internationally. The campaign is now being run consistently in 14 countries, covering a wide variety of occasions, and its range is extended online through CEWE's brand websites as well as the sites of CEWE's business partners. This campaign is also being used at all of the company's touchpoints (incl. social media, print, newsletters, POS), thus increasing the recognisability of the brand. Naturally, CEWE is present in all of the usual search engines, through optimisation of its own websites (SEO) and also through advertising (SEA/Google Shopping). Media are also modulated in line with customer requirements. In addition, in 2018 out-of-home placements offering a broad reach were once again used at airports and on urban public transport in markets such as Germany, the Czech Republic and Hungary.

In 2018, CEWE was also once again present at many thematically related trade fairs in all of its markets. From trade fairs in the field of photography via travel, wedding and book fairs to consumer fairs, CEWE demonstrated its products' versatility and pursued a dialogue with consumers. The world's leading photography trade fair, photokina, and the "Salon de la Photo" in Paris are particularly worthy of mention. Here, customers were offered many inspirations relating to the use of CEWE's products – on the one hand, through selected examples and, on the other, in the form of personal advice from CEWE employees as well as a large number of photography-related tips and tricks in localised CEWE magazines. The various service innovations, such as CEWE PHOTOBOOK on command as well as facial and object recognition in CEWE MYPHOTOS, likewise inspired visitors and impressively documented CEWE's capacity for innovation.

### CEWE photography competitions as an additional communication channel

Each CEWE PHOTOBOOK is a contemporary document and reflects people's enthusiasm for the medium of photography. In all of its European markets, CEWE offers a platform for this enthusiasm through a large number of competitions in the field of photography and in relation to CEWE PHOTOBOOK. The follow-up competition to "Our world is beautiful", the world's largest open photography competition in 2017, was launched in 2018 with the "CEWE Photo Award". Here, CEWE is demonstrating additional social commitment and will donate 0.10 euros to SOS Children's Villages for each photo sent in. This competition will continue to run until May 31, 2019. The jury consists of well-known experts, journalists and photographers and will be chaired by Yann Arthus Bertrand.

### CEWE supports photography as a form of cultural expression

CEWE is very firmly committed to supporting and preserving photography as a form of cultural expression. This photography service provider maintains partnerships with a large number of institutions in the field of photography, which enable an experience of the medium of photography encompassing all of its different aspects. These include the German Photography Museum in Leipzig, the NRW Forum in Düsseldorf, CEWE's position as the main sponsor of the "Fürstenfelder Naturfototage", its premium partnership with "Erlebniswelt Fotografie Zingst" and its partnership with the "Oberstdorfer Fotogipfel" photography festival, where CEWE organised the highest photography exhibition in Europe, on the Nebelhorn mountain.

CEWE also supported photography festivals such as "Mundologia" in Freiburg, "Wunderwelten" in Friedrichshafen, and the "Stapelfelder Fototage" through various partnerships.

Moreover, CEWE demonstrates its commitment in the field of nature photography and protection of nature through its cooperation with Germany's NABU environmental association, in the form of joint photo competitions and photo exhibitions.

In Austria, for some time now CEWE's partnership with the "Trierenberg Super Circuit" has been one of its key projects supporting photography as a form of cultural expression.

## Photofinishing results

In principle, sales of CEWE photo products continue to be shaped by two enduring consumer trends: higher-quality products and the shift in demand to the fourth quarter especially.

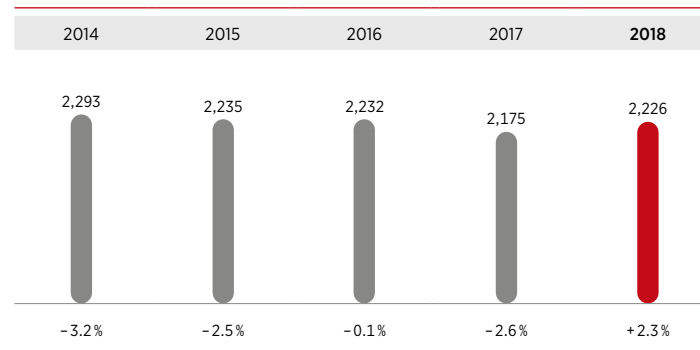
### Seasonal migration remains just about apparent

Photo products generate peak sales and particularly strong turnover and, above all, income in the fourth quarter. Many consumers appreciate CEWE PHOTOBOOKS, CEWE CALENDARS, CEWE CARDS and CEWE WALL ART as well as further photo gifts as Christmas presents. The seasonal profile of CEWE's business has thus shifted very significantly towards the end of the year. As the graphic on page 70 shows, this shift remains intact. This graphic also shows that "order-friendly weather" – i.e. many consumers' heightened enthusiasm for spending time on their PC at home or using mobile ordering applications to place photo orders during the cold and dark time of year – is likewise strengthening the first quarter. The seasonal migration from the second and third quarters is thus having a positive impact on the fourth and first quarters.

### Growing share of value-added products

Consumers are becoming more selective and demanding higher-quality photo products. Individual, "simple" photo prints produced in the laboratory are declining. However, more popular high-quality value-added products are compensating for this decrease. CEWE's product mix is thus increasingly shifting towards these value-added products: the share accounted for by the brand products CEWE PHOTOBOOK, CEWE CALENDARS, CEWE CARDS and CEWE WALL ART is continuously growing. The volume of CEWE INSTANT PHOTOS, i.e. the photos which customers print out and purchase directly in the retail outlets of CEWE's business partners has likewise been on the rise for some years. Since CEWE tends to realise a higher volume of turnover and stronger earnings per photo through value-added products, the seasonal migration is even more pronounced for turnover and, in particular, for income than in terms of volume, and this trend may just about continue in future: the move away from "mass" (a large number of lower quality, individual laboratory photos) to "class" (fewer high-quality photo products in absolute terms, but with a higher level of quality for each individual photo) is supporting the earnings trend in the Photofinishing business unit.

Total volume of photos in million units



Change on previous year

## Photofinishing sales

- Total volume of photos exceeds the expected range, with 2.23 billion photos
- 6.18 million CEWE PHOTOBOOKS sold: + 2.6 %
- Further increase in the volume of CEWE CALENDARS, CEWE WALL ART, CEWE CARDS and other photo gifts, reinforcing the trend of higher-quality products
- 62.0 % of all photos are collected from retail stores

### Volume of photos exceeds expected range

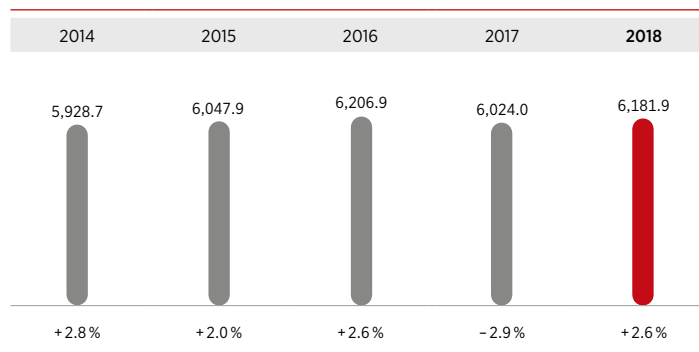
As a result of its move away from “mass” to “class”, for 2018 CEWE had expected a slight decline in its volume of photos to between 2.12 and 2.14 billion photos (between - 3% and - 2% on the previous year, 2017); as well as individual photo prints, this volume of photos also includes images forming part of other photo products, such as CEWE PHOTOBOOK, CEWE CALENDARS, CEWE WALL ART, CEWE CARDS and other photo gifts. With 2.23 billion photos produced (+ 2.3% on the previous year, 2017), CEWE has now even exceeded the envisaged range. The acquisition of the French market leader for photofinishing apps, “Cheerz”, in February 2018 accounted for some of this growth.

The fourth quarter once again slightly increased its share of the volume for the year as a whole. While the volume of photos grew moderately in the first three quarters, by 1.3% (1.41 billion photos), in the fourth quarter the volume increased by + 4.2% to 814 million photos (Q4 2017: 782 million photos). This marks the continuation of a long-term trend of a seasonal migration, with a rising volume share in the fourth quarter which now amounts to 36.6% (2014: 33.3%, 2015: 34.7%, 2016: 34.9%, 2017: 35.9%).

### CEWE PHOTOBOOK sales rise by 2.6% in 2018

The trend for the volume of CEWE PHOTOBOOKS in the financial year 2018 was positive: while CEWE had recorded a decline in CEWE PHOTOBOOK sales in the previous year, 2017, in particular due to the increase in the rate of value added tax on photo books in Germany (from the reduced tax rate of 7% to the regular tax rate of 19%), in 2018 the sales figures for CEWE PHOTOBOOK picked up very strongly, with 6.18 million copies sold (2017: 6.02 million copies). Some of this growth is attributable to additional sales volumes from the leading French photo app “Cheerz” which was acquired in 2018.

Total number of CEWE PHOTOBOOKS in thousand units



Change on previous year

CEWE PHOTOBOOK growth in the key Christmas quarter was even stronger: with an outstanding 4.5% growth rate, sales increased to 2.49 million copies in the fourth quarter of 2018. Growth thus once again picked up significantly by comparison with the previous two fourth quarters of the year (Q4 2016: - 0.4%, Q4 2017: + 0.4%).

The higher-end CEWE PHOTOBOOK trend also remains intact: books with a larger number of pages and bigger formats as well as enhancements such as gloss and matt surface finishing, raised fonts in gold or silver print and the possibility of including videos in CEWE PHOTOBOOKS by means of a QR code are increasingly popular.

#### “Internet ordering and collection from retail stores” remains a winning combination

The proportion of digital photos ordered via the Internet changed from 71.0% in the previous year, 2017, to 71.7% (1,566 million photos) in the year under review. Of the photos ordered over the Internet, 46.0% are collected as finished products from the retail outlets supplied by CEWE. 54.0% chose home delivery by post. Customers thus collected a total of approx. 62.0% of all photos (both analogue and digital, ordered via the Internet and over-the-counter, incl. the photos printed out at CEWE PHOTOSTATIONS in retail stores) at retail outlets of CEWE’s trading partners. This confirms the strength of CEWE’s “clicks and bricks” positioning, a strategic combination of physical outlets and the Internet: CEWE products can be purchased in retail stores, while in case of online purchasing photos can be sent to customers by post or else collected from stores.

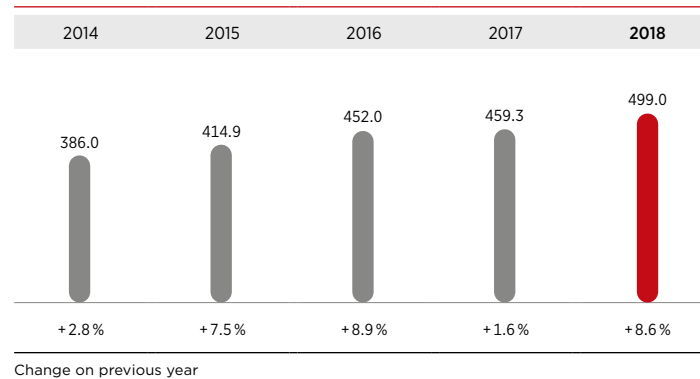
## Photofinishing turnover

- CEWE brand products achieve further growth and strengthen Photofinishing turnover
- Turnover per photo continues to increase: +6.2% to 22.42 euro cents per photo
- Photofinishing turnover of 499.0 million euros in 2018: strong growth of +8.6% on previous year
- Fourth-quarter turnover increases by a solid 11.7% to 218.3 million euros

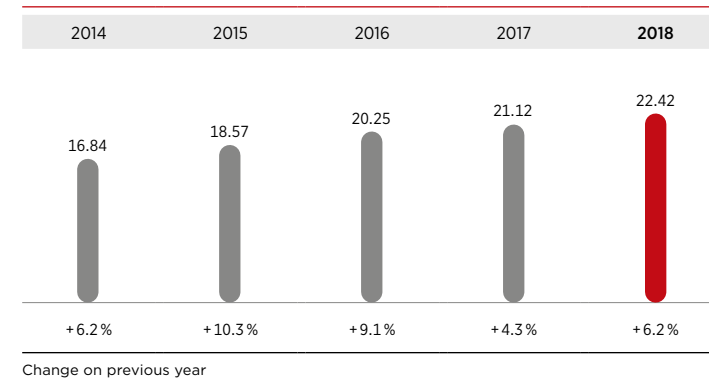
## Value-added products continue to strengthen Photofinishing turnover

In 2018, CEWE brand products and value-added products once again accounted for an increased share of overall turnover. The trend of high-quality photo products thus continues to strengthen the turnover trend. Turnover per photo once again rose in 2018: by 6.2% from 21.12 euro cents per photo in 2017 to 22.42 euro cents per photo in the year under review. The fourth quarter of 2018 especially reinforced this positive trend as growth picked up once again: turnover per photo also climbed in the key Christmas quarter, by a strong 7.3% from 25.00 euro cents in the same quarter in the previous year to 26.81 euro cents.

Photofinishing turnover (Q1 - 4) in millions of euros



Photofinishing turnover per photo in euro cents





### Photofinishing turnover clearly within expected range

The positive turnover per photo trend on account of higher-quality products caused Photofinishing turnover in 2018 to increase to 499.0 million euros (2017: 459.3 million euros, + 8.6%). As a goal for 2018, CEWE had set a turnover target of between 475 million euros and 510 million euros. The realised Photofinishing turnover figure of 499.0 million euros is thus clearly within the upper half of this range. Adjusted for currency effects, turnover has even increased by 9.0% to 500.5 million euros. This rise reflects the turnover growth resulting from the additional volume of business generated through the acquisition of the French photo app specialist “Cheerz” as well as the outstanding organic growth for CEWE’s core Photofinishing business unit.

In 2018, Christmas business continued to gain in significance on the basis of the fourth quarter’s increased volume share in general. In the key fourth quarter, turnover increased by a strong 11.7% from 195.4 million euros in the same quarter in the previous year to the current 218.3 million euros. Adjusted for currency effects, turnover has even increased by 12.0% to 218.9 million euros. Some of this increase in turnover has been generated by the acquired French photo app specialist “Cheerz”.

### Sales targets

<i>in billion of units</i>	Target	Actual	Deviation*
<b>Total volume of photos</b>	<b>2.12–2.14</b>	<b>2.23</b>	<b>+ 4.5 %</b>
CEWE PHOTOBOOKS <i>in million units</i>	6.08–6.14	6.18	+1.2 %

\* Calculated on the basis of the mean value for the planned target range

### Q4 earnings

<i>in million units</i>	2017	2018	Change
<b>Total volume of photos</b>	<b>781.6</b>	<b>814.0</b>	<b>+ 4.2 %</b>
CEWE PHOTOBOOK	2.4	2.5	+4.5 %

### Photofinishing earnings

- Photofinishing EBIT increases to 57.8 million euros in 2018 (2017: 53.9 million euros, + 7.2 %)
- Photofinishing's operating margin once again increases in the financial year 2018, despite the planned initial losses resulting from "Cheerz", and now amounts to 12.1 % (2017: 11.9 %).
- Fourth quarter delivers 96 % of Photofinishing's EBIT for the year as a whole

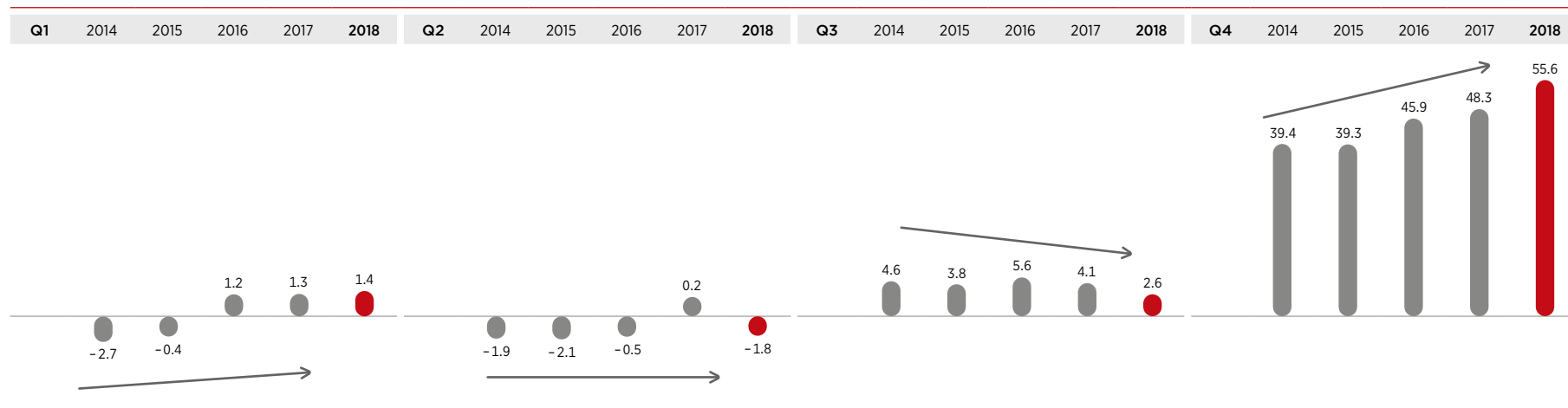
#### Photofinishing EBIT increases to 57.8 million euros in 2018 and thus more strongly than expected

CEWE realised most of its annual profits in the Christmas quarter (the fourth calendar quarter). With an EBIT figure of 57.8 million euros, the Photofinishing business unit once again achieved strong earnings growth (+ 3.9 million euros), following a prior-year EBIT volume of 53.9 million euros. The Photofinishing business unit thus even exceeded its envisaged 2018 target range of between 46.9 million euros and 52.9 million euros, by 4.9 million euros.

In the past financial year 2018, one-off factors accounted for a total of approx. - 2.3 million euros: amortisation on the purchase price allocation for DeinDesign in the amount of - 0.4 million euros and on the purchase price allocation for Cheerz in the amount of - 1.8 million euros. The proceeds from the sale of the former Photofinishing site in Nuremberg had a positive impact of around 1.2 million euros, while the company's presence at the photokina trade fair in 2018 resulted in costs of around - 1.3 million euros which had not occurred in the previous year, since photokina is only held every two years.

In the previous year, 2017, extraordinary expenses in the amount of - 0.6 million euros were recognised in the Photofinishing business unit: effects from the purchase price allocation for DeinDesign in the amount of - 0.4 million euros, the proceeds of the sale of a property in Denmark, amounting to a rounded-off figure of 0.5 million euros, and additional expenses resulting from CEWE's Employee Stock Option Plan, in the amount of - 0.6 million euros.

Development of EBIT - seasonal breakdown before restructuring in millions of euros



Adjusted for these one-off factors, at 60.2 million euros the operating EBIT figure for the Photofinishing business unit in 2018 was approx. 5.6 million euros better than in the previous year (adjusted operating EBIT in 2017: 54.5 million euros).

#### Further growth in Photofinishing's operating EBIT margin: 12.1%

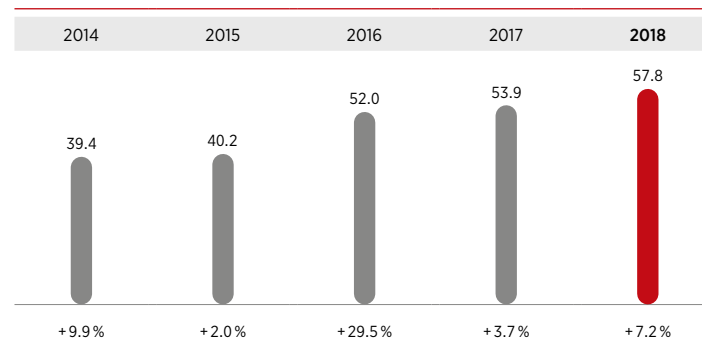
In 2018, in particular the trend of a changing product mix for Photofinishing which has been intact for some years now – the replacement of individual photo prints with value-added photo products such as CEWE PHOTOBOK, CEWE CALENDARS, CEWE WALL ART and CEWE CARDS plus other photo gift articles – once again resulted in a further rise in its operating EBIT margin (before the extraordinary expenses outlined above): 12.1%, compared to 11.9% in the previous year. CEWE PHOTOBOK's strong market position was helpful: with a level of unaided brand awareness of 57% (and an aided level of brand awareness as high as 75%) in Germany, customers are increasingly finding CEWE's photo service when they search for photo service providers on the Internet. They then place orders directly with CEWE. This increase in the operating EBIT margin is all the more notable in that the earnings

figure for 2018 includes the planned negative EBIT contribution from the recent acquisition of "Cheerz", in the amount of approx. 2 million euros. The outstanding development of CEWE's core Photofinishing business unit has more than made up for the planned initial losses of this young start-up.

#### Significant increase in EBIT in the fourth quarter

In accordance with the increasing core volume of demand in the fourth quarter and influenced by the continuing change in the product mix, as outlined above, from "simple" photo prints to value-added products, income from the company's main business unit, Photofinishing, once again rose in the Christmas quarter. EBIT increased by a highly significant 7.3 million euros in the fourth quarter and amounted to 55.6 million euros (Q4 2017: 48.3 million euros). This shift in demand is most clearly apparent at the level of earnings, driven by increasing sales of higher-margin value-added products during the Christmas season, as illustrated by the graphic on this page showing the seasonal distribution of Photofinishing EBIT.

Photofinishing EBIT (Q1-4) in millions of euros



Change on previous year

1,000 flyers

from  
€ 19.90 \*



[cewe-print.de](https://www.cewe-print.de)

Your online print partner

## Commercial Online Printing business unit

### Developments in the Commercial Online Printing business unit

#### CEWE is active in ten countries in its Commercial Online Printing business unit

Through its brands SAXOPRINT, CEWE-PRINT.de, viaprinto and LASERLINE, in Commercial Online Printing CEWE is now active in ten countries: as well as online shops in Germany, the United Kingdom, France, Spain, Italy, Switzerland and Austria, CEWE currently also markets business stationery in the Netherlands, Belgium and Poland. It also has plans to expand into further European countries.

#### CEWE ideally positioned with four brands

With its online printing brands SAXOPRINT, CEWE-PRINT.de, viaprinto and LASERLINE, CEWE is ideally positioned on the European market for printed advertising media and business stationery ordered online: for its market presence in Germany CEWE-PRINT.de exploits the strong brand profile of CEWE PHOTOBOOK, viaprinto is outstandingly positioned in the digital printing segment as a provider of high-quality printed products with small print runs, while SAXOPRINT serves customers in the online offset printing segment in Germany as well as all of the Group's other international markets. The online printing firm LASERLINE which CEWE acquired in 2018 has a particularly strong regional presence in Berlin and Brandenburg.

#### Target-group-oriented B2B marketing

The volume of advertising within the scope of target group-focused marketing in trade magazines and partnerships focusing on the SME sector was increased in the financial year 2018. In 2018, CEWE once again exploited the high level of brand awareness for its Photofinish-ing business in order to sharpen the profile of the CEWE-PRINT.de brand in Germany. Its marketing agenda also includes targeting new customers through online advertising and maintaining relationships with existing customers by means of newsletters and mailings.

#### Acquisition of the online printing firm LASERLINE

At the start of the financial year 2018, CEWE acquired the online printing firm LASERLINE. This company operates a printing centre in Berlin and its sales activities are mainly focused on the Berlin and Brandenburg area. Particularly here, LASERLINE has an excellent customer base, an extensive range of products, technically sophisticated equipment and outstanding employees. Through this acquisition, CEWE and LASERLINE will be able to grow together and secure improved purchasing conditions as well as other economies of scale.



## Commercial Online Printing results

- Turnover increases to 101.6 million euros, due to the acquisition of LASERLINE in 2018 in particular (2017: 84.0 million euros)
- Business trend in 2018 once again shaped by Brexit in the UK as well as price pressure in Germany
- Extraordinary expenses due to the integration of LASERLINE and partly one-off cost increases result in negative EBIT for the year 2018 as a whole: -1.6 million euros (2017: 1.6 million euros)
- Fourth quarter provides result of 2.0 million euros, with an EBIT margin of 7.0 %

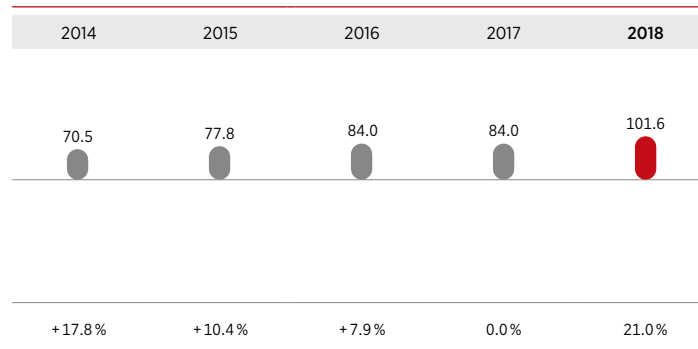
### Commercial Online Printing turnover increases to 101.6 million euros in 2018

In the financial year 2018, the turnover of the Commercial Online Printing business unit increased from 84.0 million euros in the previous year to 101.6 million euros – a strong growth rate of 21%. Adjusted for currency effects, turnover has even increased by 21.5% to 102.1 million euros. This turnover growth has mainly resulted from the acquisition of the online printing provider LASERLINE, which CEWE has

consolidated in its Commercial Online Printing business unit since January 2018. However, also in organic terms Commercial Online Printing once again achieved stronger growth than in the previous year, with low single-digit percentage turnover growth.

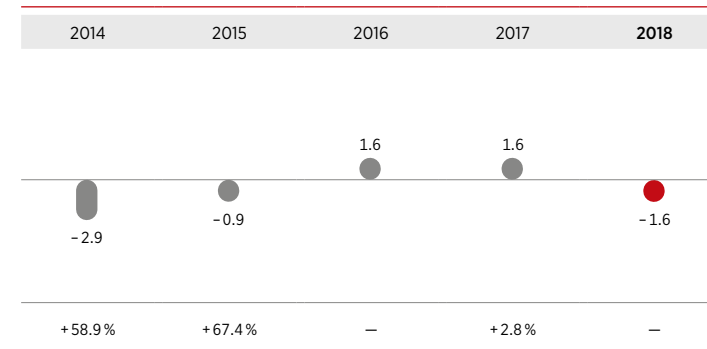
Commercial Online Printing's organic growth remains subdued due to price pressure in Germany as well as the performance of the British market. For CEWE, profitable growth is of paramount importance. Accordingly, there was therefore no question of a short-term price response to this behaviour on the part of the company's competitors in its domestic market in the financial year 2018. Since the Brexit decision, above all business in the UK has been characterised by exchange rate losses and declining demand. Overall, all of the Group's foreign portals (with the exception of the UK) have provided a particularly strong contribution to the reported turnover growth. Foreign markets' growth potential remains disproportionately strong. In 2018, further development and expansion of CEWE's sales activities in its foreign markets once again played a key role in its business performance.

Commercial Online Printing turnover (Q1-4) in millions of euros



Change on previous year

Commercial Online Printing EBIT (Q1-4) in millions of euros



Change on previous year

#### Fourth quarter registers growth of + 22.9% to 28.6 million euros

With strong growth of 22.9%, the fourth quarter of 2018 increased its turnover contribution to 28.6 million euros (Q4 2017: 23.3 million). Adjusted for currency effects, turnover has even increased by 23.4% to 28.8 million euros. In Commercial Online Printing, too, the strongest month in terms of turnover falls in the fourth quarter: in November, many business customers are preparing for their Christmas business and increase their orders of printed advertising media. In the fourth quarter, almost all of this turnover growth once again resulted from the acquisition of LASERLINE. However, CEWE's core Commercial Online Printing business upped the pace of its growth in the key Christmas quarter organically to a mid-single digit growth rate and thus achieved stronger growth than in the first nine months of the financial year 2018.

#### EBIT lower than in the previous year, mainly due to LASERLINE's integration

With an EBIT figure of -1.6 million euros, Commercial Online Printing was unable to match the previous year's positive result of 1.6 million euros.

In the year under review, costs for the integration of the acquired online printing firm LASERLINE in the amount of -0.9 million euros arose as a one-off factor. In addition, Commercial Online Printing earnings in 2018 include, for the last time, non-operating expenses resulting from the purchase price allocation for the SAXOPRINT Group, in the amount of -0.6 million euros. In particular, these comprise amortisation on identified intangible assets. For LASERLINE, too, around -0.4 million euros arose in the year under review due to the purchase price allocation which was finalised in the fourth quarter. In the previous year, 2017, only expenses resulting from the purchase price allocation for the SAXOPRINT Group in the amount of -0.6 million euros had arisen as a one-off factor.

Adjusted for these one-off factors, Commercial Online Printing's EBIT in 2018 amounts to +0.3 million euros (EBIT figure adjusted for the one-off factor in the previous year, 2017: +2.3 million euros).

This decline in operating earnings is attributable, on the one hand, to the development of turnover influenced by price pressure, on account of which volume-based discounts were granted even for very large customers. Together with increases in the price of paper in particular which affected the cost of sales, this resulted in corresponding declines in gross margins.

As well as the above-mentioned integration costs, LASERLINE's operating earnings contribution in the year of its acquisition was also negative, as envisaged.

Personnel expenses increased slightly, in particular, due to wage increases and one-off payments due to the increasing lack of specialist staff, particularly at SAXOPRINT's production plant in Dresden.

In the first half of 2018 in particular, Commercial Online Printing was obliged to temporarily increase its cost base due to higher logistics costs for express shipping, in order to ensure compliance with agreed delivery times. Appropriate countermeasures were already implemented over the course of the year. In the fourth quarter of the year under review in particular, these resulted in an improvement in earnings. International growth also resulted in increased postage expenses due to more expensive foreign shipping.

**Fourth quarter provides result of 2.0 million euros, with an EBIT margin of 7.0 %**

As outlined above, the seasonal peak for Commercial Online Printing – with highly efficient utilisation levels for production facilities – likewise falls in the fourth quarter. With an EBIT figure of 2.0 million euros (2017: 1.4 million euros), the result for the Commercial Online Printing business unit in the key Christmas quarter once again improved on previous years. The EBIT margin thus amounted to 7.0 % (Q4 2017: 6.1%).

Before non-operating effects resulting from the purchase price allocations for SAXOPRINT in the amount of – 0.1 million euros (Q4 2017: – 0.1 million euros) and LASERLINE, also in the approximate amount of – 0.1 million euros, as well as the costs of – 0.1 million euros for the integration of LASERLINE which arose in the quarter under review, in the fourth quarter this business unit achieved an operating EBIT figure of 2.3 million euros and thus an EBIT margin of 8.1% (Q4 2017: 1.6 million euros, 6.8%). This margin indicates the performance which Commercial Online Printing is capable of generating over a long-term period, subject to an appropriate level of utilisation.



## Retail business unit

### Developments in the Retail business unit

#### CEWE RETAIL has both retail outlets and online shops

CEWE operates multichannel retailing in Poland, the Czech Republic, Slovakia, Norway and Sweden in the form of retail outlets and online shops. CEWE RETAIL offers its customers an attractive selection of cameras, lenses, accessories and services as well as CEWE's entire Photofinishing range, not only in attractive locations in city centres and shopping centres but also over the Internet.

#### CEWE RETAIL is the distribution channel for photofinishing products

Since its repositioning which was initiated in 2016, CEWE RETAIL has clearly focused on generating photofinishing business, i.e. the marketing of CEWE PHOTOBOOK, CEWE CALENDAR, CEWE WALL ART, CEWE CARDS and other photo gifts. The turnover and earnings contribution provided by this photofinishing product range is reported in the Photofinishing business unit. The Retail business unit only reports turnover and earnings from photo hardware business with cameras, lenses and other photo equipment. In future, CEWE will continue to develop this merchandise business with optimal margins, while deliberately avoiding unprofitable turnover.

#### Well positioned in the relevant market, with a focus on photography enthusiasts

In 2018, CEWE RETAIL once again maintained or even expanded its strong market position in Norway, the Czech Republic and Slovakia, since it remains a preferred port of call for photography enthusiasts thanks to its outstanding product range. In the year under review, CEWE RETAIL once again exploited its advantages resulting from a combination of attractive retail stores and its Internet business which has been established for many years now and optimised existing branches instead of pursuing a strategy of expansion. As well as its existing customers, it is thus increasingly also appealing to new customer groups which are interested in photography.

## Retail results

- CEWE RETAIL's hardware turnover in 2018 amounts to 48.7 million euros (2017: 53.0 million euros)
- EBIT once again positive thanks to more profitable Christmas business: 0.1 million euros (2017: 0.3 million euros)

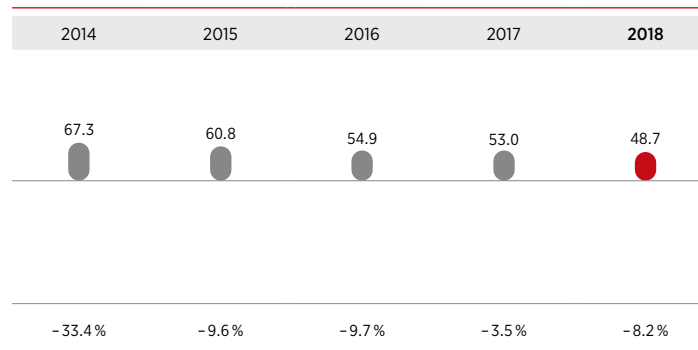
### CEWE RETAIL realises turnover of 48.7 million euros in 2018

CEWE RETAIL's product range, the high-quality advice provided and its strong customer focus are the key factors which determine its outstanding market position. Moreover, for a good two years now CEWE has focused even more strongly on sales of photofinishing products (which are reported in its Photofinishing business unit) through its own Retail operations. In addition, an optimised price strategy has been implemented in order to strengthen margins for photo hardware. This deliberate abandonment of low-margin turnover had already significantly reduced turnover in the Retail business unit over the past few years in some cases. Moreover, high-quality reflex camera business

in particular remained difficult in 2018. In 2018, at 48.7 million euros Retail turnover was lower than in the previous year (2017: 53.0 million euros, -8.2%). Adjusted for currency effects, the decline in turnover was slightly weaker than in the previous year, at 49.1 million euros and -7.4%. At the same time, Retail was able to once again increase its turnover from photofinishing products, which is reported in the strategic Photofinishing business unit.

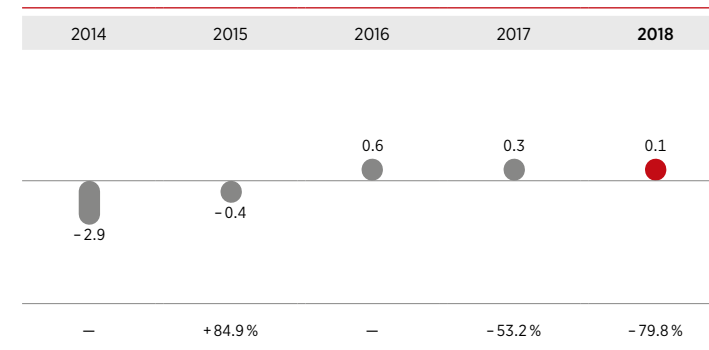
The same picture applies for the fourth quarter of 2018, considered in isolation: at 13.6 million euros, CEWE RETAIL remained 9.2% short of than the turnover volume achieved in the same quarter in the previous year (Q4 2017: 15.0 million euros). Adjusted for currency effects, the decline is slightly lower at 13.7 million euros or -8.6% on the same quarter in the previous year. However, at the same time turnover from photofinishing products once again increased in the fourth quarter, by comparison with the previous year.

Retail turnover (Q1-4) in millions of euros



Change on previous year

Retail EBIT (Q1-4) in millions of euros



Change on previous year

### EBIT in the Retail business unit once again positive in 2018: 0.1 million euros

As in the other business units, in the Retail business unit Christmas business – and thus the fourth quarter – plays a key role in the earnings trend for the year as a whole. The repositioning of Retail business in Poland in particular, which CEWE has pursued over the past few years, once again helped to boost earnings in the year under review, despite the continuing decline in hardware turnover over the year as a whole and during the Christmas business season in 2018. In Sweden, Retail business was reorganised in the past year, with an even stronger focus on sales of photofinishing products here too. Accordingly, space for hardware in stores has been reduced to a minimum, in favour of photofinishing products.

Despite the decline in turnover, in 2018 the Retail business unit remained at the same improved level of earnings (by comparison with the period

prior to its repositioning) and realised a positive EBIT figure of 0.1 million euros (2017: 0.3 million euros). By comparison with the loss years 2014 and 2015, the cost savings measures achieved by last year's branch optimisations, which were once again rigorously implemented, and the adjustment of the company's business model are having a lasting effect. Moreover, the focus on a higher-margin pricing policy has meanwhile provided a positive contribution to the earnings situation.

### Fourth quarter delivers slightly higher earnings of 0.8 million euros, despite decline in turnover

With an EBIT figure of 0.8 million euros which was mainly generated through Christmas business, the fourth quarter of 2018 was actually slightly more profitable than the same quarter in the previous year (Q4 2017: 0.7 million euros), despite the above-mentioned decline in turnover. This is a nice trend which was only possible thanks to the repositioning and realignment of Retail activities.

## Other Activities business unit

Structural and company expenses, real estate and equity investments summarised in the Other Activities business unit.

CEWE reports its structural and company costs as well as the result of its real estate holdings and equity investments in its Other Activities business unit. Structural and company costs mainly comprise the costs associated with the company's committees as well as the costs of its general meetings and the costs of investor relations activities for all of the company's business units. The earnings generated by the Group company futalis are also reported in this business unit, since its business activities cannot be allocated to CEWE's other business units. As a premium brand, online at [www.futalis.de](http://www.futalis.de), futalis produces and markets highly personalised pet food which is tailored to each animal's specific veterinary requirements.

In 2018, CEWE realised turnover in the amount of 4.0 million euros (2017: 3.0 million euros) in its Other Activities business unit. This turnover is entirely attributable to futalis.

The EBIT figure reported for the Other Activities business unit improved to -2.6 million euros in the financial year 2018 (2017: -6.6 million euros).

In the previous year, 2017, the purely operating EBIT contribution provided by this segment, deriving from the expense items for structural and company costs and the result of real estate holdings and equity investments, likewise amounted to approx. -2.6 million euros. Moreover, in the previous year, 2017, the scheduled amortisation of intangible assets within the scope of the purchase price allocation for futalis resulted in an EBIT effect of -0.5 million euros. Moreover, on the basis of a recent impairment test CEWE brought forward the not yet amortised remainder of this purchase price allocation in the amount of -3.5 million euros, whose scheduled amortisation had been envisaged over the next three years, and already fully recognised this as expense.

### EBIT by business units

<i>in millions of euros</i>	Q1-4 2014	Q1-4 2015	Q1-4 2016	Q1-4 2017	Q1-4 2018
Photofinishing	39.4	40.2	52.0	53.9	57.8
Retail	-2.9	-0.4	0.6	0.3	0.1
Commercial Online Printing	-2.9	-0.9	1.6	1.6	-1.6
Other Activities	-1.0	-2.4	-7.2	-6.6	-2.6
<b>Group</b>	<b>32.6</b>	<b>36.4</b>	<b>47.0</b>	<b>49.2</b>	<b>53.7</b>

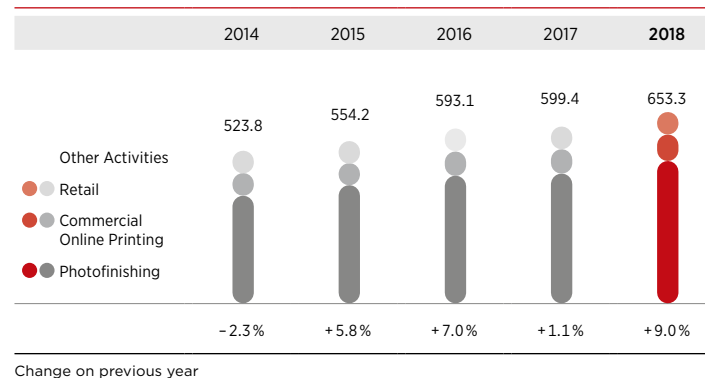
## Consolidated profit and loss account

- Group turnover increases to 653.3 million euros (2017: 599.4 million euros)
- All of the company's goals for 2018 achieved or surpassed: Group EBIT increases to 53.7 million euros (2017: 49.2 million euros)
- Outstanding fourth quarter with a result (EBIT) of 57.5 million euros (Q4 2017: 46.1 million euros, + 24.8%)
- EBIT margin for the Group unchanged at 8.2%, despite planned still negative EBIT contributions from acquisitions
- Group tax rate of 31.9%
- Earnings per share increase to 5.06 euros (2017: 4.59 euros/share)

### Group turnover increases to 653.3 million euros in 2018

Organic turnover growth as well as acquisition-related turnover growth in the Photofinishing and Commercial Online Printing business units delivered turnover growth for the Group as a whole of 9.0% in 2018 by comparison with the previous year: Group turnover increased from 599.4 million euros in 2017 to 653.3 million euros in the year under review.

Turnover in millions of euros



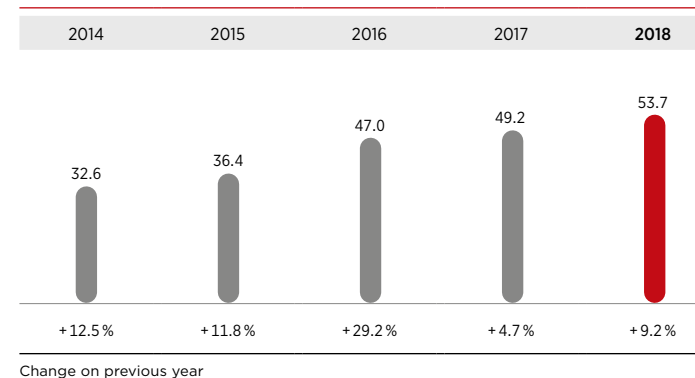
At 261.6 million euros, Group turnover for the fourth quarter of 2018 clearly exceeded the figure for the previous year, with a growth rate of 11.6% (Q4 2017: 234.5 million euros). As well as organic growth, the acquisitions in the Photofinishing and Commercial Online Printing business units were the key factors here.

### Overall year 2018

in millions of euros	Target	Actual	Deviation*
EBIT	48-54	53.7	+5.3%
EBT	47.5-53.5	53.3	+5.6%
Earnings after tax	33-37	36.3	+3.7%
Earnings per share euros/share	4.55-5.13	5.06	+4.6%

\* Calculated on the basis of the mean value for the planned target range

Operating result (EBIT) in millions of euros



### EBIT target range for 2018 clearly achieved, at upper limit

With a result of 653.3 million euros, CEWE has not only clearly fulfilled its target turnover volume of between 630 and 665 million euros. With its Group EBIT figure of 53.7 million euros, CEWE is likewise at the upper end of its target range of between 48 and 54 million euros. This represents growth of 4.5 million euros by comparison with the previous year (2017 EBIT: 49.2 million euros).

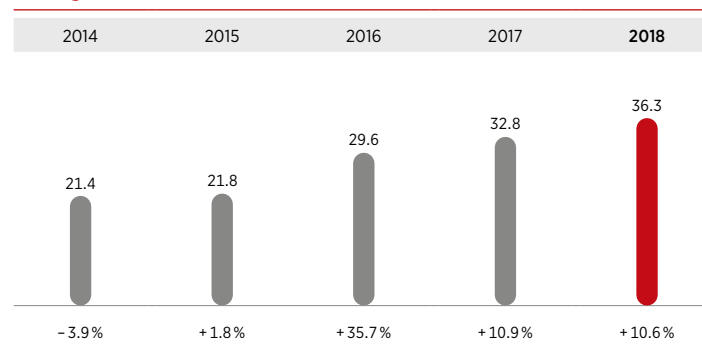
Before the one-off factors already outlined in the sections for the business units (Nuremberg site 1.2 million euros, effects of purchase price allocations – 3.2 million euros, costs for the integration of LASERLINE – 0.9 million euros and extraordinary expenses for CEWE's presence at photokina – 1.3 million euros), following 54.5 million euros in the previous year the consolidated operating EBIT figure amounted to 57.9 million euros in the year under review (one-off factors 2017: proceeds of the sale of the site in Denmark 0.5 million euros, effects of purchase price allocations – 1.5 million euros, impairment write-down on PPA assets – 3.5 million euros, additional expenses for employee shares – 0.7 million euros). Here too, a decent increase has been achieved.

### Fourth quarter with new peak earnings contribution of 57.5 million euros

The fourth quarter is highly significant for the company's annual EBIT figure due to the clear seasonal peak in the Photofinishing business unit and likewise in the Commercial Online Printing business unit. In the quarter under review, the reported consolidated EBIT figure increased by 11.4 million euros and amounted to 57.5 million euros (Q4 2017: 46.1 million euros).

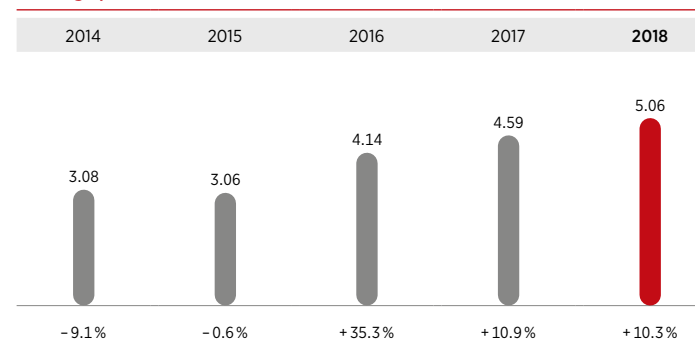
The operating EBIT figure before the one-off factors recognised in the fourth quarter (Q4 one-off factors 2018: effects resulting from purchase price allocations – 0.8 million euros, integration costs for LASERLINE – 0.1 million euros) now amounted to 58.4 million euros in the current quarter under review, compared to 50.7 million euros in the same quarter in the previous year (Q4 one-off factors 2017: effects resulting from purchase price allocations – 0.4 million euros, impairment write-down on PPA assets – 3.5 million euros, additional expenses for employee shares – 0.7 million euros). As for the year as a whole, a significant increase is apparent here too.

Earnings after taxes in millions of euros



Change on previous year

Earnings per share in euros



Change on previous year

### Group EBIT margin unchanged at 8.2%, despite acquisitions

In overall terms, the absolute improvement in earnings has resulted in an unchanged EBIT margin for the Group of 8.2%, despite the envisaged negative earnings contributions from the two recent acquisitions, Cheerz and LASERLINE. The outstanding earnings situation for CEWE's core Photofinishing business unit in particular has more than made up for the planned initial losses for the acquired companies – this is a positive trend.

### Uneven development of business units shapes P&L structure

The contributions which the various business units have provided to the profit and loss account has varied in structural terms: in the Photofinishing business unit, the trend towards value-added products generally means a lower volume of material expenditure but an increasing volume of personnel expenses and other operating expenses. Commercial Online Printing is generally characterised by a higher cost of materials and slightly lower personnel expenses and other operating expenses than in the Photofinishing business unit. On the other hand, Retail entails a significantly higher cost of materials but lower personnel expenses and other operating expenses than in the other two business units. Scheduled depreciation is at a stable level due to investment activities. In the following discussion of the structure of the Group's profit and loss account, these effects are explained in reference to the key items.

### Changes in individual P&L items largely reflect business trend in 2018

The slight decrease in the "Change in inventories" ① position has resulted from the initial consolidation of LASERLINE in particular. The initial consolidation of LASERLINE has resulted in a slight increase, in almost exactly the same amount, in "Own work capitalised" ②, due to the completion of its new online store. Other operating income ③ has increased by almost 2.0 million euros by comparison with the previous

year. On the one hand, CEWE realised irregular, non-period income here through the sale of its former Photofinishing production site in Nuremberg, in the approximate amount of 1.2 million euros. In addition, increased rental income arose in the year under review for the building space leased to third parties in Saxopark, SAXOPRINT's production plant in Dresden.

### Optimisation of photo hardware business in particular reduces the Group's cost of materials ratio

The cost of materials ④ did not increase at quite the same rate as the turnover volume. The material expense ratio has thus declined from 28.1% to 27.3%. In particular, this is attributable to the declining volume of Retail turnover, which tends to support a higher cost-of-sales ratio than the increase in the Photofinishing and Commercial Online Printing business units, which have reported a lower material expense ratio despite higher paper prices. The cost-of-sales ratio has thus declined for the Group as a whole. Moreover, in the Photofinishing business unit the cost of materials ratio has generally declined due to increased demand for printed photo products and the decrease in the volume of photos produced using the silver halide process.

### Acquisitions play a key role in personnel expenses

The absolute increase in personnel expenses ⑤ has resulted in personnel costs amounting to 27.3% of turnover (2017: 26.7%). This increase is mainly attributable to the acquisitions of Cheerz and LASERLINE, with more than 250 additional employees in total. On the other hand, as a lesser factor pay scale adjustments in all three business units increased personnel expenses by comparison with the previous year.

### Cheerz and LASERLINE as well as presence at the photokina trade fair increase other operating expenses

Other operating expenses (6) have increased slightly to 35.0% of turnover (2017: 34.3%). In absolute terms, this item increased by approx. 23 million euros in the year under review. Almost 100% of this increase is attributable to the initial consolidation of Cheerz and LASERLINE. The cost base has increased here, in particular, due to marketing and mail-order logistics costs as well as costs of premises and administrative expenses for the two acquisitions. The other operating expenses also include approx. 1.3 million euros of costs for the company's presence at the photokina trade fair in 2018. Since this trade fair is only held every two years, these costs did not occur in the previous year.

### One-off effect in the previous year and acquisitions result in almost unchanged depreciation

The volume of depreciation (7) which is almost unchanged in absolute terms has resulted from two opposite effects: on the one hand, the acquisitions of Cheerz and LASERLINE have increased depreciation in the CEWE Group due to their property, plant and equipment, intangible assets as well as amortisation on the purchase price allocations. On the other hand, the amortisation recognised in the previous year on the remainder of the purchase price allocation for the CEWE company futalis, in the amount of -3.5 million euros, no longer arose in the year under review. The depreciation ratio has thus declined from 6.7% in the previous year to 6.2% in the year under review, with a rising volume of overall turnover.

With a rounded-up figure of -0.4 million euros, the expenses associated with the financial result (8) are once again at a very low level (2017: -0.3 million euros).

### Consolidated profit and loss account

<i>in millions of euros</i>	Q1 - 4 2017	% of turnover	Q1 - 4 2018	% of turnover	Change as %	Change in millions of euros
<b>Revenues</b>	<b>599.4</b>	<b>100%</b>	<b>653.3</b>	<b>100%</b>	<b>+9.0%</b>	<b>+53.9</b>
Change in inventories	0.1	0.0%	-0.1	0.0%	—	-0.3 (1)
Other own work capitalised	0.9	0.1%	1.1	0.2%	+26.4%	+0.2 (2)
Other operating income	23.2	3.9%	25.1	3.8%	+8.4%	+1.9 (3)
Cost of materials	-168.4	-28.1%	-178.7	-27.3%	-6.1%	-10.2 (4)
<b>Gross profit</b>	<b>455.1</b>	<b>75.9%</b>	<b>500.7</b>	<b>76.6%</b>	<b>+10.0%</b>	<b>+45.6</b>
Personnel expenses	-160.3	-26.7%	-178.1	-27.3%	-11.1%	-17.9 (5)
Other operating expenses	-205.5	-34.3%	-228.6	-35.0%	-11.2%	-23.1 (6)
<b>EBITDA</b>	<b>89.3</b>	<b>14.9%</b>	<b>93.9</b>	<b>14.4%</b>	<b>+5.2%</b>	<b>+4.6</b>
Depreciation	-40.1	-6.7%	-40.2	-6.2%	-0.3%	-0.1 (7)
<b>EBIT</b>	<b>49.2</b>	<b>8.2%</b>	<b>53.7</b>	<b>8.2%</b>	<b>+9.2%</b>	<b>+4.5</b>
Financial income	0.5	0.1%	0.7	0.1%	+49.5%	+0.2 (8)
Financial expenses	-0.8	-0.1%	-1.1	-0.2%	-32.4%	-0.3 (8)
<b>EBT</b>	<b>48.9</b>	<b>8.2%</b>	<b>53.3</b>	<b>8.2%</b>	<b>+9.1%</b>	<b>+4.5</b>
Income taxes	-16.0	-2.7%	-17.0	-2.6%	-6.1%	-1.0
<b>Earnings after taxes</b>	<b>32.8</b>	<b>5.5%</b>	<b>36.3</b>	<b>5.6%</b>	<b>+10.6%</b>	<b>+3.5</b>



### Group tax rate reduced from 32.8% to 31.9%

The Group's tax rate for the reported EBT amounts to 31.9% for the financial year 2018 (previous year: 32.8%).

When considering the Group's tax position, in principle it should be noted that, in particular, still negative earnings of companies in which CEWE holds an equity investment have resulted in an increased tax rate, since use of the related loss carry-forwards will only have a positive impact on the tax rate in subsequent years. Adjusted for this special balance-sheet item, in the previous year, 2017, a normalised tax rate of 32.2% applied. In the financial year 2018, the negative earnings contributions contrasted with positive effects in almost the same amount which resulted from the capitalisation of deferred taxes on loss carry-forwards. The normalised tax rate of 31.9% thus matched the reported tax rate.

Due to a different previous interpretation of the basis in law for the addition of remuneration for activities provided for CEWE Stiftung & Co. KGaA, the tax result for 2017 was adjusted within the scope of the trade tax calculation. The tax result previously reported for 2017, in the amount of -15,317 thousand euros, has thus now changed to -16,042 thousand euros.

### Earnings after tax of 36.3 million euros result in earnings per share of 5.06 euros

CEWE realised earnings after tax of 36.3 million euros (2017: 32.8 million euros) in the financial year 2018, i. e. at the upper end of its envisaged target range of 33 to 37 million euros. Undiluted earnings per share accordingly amounted to 5.06 euros (2017: 4.59 euros), within the envisaged target range of between 4.55 and 5.13 euros.

#### Q4 earnings

<i>in millions of euros</i>	2017	2018	Change
Earnings from operating activities (EBIT)	46.1	57.5	+24.8%
Earnings before taxes (EBT)	45.5	57.3	+26.0%
Earnings after taxes	30.7	39.2	+27.7%

## Balance sheet and financing

- Solid balance sheet: equity ratio declines to 53.8 %
- Operating net working capital reduced by 25.0 %
- Solid financing structure, net cash position of 24.2 million euros – even after acquisitions

The following comments on CEWE's balance sheet and financing structure mainly refer to the development of the management balance sheet during the past financial year. Where necessary for a fuller picture, these figures are also compared with the situation as of September 30, 2018. They are preceded by a section detailing general trends for the consolidated balance sheet by comparison with December 31, 2017.

### Acquisitions result in increase in total assets

By comparison with the previous year, the balance sheet as of December 31, 2018 has mainly been shaped by the two acquisitions in the first quarter of 2018 (Cheerz and LASERLINE). Non-current assets have thus increased by 65.2 million euros to 286.7 million euros. Of this amount, 33.9 million euros was attributable to the acquisition-related increase in goodwill alone, and 15.1 million euros to the intangible assets acquired through these companies. At the same time, current assets have increased by 0.9 million euros to 185.5 million euros. While trade

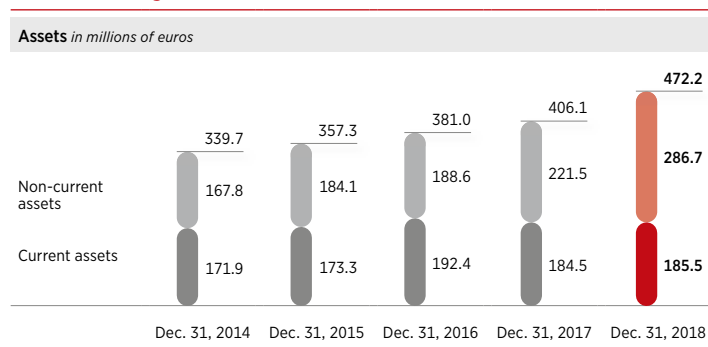
receivables increased by 8.3 million euros on business-related grounds, besides other factors, the Group's liquidity was reduced by 10.7 million euros.

### Solid balance sheet: equity ratio of 53.8%, even after acquisitions

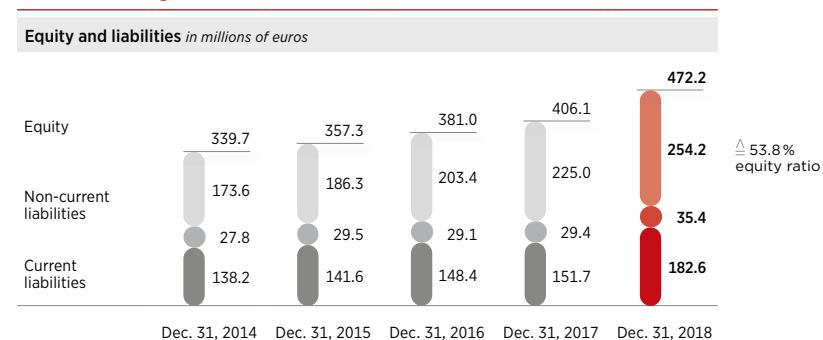
Equity has increased by a total of 29.2 million euros by comparison with December 31, 2017 and amounts to 254.2 million euros. In particular, this reflects positive comprehensive income in the past financial year, in the amount of 36.9 million euros, less owner-related equity changes in the amount of -10.3 million euros. The owner-related equity capital changes include, in particular, the dividend distribution of 13.3 million euros and, on the other hand, the allocation to the capital reserve for stock option plans as well as the retirement of treasury shares. Due to the significantly increased volume of total assets due to the acquisitions, the company's equity ratio has decreased by 1.6 percentage points to 53.8%.

The Group's debt has increased by 37.0 million euros by comparison with December 31, 2017 and amounts to 218.0 million euros. This reflects the 16.8 million euros increase in current trade payables – which is likewise due to business as well as the acquisitions – and

### Balance sheet figures



### Balance sheet figures

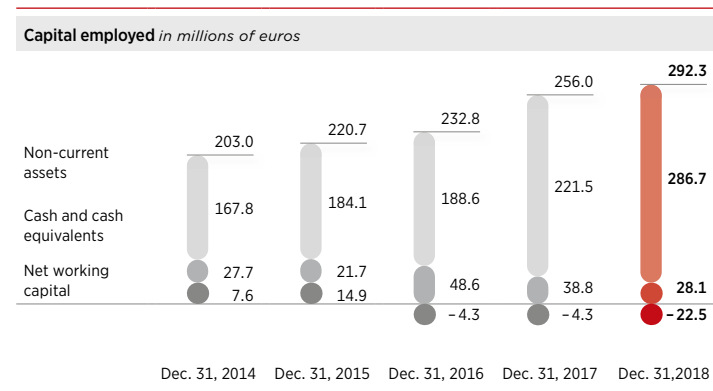


the 8.8 million euros increase in current financial liabilities, which chiefly reflects the liabilities resulting from put and call options on the acquisition of Cheerz which are included in this figure. Current income tax liabilities have increased by 2.3 million euros, which is mainly due to the revised treatment of remuneration for activities provided for CEWE Stiftung & Co. KGaA (see comments on the tax result – page 87). Due to this trend, non-current liabilities have increased by 6.1 million euros to 35.4 million euros while current liabilities have risen by 30.9 million euros to 182.6 million euros.

### Capital employed increases by 36.3 million euros, due to acquisitions

On December 31, 2018, the capital employed totalled 292.3 million euros and was thus 36.3 million euros higher than in the previous year. As outlined below, the non-current assets <sup>①</sup> included in this figure increased by 65.2 million euros to 286.7 million euros. This was mainly due to acquisitions. Net working capital <sup>②</sup> amounted to –22.5 million euros in the year under review (previous year: –4.3 million euros). Cash and cash equivalents <sup>③</sup> decreased by 10.7 million euros to 28.1 million euros.

### Management balance-sheet figures



### Capital employed

<i>in millions of euros</i>	Dec. 31, 2017	% of CE	Dec. 31, 2018	% of CE	Change as %	Change in millions of euros
Non-current assets	221.5	86.5 %	286.7	98.1 %	+29.4 %	+65.2 <sup>①</sup>
+ Net working capital	-4.3	-1.7 %	-22.5	-7.7 %	+418 %	-18.2 <sup>②</sup>
+ Cash and cash equivalents	38.8	15.1 %	28.1	9.6 %	-27.6 %	-10.7 <sup>③</sup>
<b>Capital employed</b>	<b>256.0</b>	<b>100 %</b>	<b>292.3</b>	<b>100 %</b>	<b>+14.2 %</b>	<b>+36.3</b>

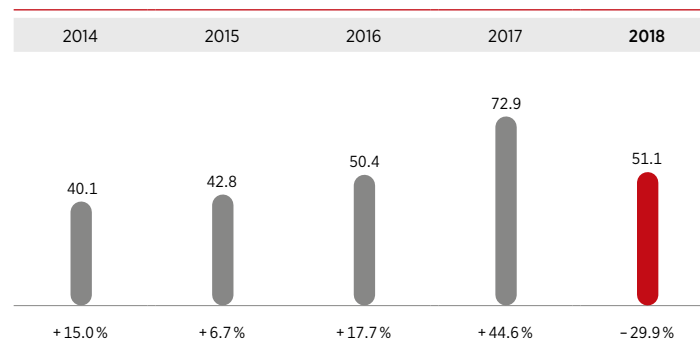
**Non-current assets**

<i>in millions of euros</i>	Dec. 31, 2017	% of CE	Dec. 31, 2018	% of CE	Change as %	Change in millions of euros
Property, plant and equipment	148.1	57.9%	160.2	54.8%	+ 8.2%	+ 12.1 <sup>5</sup>
Investment properties	17.9	7.0%	17.6	6.0%	- 1.2%	- 0.2
Goodwill	25.8	10.1%	59.7	20.4%	+ 131%	+ 33.9
Intangible assets	14.1	5.5%	28.5	9.7%	+ 102%	+ 14.4 <sup>6</sup>
Financial assets	6.8	2.7%	6.9	2.3%	+ 0.4%	+ 0.0
Non-current financial assets	0.4	0.2%	1.3	0.4%	+ 218%	+ 0.9
Non-current other receivables and assets	0.6	0.2%	0.3	0.1%	- 54.3%	- 0.3
<b>Deferred tax assets</b>	7.8	3.1%	12.3	4.2%	+ 56.7%	+ 4.4
<b>Non-current assets</b>	<b>221.5</b>	<b>86.5%</b>	<b>286.7</b>	<b>98.1%</b>	<b>+ 29.4%</b>	<b>+ 65.2 <sup>4</sup></b>

**Increase in non-current investments, due to acquisitions**

In the past financial year, non-current assets <sup>4</sup> increased by 65.2 million euros, particularly due to the acquired fixed assets (+ 51.1 million euros) as well as the other investments in property, plant and equipment (+ 43.4 million euros) <sup>5</sup>. The company has invested 13.1 million euros in digital printing and finishing, 12.2 million euros in offset printing and finishing, 7.2 million euros in point-of-sale pres-

ences, 2.8 million euros in IT infrastructure and 8.1 million euros in various items of property, plant and equipment. At 5.9 million euros, investments in intangible assets <sup>6</sup> mainly related to software. Overall, 51.1 million euros were invested in 2018, compared to 72.9 million euros in the previous year. Operational investments amounted to 49.6 million euros and were thus below the target for 2018. This does not include additions from acquisitions.

**Investments** *in millions of euros*

Change on previous year

**Scope of working capital in relation to the previous quarter's turnover**

<i>in days</i>	Dec. 31, 2017	Sep. 31, 2018	Dec. 31, 2018
Inventories	19	31	17
Current trade receivables	32	27	32
Current trade payables	37	39	39
<b>Operating net working capital</b>	<b>15</b>	<b>20</b>	<b>10</b>

**Net working capital**

<i>in millions of euros</i>	Dec. 31, 2017	% of CE	Dec. 31, 2018	% of CE	Change as %	Change in millions of euros
<b>Operating net working capital</b>	<b>39.0</b>	<b>15.2%</b>	<b>29.2</b>	<b>10.0%</b>	<b>-25.0%</b>	<b>-9.8</b> <sup>8</sup>
- Other net working capital	-43.4	-16.9%	-51.8	-17.7%	-19.4%	-8.4
<b>Net working capital</b>	<b>-4.3</b>	<b>-1.7%</b>	<b>-22.5</b>	<b>-7.7%</b>	<b>-418%</b>	<b>-18.2</b>

Operating net working capital <sup>7</sup> and other net working capital <sup>8</sup> have contributed to the decline in net working capital <sup>9</sup>, as outlined in detail in the following sections.

**Operating net working capital**

<i>in millions of euros</i>	Dec. 31, 2017	% of CE	Dec. 31, 2018	% of CE	Change as %	Change in millions of euros
Inventories	50.3	19.7%	49.0	16.8%	-2.6%	-1.3
+ Current trade receivables	84.5	33.0%	92.9	31.8%	+9.9%	+8.3
<b>Operating gross working capital</b>	<b>134.9</b>	<b>52.7%</b>	<b>141.9</b>	<b>48.6%</b>	<b>+5.2%</b>	<b>+7.0</b>
- Current trade payables	95.9	37.4%	112.7	38.5%	+17.5%	+16.8
<b>Operating net working capital</b>	<b>39.0</b>	<b>15.2%</b>	<b>29.2</b>	<b>10.0%</b>	<b>-25.0%</b>	<b>-9.8</b>

**Operating net working capital reduced by 25.0%**

By comparison with December 31, 2017, operating net working capital <sup>8</sup> was reduced by 25.0% to 29.2 million euros, mainly due to the increasingly seasonal nature of business as well as the increase in trade payables on account of the acquisitions. By comparison with September 30, 2018, the decrease amounts to 0.6 million euros. Due to the

further increase in the volume of business in the fourth quarter of 2018, the scope has undergone a positive change, calculated on the basis of the turnover in the previous quarter. Operating net working capital <sup>8</sup> overall as of late December has thus decreased from 15 to 10 days.

This decrease in the scope was attributable to the increase in trade payables <sup>(10)</sup> by 16.8 million euros to 112.7 million euros. In particular, this reflects an investment-related increase in debts to suppliers. The accounts payable collection period therefore amounts to 39 days (previous year: 37 days). In addition, the 1.3 million euros decrease in inventories <sup>(11)</sup> to 49.0 million euros has had a positive impact. The scope

of inventories decreased from 19 days to 17 days – mainly due to the further increase in the volume of turnover in the fourth quarter. Due to the growing volume of business, trade receivables <sup>(12)</sup> increased by 8.3 million euros to 92.9 million euros. However, the average payment period for trade receivables remained unchanged at 32 days, since this increase reflected business growth.

#### Other net working capital

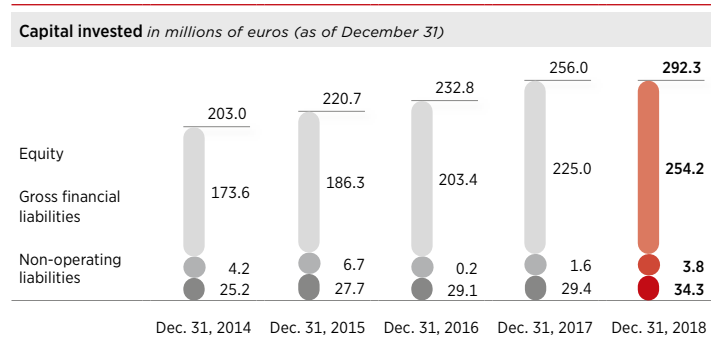
<i>in millions of euros</i>	Dec. 31,2017	% of CE	Dec. 31, 2018	% of CE	Change as %	Change in millions of euros
Non-current assets held for sale	1.4	0.6%	0.0	0.0%	-100%	-1.4
+ Current receivables from income tax refunds	1.5	0.6%	2.7	0.9%	+81.9%	+1.2
+ Current financial assets	2.4	0.9%	3.4	1.2%	+40.6%	+1.0
+ Other current receivables and assets	5.6	2.2%	9.5	3.2%	+67.9%	+3.8
<b>Other gross working capital</b>	<b>10.9</b>	<b>4.3%</b>	<b>15.5</b>	<b>5.3%</b>	<b>+42.2%</b>	<b>+4.6</b> <sup>(14)</sup>
- Current tax liabilities	5.9	2.3%	8.2	2.8%	+38.3%	+2.3
- Current other accruals	3.5	1.4%	3.5	1.2%	-1.6%	-0.1
- Current financial liabilities	1.3	0.5%	10.2	3.5%	+655%	+8.8
- Current other liabilities	43.5	17.0%	45.4	15.5%	+4.6%	+2.0
<b>Other current liabilities</b>	<b>54.3</b>	<b>21.2%</b>	<b>67.3</b>	<b>23.0%</b>	<b>+24.0%</b>	<b>+13.0</b> <sup>(15)</sup>
<b>Other net working capital</b>	<b>-43.4</b>	<b>-16.9%</b>	<b>-51.8</b>	<b>-17.7%</b>	<b>-19.4%</b>	<b>-8.4</b> <sup>(13)</sup>

#### Other net working capital provides stronger contribution to financing

Since the start of the year, other net working capital <sup>(13)</sup> has decreased by a further 8.4 million euros and has provided a stronger contribution to the company's financing, in the amount of -51.8 million euros. While other gross working capital <sup>(14)</sup> increased slightly, by 4.6 million euros to 15.5 million euros, due to accruals and deferrals as well as value-added

tax claims in particular, other current liabilities <sup>(15)</sup> rose significantly, by 13.0 million euros. This includes the purchase price liabilities resulting from the acquisitions in the amount of 8.6 million euros <sup>(16)</sup> as well as an increase in tax liabilities <sup>(17)</sup> due to the revised treatment of remuneration for activities provided for CEWE Stiftung & Co. KGaA (see comments on the tax result – page 87) in addition to a business-related rise in value-added tax liabilities <sup>(18)</sup>.

## Management balance-sheet figures



## Capital invested: significant rise in equity – moderate increase in Group's debt

On December 31, 2018, the capital invested <sup>(18)</sup> – which, by definition, is identical with the capital employed – totalled 292.3 million euros and was thus 36.3 million euros higher than in the previous year. This was mainly attributable to equity <sup>(19)</sup> which has increased significantly, by 29.2 million euros to 254.2 million euros. Non-operating liabilities <sup>(21)</sup> have increased by 4.9 million euros to 34.3 million euros, while gross financial liabilities <sup>(20)</sup> have risen by 2.2 million euros to 3.8 million euros. Overall, the Group's debt has increased moderately, by 7.2 million euros to 38.1 million euros.

## Capital invested

<i>in millions of euros</i>	Dec. 31, 2017	% of CE	Dec. 31, 2018	% of CE	Change as %	Change in millions of euros
<b>Equity</b>	<b>225.0</b>	<b>87.9%</b>	<b>254.2</b>	<b>87.0%</b>	<b>+13.0%</b>	<b>+29.2</b> <sup>(19)</sup>
Non-current accruals for pensions	27.2	10.6%	29.2	10.0%	+7.3%	+2.0
+ Non-current deferred tax liabilities	1.5	0.6%	2.9	1.0%	+91%	+1.4
+ Non-current financial liabilities	0.1	0.1%	1.6	0.5%	>1,000%	+1.4
+ Non-current other liabilities	0.5	0.2%	0.6	0.2%	+21.5%	+0.1
<b>Non-operating liabilities</b>	<b>29.4</b>	<b>11.5%</b>	<b>34.3</b>	<b>11.7%</b>	<b>+16.8%</b>	<b>+4.9</b> <sup>(21)</sup>
+ Non-current interest-bearing financial liabilities	0.0	0.0%	1.1	0.4%	–	+1.1
+ Current interest-bearing financial liabilities	1.6	0.6%	2.7	0.9%	+68.6%	+1.1
<b>Gross financial liabilities</b>	<b>1.6</b>	<b>0.6%</b>	<b>3.8</b>	<b>1.3%</b>	<b>+141%</b>	<b>+2.2</b> <sup>(20)</sup>
<b>Capital invested</b>	<b>256.0</b>	<b>100%</b>	<b>292.3</b>	<b>100%</b>	<b>+14.2%</b>	<b>+36.3</b> <sup>(18)</sup>

**Net cash position**

<i>in millions of euros</i>	Dec. 31, 2017	% of CE	Dec. 31, 2018	% of CE	Change as %	Change in millions of euros
<b>Gross financial liabilities</b>	<b>1.6</b>	<b>0.6%</b>	<b>3.8</b>	<b>1.3%</b>	<b>+141%</b>	<b>+2.2</b> <sup>(20)</sup>
<b>- Cash and cash equivalents</b>	<b>38.8</b>	<b>15.1%</b>	<b>28.1</b>	<b>9.6%</b>	<b>-27.6%</b>	<b>-10.7</b> <sup>(22)</sup>
<b>Net cash position (-)</b>	<b>-37.2</b>	<b>-</b>	<b>-24.2</b>	<b>-</b>	<b>+34.8%</b>	<b>+12.9</b> <sup>(23)</sup>

**Solid financing structure, net cash position of 24.2 million euros – even after acquisitions**

Despite the acquisitions which resulted in cash and cash equivalents outflows in the amount of 38.4 million euros, as of December 31, 2018 CEWE has a net cash position <sup>(23)</sup> of 24.2 million euros. This has resulted in a 10.7 million euros decrease in cash and cash equivalents <sup>(22)</sup>, which is discussed in further detail in the comments on the cash flow, as well as a slight, 2.2 million euros increase in gross financial liabilities <sup>(20)</sup>. This was possible on account of the strong cash flow from operating activities in 2018 (see “Cash flow” section on page 95), which provided virtually all of the funding for the company’s acquisitions in 2018.

**Financial flexibility ensures strategic leeway**

CEWE’s existing credit facilities provide it with additional financial leeway. Following the renegotiation of the agreements in the past financial year, the total credit line available to the CEWE Group amounted to 180.0 million euros (previous year: 94.6 million euros) at the end of the year. After deducting the total loan volume drawn down (3.8 million euros, previous year: 1.6 million euros) and allowing for the company’s existing liquidity (28.1 million euros, previous year: 38.8 million euros), its liquidity potential totalled 204.3 million euros (previous year: 131.8 million euros). The Group’s financing structure offers major strategic leeway. As well as drawn-down fixed-rate loans (3.8 million euros, previous year: 1.6 million euros), the company has long-term revolving credit lines which have been granted for up to seven years as well as continuously renewed one-year lines whose overall purpose

is financing of the company’s liquidity requirements, which fluctuate strongly over the course of a given year due to seasonal factors; this ensures that CEWE is able to fulfil its payment obligations at all times. In addition to this overall volume, additional facilities of up to 120.0 million euros are available for acquisition projects.

All long-term credit commitments are subject to normal bank agreements. No financial covenants have been agreed. No other significant collateral was provided. Standard change of control and penalty clauses apply. These agreements provide sufficiently large strategic leeway. These loans have been granted subject to normal market terms. The CEWE Group’s regular investment budget is fully financed out of its operating cash flow. As well as equalisation of liquidity in the course of the year, these credit facilities are also available for larger strategic measures.

**Golden balance-sheet rule complied with**

Overall, the stability of CEWE’s balance sheet has once again been confirmed through the traditional golden balance-sheet rule: even in case of a continuing high ratio of fixed assets to total assets, non-current assets (60.7% of the balance sheet total, previous year: 54.6%) are fully covered by equity (53.8%, previous year: 55.4%) and by non-current liabilities (7.5%, previous year: 7.2%).



## Cash flow

- EBITDA and reduced tax payments cause cash flow from operating activities to increase to 78.7 million euros
- Extensive investments in the year under review and in the previous year result in lower free cash flow in both years
- Christmas business results in 12.8 million euros growth in free cash flow for the fourth quarter

The following comments initially refer to the cash flow in the past financial year. At the end of this section, details are provided for the fourth quarter.

### Free cash flow positive despite extensive acquisitions

As in the previous year, the increase in cash flow from operating activities to 78.7 million euros financed the net cash used in investing activities, which increased by 6.0 million euros to 76.2 million euros, mainly due to the acquisitions. Free cash flow thus remained virtually unchanged and amounted to 2.5 million euros, compared to 2.2 million euros in the previous year.

### Cash flow from operating activities

<i>in millions of euros</i>	Dec. 31, 2017	Dec. 31, 2018	Change as %	Change in millions of euros
EBITDA	89.3	93.9	+5.2%	+4.6
+ Non-cash factors	2.5	1.2	-52.4%	-1.3
+/- Decrease (+)/increase (-) in operating net working capital	-2.8	4.6	—	+7.4 <sup>④</sup>
+/- Decrease (+) /increase (-) in other net working capital	8.3	-6.8	—	-15.1 <sup>③</sup>
- Taxes paid	-25.2	-14.6	42.1%	+10.6 <sup>②</sup>
+ Interest received	0.2	0.4	112%	+0.2
<b>= Cash flow from operating activities</b>	<b>72.4</b>	<b>78.7</b>	<b>+8.8%</b>	<b>+6.3</b> <sup>①</sup>

### EBITDA growth and reduced tax payments increase cash flow from operating activities to 78.7 million euros

In the financial year 2018, at 78.7 million euros cash flow from operating activities <sup>①</sup> was 6.3 million euros higher than in the same period in the previous year (72.4 million euros). Above all, in the past financial year tax payments <sup>②</sup> decreased by 10.6 million euros. In 2017, tax payments in the amount of 8.4 million euros for previous years had resulted due to a continuously improving earnings situation and on account of tax audits. These effects were no longer applicable in 2018. Overall, net working capital has resulted in an effect in the amount of -7.7 million euros. As outlined below, this was attributable to other

net working capital as well as operating net working capital. In the year under review, at -6.8 million euros other net working capital <sup>③</sup> released 15.1 million euros less in cash than in the previous year (8.3 million euros). In the previous year, the change in the rate of tax for CEWE PHOTOBOOKS had a positive effect on cash flow: besides generating turnover, customers' payments include value added tax which CEWE must remit to the tax authorities in the following month. After the baseline was raised accordingly as of December 31, 2017, things have now returned to normal. The higher payments have also resulted due to acquisition-related effects. Operating net working capital <sup>④</sup> resulted in payment inflows in the amount of 4.6 million euros in

the year under review, compared to payment outflows of – 2.8 million euros in the previous year, and thus increased the cash flow by 7.4 million euros. The decrease in inventories resulted in a positive effect in the amount of 3.0 million euros, which was mainly due to the rundown of Retail inventories. The acquisitions did not have any significant impact, since these were more than made up for by other effects. Trade receivables increased by 6.9 million euros, in line with

the volume of business, and have thus had a negative impact on operating cash flow. Trade payables have increased by 8.4 million euros, on the one hand due to the volume of business resulting from the acquisitions and on the other due to the conditions-related liabilities to business partners included in this figure, which have increased on turnover-related grounds.

#### Cash flow from investing activities

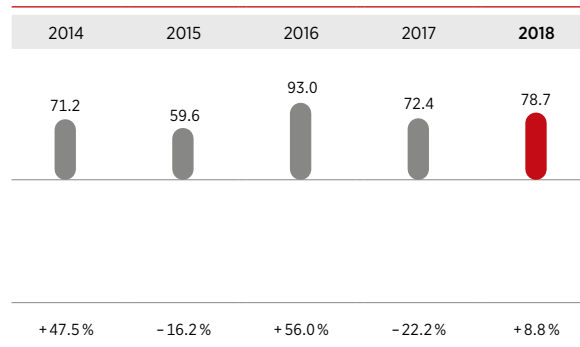
<i>in millions of euros</i>	Dec. 31, 2017	Dec. 31, 2018	Change as %	Change in millions of euros
- Outflows from investments in fixed assets	-71.0	-45.0	36.5%	+25.9 <sup>③</sup>
- Outflows from purchases of consolidated interests/acquisitions	0.0	-38.4	—	-38.4 <sup>②</sup>
+/- Outflows from investments in financial assets	-0.7	4.3	—	+5.0 <sup>④</sup>
+/- Inflows from investments in non-current financial instruments	0.1	-0.9	—	-1.0
+ Inflows from the sale of property, plant and equipment and intangible assets	1.3	3.8	+195%	+2.5 <sup>⑤</sup>
= <b>Cash flow from investing activities</b>	<b>-70.2</b>	<b>-76.2</b>	<b>-8.5%</b>	<b>-6.0</b> <sup>①</sup>

#### Extraordinarily high investments in both financial years

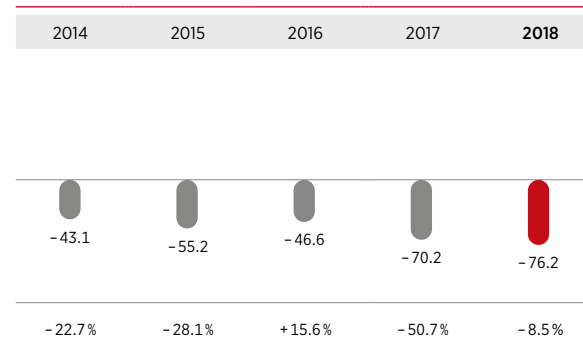
In 2018, net cash used in investing activities <sup>①</sup> increased by 6.0 million euros on the previous year and amounted to 76.2 million euros. This was mainly due to the outflows on account of the purchase of Cheerz and Laserline <sup>②</sup>, in the amount of 38.4 million euros. In the previous year, 27.6 million euros was invested in Saxopark (Saxoprint's

production plant site). Adjusted for this purchase, outflows from investments in fixed assets in the financial year 2017 amounted to 43.4 million euros and were thus 1.6 million euros lower than in the current financial year <sup>③</sup>. Sales of financial assets <sup>④</sup> and other property, plant and equipment and intangible assets <sup>⑤</sup> had a positive impact.

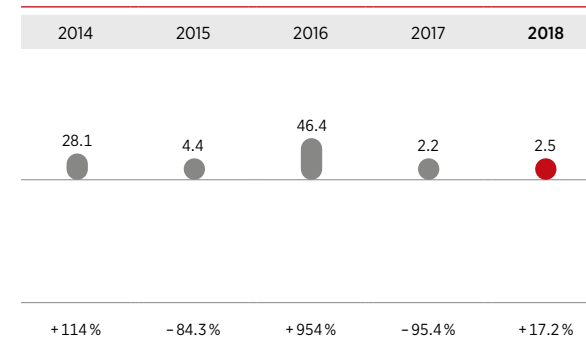
#### Cash flow from operating activities *in millions of euros*



#### Net cash used in investing activities *in millions of euros*



#### Free cash flow *in millions of euros*



### Extensive investments in the year under review and in the previous year result in lower free cash flow in both years

Although additional high cash outflows from investments resulted in the year under review due to the acquisitions and in the previous year

through the purchase of Saxopark, these were fully funded through the strong operating cash flow, which increased to 78.7 million euros. Free cash flow thus increased by 0.3 million euros to a virtually unchanged figure of 2.5 million euros.

#### Cash flow from operating activities

<i>in millions of euros</i>	Dec. 31, 2017	Dec. 31, 2018	Change as %	Change in millions of euros
- Dividends paid	-12.9	-13.3	-3.1%	-0.4 <sup>②</sup>
+ Inflows from change in financial liabilities	1.4	0.9	-38.0%	-0.5
- Interest paid	-0.5	-1.0	-132%	-0.6
+ Other financial transactions	0.3	0.1	-77.9%	-0.2
<b>Cash flow from financing activities</b>	<b>-11.7</b>	<b>-13.4</b>	<b>-15.1%</b>	<b>-1.8</b> <sup>①</sup>

### As in the previous year: the dividend distribution accounts for virtually all of the financing cash flow

In 2018, cash flow from financing activities <sup>①</sup> amounted to -13.4 million euros, a 1.8 million euros cash-out increase on the previous year. The dividend payment <sup>②</sup> amounted to 13.3 million euros in the year under review and increased by 0.4 million euros on the previous year. As outlined in the “Balance sheet and financing” section (page 90), with its available financial resources CEWE was able at all times to fulfil its liquidity requirements which arose over the course of the year due to the seasonal nature of its business, as usual, and even more so on account of its acquisitions.

### Christmas business results in 12.8 million euros growth in free cash flow for the fourth quarter

In the fourth quarter of 2018, the company’s cash flow from operating activities increased by a strong 9.7 million euros to 77.3 million euros. In particular, this has resulted from the 7.9 million euros increase in the EBITDA figure to 67.9 million euros as well as the 5.7 million euros decrease in tax payments by comparison with the previous year, to 0.7 million euros.

As in the previous year, in the fourth quarter of 2018 CEWE once again invested in the necessary expansion of its capacities (-11.4 million euros, previous year: -13.7 million euros). The cash flow from investing activities amounted to -10.1 million euros (2017: -13.3 million euros), including inflows from the sale of fixed assets in the amount of 1.6 million euros.

The free cash flow reported for the fourth quarter accordingly totalled 67.2 million euros (2017: 53.3 million euros).

Page 158 | Consolidated profit and loss account

### Return on capital employed

- Average capital employed increased to 300.9 million euros, due to acquisitions
- ROCE of 17.9% due to increase in capital employed

#### Average capital employed increased to 300.9 million euros, due to acquisitions

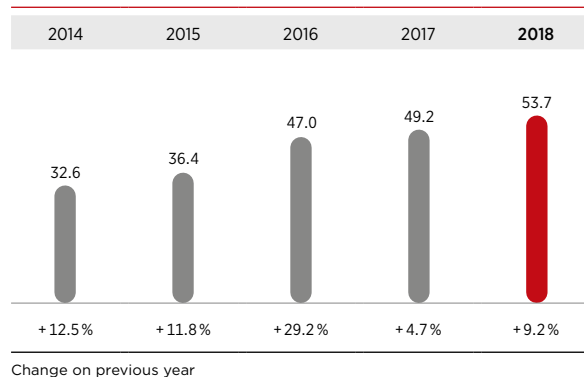
As of December 31, 2018, as outlined in the balance sheet chapter the capital employed figure was 292.3 million euros and thus 36.3 million euros higher than as of December 31, 2017. This has mainly resulted from the acquisition of Cheerz and Laserline. On December 31, 2018, at 300.9 million euros the average volume of capital employed – calculated on the basis of the four quarterly reporting dates within a given twelve-month period – was 58.3 million euros higher than in the previous year. This is likewise dominated by the Group’s acquisitions.

#### ROCE of 17.9% due to increase in capital employed

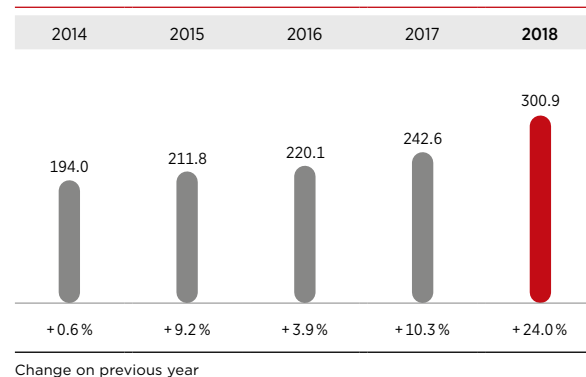
The return on capital employed (ROCE) has decreased from 20.3% to 17.9% since December 31, 2017. The value of 17.9% reflects the twelve-month EBIT figure of 53.7 million euros and the average volume of capital employed of 300.9 million euros. The significant EBIT increase cannot quite make up for the acquisition-related increase in the capital employed figure, thus resulting in a declining yield.

Specifically, this is due to the fact that the acquired companies are (as planned) not yet contributing positively to the group earnings. Accordingly, in future all things being equal the ROCE figure may be expected to pick up again.

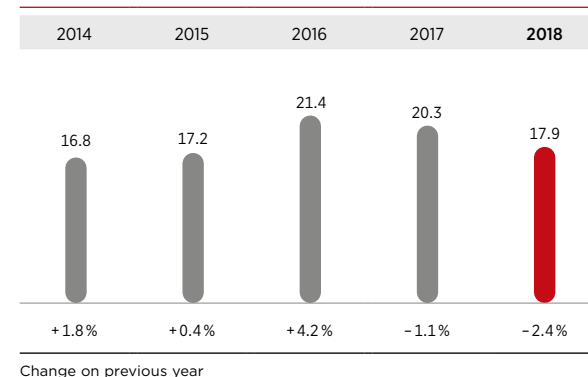
12-month EBIT  
in millions of euros



Average capital employed over the past 4 quarters  
in millions of euros



ROCE  
as %



## Overall statement on the economic situation

On the basis of the Group's development in the financial year 2018, the Board of Management considers that its economic situation remains positive.

The "Results" chapter includes a detailed discussion of developments in terms of turnover and earnings in the Group's various business units, its P&L structure, its balance sheet and financing structure and its cash flow and return on capital employed. Its volume, turnover and earnings targets were all achieved or even slightly exceeded.

In our Photofinishing core business unit, the trend of a changing product mix from simple photo prints to the value-added products CEWE PHOTOBOK, CEWE CALENDAR, CEWE WALL ART, CEWE CARDS and other photo gifts remains intact, to some degree. CEWE achieves a stronger level of value creation with these value-added products, which consumers purchase directly from CEWE in some cases. The company's preparations for its Christmas business over the course of the first ten months of each year entail very high "outlays". CEWE thus has the opportunity and also the basis here to realise a slightly increased margin. CEWE sees an opportunity in the increasingly high level of quality of mobile phone cameras, and every area of the company is adapting to this process of change.


As outlined in the description of the related business model, Retail plays a key role in this trend, but not primarily in the photographic hardware business. This is increasingly a distribution channel for photofinishing products – here too, directly to consumers – while also serving many CEWE business partners as an example and model of how to handle contemporary marketing of photo products. It successfully performs this role, as documented by its increasing turnover volume for photofinishing products, which are sold through the websites or branches of CEWE's Retail business unit. This photofinishing business of CEWE RETAIL is reported in the segment report for the Photofinishing business unit.


Accordingly, the earnings realised by the Retail business unit through photo hardware alone (cameras, lenses, etc.) only reflect part of Retail's overall performance.

CEWE has developed Commercial Online Printing as its third business unit. This is a growing market segment in the job printing market. CEWE brings to this a number of areas of expertise which it has already developed in Photofinishing: online marketing, online ordering systems and order acceptance, processing of digital orders, digital printing production, mail-order shipping and the full range of support systems such as online payments, customer service through various communication channels, etc. have formed part of CEWE's core competences in the area of Photofinishing for some years now. Through SAXOPRINT's online printing operations, CEWE has added online offset printing to its areas of expertise, to enable efficient production of large print runs. Commercial Online Printing is now an additional business unit for CEWE. The integration of CEWE's LASERLINE acquisition proved more difficult than expected in 2018. The market is highly competitive. Thanks to strongly automated and thus highly efficient production at SAXOPRINT in Dresden, CEWE has a good chance of developing successfully in this market. The considerable strength of its Photofinishing business means that CEWE can proceed patiently in taking its next few steps for its Commercial Online Printing business unit.

At the start of 2019, CEWE's business development continued to match the Board of Management's expectations. For some years now, following the seasonal peak during Christmas business the first quarter has become increasingly significant for the company's core business unit, Photofinishing. All of this has encouraged the Board of Management in terms of the targets which it has indicated for the financial year 2019 in the "Report on expected developments" chapter.

 Page 61 | Results

 Page 107 | Report on expected developments

 Sustainability report

PDF download at:  
<https://company.cewe.de/en/sustainability/download.html>

Request hardcopy:  
[nachhaltigkeit@cewe.de](mailto:nachhaltigkeit@cewe.de)

## Sustainability

CEWE strives to achieve sustainable success, which it continuously builds upon through a large number of measures which it pursues in relation to economics and ecology, human resources and social responsibility.

CEWE was one of the first SDAX companies to produce a sustainability report, in which it has now documented its activities every year for the past nine years. It does so in compliance with the current guidelines of the Global Reporting Initiative. The goal is thus to anchor issues of sustainability at every level of the company and to integrate them as a fixed element in all of its activities.

### Honest and fair behaviour

Sustainability and responsibility are two closely intertwined concepts. They play a key role in all of CEWE's business units. The declared goal is to safeguard and develop the company's economic success in harmony with an ecologically sustainable approach. Responsible conduct emphasising reliability, honesty, a long-term focus, decency, integrity and trust: these values have always been part of CEWE's DNA and they are embodied by its employees.

The Board of Management and the Supervisory Board subscribe to the principles of modern corporate governance. We regularly monitor implementation of the Corporate Governance Code and adjust our related policies. An external ombudsman was already appointed in 2009. Employees and also business partners and third parties can contact this person in confidence if they wish to report suspected cases of corruption, embezzlement or other irregularities. Fortunately, in 2018 the ombudsman did not receive any reports and there were no known violations of legislation or rules and regulations.

### Safeguarding the company's fitness for the future

CEWE continuously generates fresh momentum in the photo industry through innovations relating to the pleasure which photos bring. The success of this focus is demonstrated by trends such as continuously growing brand power and a high level of customer satisfaction. CEWE PHOTOBOOK has long since established itself as Europe's most popular photo book: 6.2 million copies were produced in 2018, and with its CEWE PHOTOBOOK Pure the company has now designed a product for customers looking to use a smartphone app to create photo books rapidly and simply.

### Protection of the environment and conservation of resources

CEWE aims to significantly reduce its CO<sub>2</sub> footprint and thus to actively support the agreement signed by the UN climate conference in Paris and the adoption of the global development agenda. Since September 2016, all CEWE brand products have been manufactured on a climate-neutral basis. The CO<sub>2</sub> emissions which result during the manufacturing process are offset. Following a careful review, a forest conservation and reforestation project in Kenya was selected as an offset project. The company's production and logistics processes have likewise been continuously improving their ecological footprint for some years now. Many projects in the field of renewable energy generation (incl. the company's own photovoltaic systems, changeover to green electricity) and energy efficiency (e.g. LED lighting) have been launched. Through the new structure whose construction the company began at its Oldenburg headquarters in 2017, CEWE has been able to create a building which independently produces the energy which it requires for its air conditioning through the synergy of a heat pump and the building's photovoltaic system.

### Responsibility for employees

The company's approx. 3,900 employees play a major role in its success. Qualified personnel management and intensive support for young expert talent help CEWE to succeed as an attractive employer. In the past year, the company worked very hard at expanding its partnership-based working environment through even better parameters, such as a health day, a carpooling scheme and the possibility to take exercise during work breaks. This results in improved motivation, a positive work climate and financial success.

Employees' participation in the company was a core priority: the employee stock option plan was significantly expanded and, in particular, was made available to all of the company's employees throughout Europe. This involvement in the company's success and support for every individual employee in accumulating capital for their retirement are core objectives of this programme. With a participation ratio of 78%, our employees demonstrated the depth of their trust in the company and their desire to actively shape its success.

### Social commitment

Socially responsible conduct and social commitment have always been part of CEWE's DNA and corporate culture. CEWE supports the following three areas, as core priorities for its social commitment: people, the environment and photo culture. The projects supported focus on families and children in crisis situations. The company has a partnership with SOS Children's Villages at an international level, which is now already in its sixth year.

CEWE demonstrates its commitment to the preservation of our living environment by working with selected environment partners. It has intensively cooperated with local groups belonging to Germany's NABU environmental organisation since 2013, and expanded this relationship in 2016 to include projects with this organisation at a national level.

As Europe's leading photography service provider, CEWE has long been dedicated to photography as a form of cultural expression. The high level of emotionality which customers bring to their photography and to their design of photo products motivates our company to preserve and support photography as a form of cultural expression. CEWE provides substantial support for the major photography festivals such as those held in Zingst and Oberstdorf. In 2018, the CEWE Photo Award photography competition was once again launched. This has become one of the world's largest competitions of its kind.

### Transparent reporting

CEWE aims to continuously improve its sustainability performance and, with this goal in mind, to systematically develop and flesh out the management approach which this requires. Since 2010, CEWE has reported annually on progress throughout the company, in line with the international guidelines of the Global Reporting Initiative (GRI) which serve as a leading framework worldwide for sustainability reporting for business enterprises and organisations. In the financial year 2018, CEWE changed over its GRI report format from G4 to Standard.

The current report has been published at the same time as this annual report. You may obtain a printed copy of the German or English version of the report by sending an email to: [nachhaltigkeit@cewe.de](mailto:nachhaltigkeit@cewe.de). You can also download CEWE's sustainability reports and films at <https://company.cewe.de/en/sustainability.html>.

## EVENTS AFTER THE BALANCE SHEET DATE

### Events of particular significance after the balance sheet date

There were no events of particular significance occurring after the balance sheet date.

## FORECAST, OPPORTUNITIES AND RISK REPORT

### Risk report

In its business policy, the CEWE Group aims to achieve lasting growth in its enterprise value and to secure the company's future as a going concern. In support of these goals, CEWE's activities throughout Europe entail a permanent and conscientious process of weighing up risks and opportunities. Taking opportunities and the ability to identify and analyse risks and to reduce them through suitable strategies are key aspects of its corporate activities. The Board of Management is continuously responsible for systematic management of risks and opportunities, which is a management task in each of its areas of responsibility.

### Management's overall assessment of risks and opportunities

The overall level of risk is assessed through the company's opportunities and risk management system, in combination with its planning, management and control systems. In organisational terms, CEWE has fulfilled all of the necessary requirements for early identification of possible risks and opportunities throughout the Group.



Risks and opportunities are each separately identified and outlined. They are assessed together with an evaluation of their maximum impact, the probability of their realisation and the level of expectation determined on this basis. The individual measures are registered for the purpose of risk management; finally, the indicators implemented for the purpose of early identification are also documented.

Individual risks – or risks arising in conjunction with others – do not point to any impairment of the net assets, financial position and results of operations of the CEWE Group in a manner which would jeopardise its existence.

The CEWE Group's risks and opportunities management systems are closely integrated. The following section initially sets out the risk categories listed within the scope of its risk management system:

#### Strategic risks

The core business units of Photofinishing, Commercial Online Printing and Retail entail strategic risks.

Within the scope of our core business, the key strategic risks comprise the technology and innovation risk, the risks associated with the Commercial Online Printing business unit, the risks possibly arising due to Brexit, the risks associated with the CEWE brand and the risk associated with investing in core business-related start-ups. In response to

the changing nature of mobile devices and the growing importance of the Internet as an ordering channel, CEWE has reinforced its programming and development capacities in this area. Investments in core business-related start-ups are measures to support core business over the medium and long term. The company's management closely monitors these investments.

In the Commercial Online Printing segment, opportunities for further partnerships are continuously reviewed for the purpose of risk management. The company's management closely monitors the development of this segment.

#### Operating risks

In the Photofinishing and the Commercial Online Printing business units, the key operating risks relate to general price risks as well as various risks associated with technical infrastructure and the functionality of production- and customer-related systems. Consistent price controlling plays a key role in all of CEWE's activities in relation to price risk.

As a rule, the technical infrastructure is safeguarded by means of IT structures standardised throughout the Group, high-availability technologies, back-up data centres as well as back-up connections for the transmission of data. Virus and access protection as well as encryption systems are important technologies which protect against

unauthorised external and internal access. Production capacities are likewise safeguarded through redundant processes at various locations. The possibility of central management of capacities also plays a key role. The general risk associated with the supply of materials and procurement is seen as less significant. In all procurement lines, a multiple-supplier strategy and multiple-year contracts are considered to be adequate measures.

In the area of environmental risk, no violations of environmental standards were identified in 2018. This risk is monitored by means of regular internal checks at all of the company's production plants; it is classified as low.

The risk associated with recruiting and retaining qualified specialists and executives is more significant indirectly rather than directly. The presence of the CEWE umbrella brand also plays an important role in the labour market here. Closely supported by the company's management, initial and advanced training are consistently offered and cover employees' specialist fields as well as personal and leadership skills.

### Financial risks

The risks resulting from interest rate changes, currency fluctuations, the supply of credit, the resale of silver and the risk of default fall within the scope of CEWE's financial risks and do not jeopardise its existence. Due to the low level of interest-bearing debt funding and the temporarily high volume of cash and cash equivalents resulting from the seasonal business trend, even a strong rise in market interest rates would not represent a threat. Where capital flows occur outside of the Eurozone, they almost entirely relate to local business which is handled in the same currency, so that exchange rate fluctuations do not have a significant negative impact. The CEWE Group's long-term supply of credit is safeguarded by means of centrally negotiated medium- to long-term credit agreements as well as highly positive overall credit ratings from its banking partners. The importance of the resale of silver for CEWE's performance has also very strongly declined in line with the strong pro rata decrease in silver halogenide products.

The risk of default is continuing to decline in significance due to the constant growth in the volume of consumer business. Receivables from business partners are closely monitored and are subject to normal and adequate insurance arrangements. Consumer receivables do not in themselves constitute a risk and are covered by a professional debt collection management system.

In the area of products and services, receivables relate to commercial third-party customers as well as consumers; other receivables apply in relation to the public sector, employees, insurance firms, etc.; at CEWE, potential loss-related impairment is overwhelmingly attributable to commercial third-party customers. This risk is reduced by means of continuous monitoring of customers' credit ratings and payment behaviour in close coordination with the company's market-oriented departments and, if possible and significant, covered by means of insurance. Moreover, in case of irregularities in customer relationships the volume of business is managed on the basis of individual decisions. Impairment of consumer receivables is minimised by means of a professional debt collection management system as well as risk avoidance and information-gathering parameters. The risk for other receivables is managed through close monitoring of individual counterparties. Any individual risks resulting are taken into consideration by means of sufficient valuation adjustments, insofar as the realisation of this loss is sufficiently probable, and are thus not included in this assessment.

#### Legal risks

Legal risks include very significant internal and external malicious acts as well as risks associated with data protection and industrial property rights. These risks are covered by means of rigorous measures and processes within the scope of the company's rigorous corporate governance system, its internal control system, internal auditing as well as its Group controlling function. In addition, information and training sessions are regularly held in order to identify risks and implement measures.

## Report on opportunities

The CEWE Group's risks and opportunities management systems are closely integrated. Possible future developments or events which may result in a positive deviation from planning are seen as opportunities.

With its business units, CEWE operates in dynamic market segments which are enjoying rapid growth. Exploiting opportunities in these business units by means of innovation, consolidation or organic growth and identifying further opportunities in adjacent and related new business units while avoiding unnecessary risks serve as the foundations of the CEWE Group's long-term growth. Opportunities may entail both internal and external potential.

Opportunities whose realisation is probable have been factored into CEWE's corporate planning and outlook for 2019. This report on opportunities therefore relates to events which may potentially give rise to a positive deviation from these planning figures.

### Opportunities in the Photofinishing business unit

CEWE sees opportunities here in terms of increased income due to the additional turnover provided by new ordering applications for mobile devices, should these gain even stronger acceptance among end-consumers.

### Opportunities in the Commercial Online Printing business unit

Through SAXOPRINT, CEWE is also expanding into neighbouring European countries in its Commercial Online Printing business unit. The new portals offer opportunities to achieve turnover and income beyond the scope of the current planning.

### Opportunities in the Retail business unit

CEWE operates around 147 stores through its own Retail operations in Norway, Sweden, Poland, the Czech Republic and Slovakia. In Norway, Sweden and Poland, CEWE has established online stores for photography-related articles. Optimisation of these stores is expected to generate opportunities for further turnover increases and income in the online segment.

## Report on expected developments

### Three different components of long-term business development: (1) Strengthening the company's brand in its Photofinishing core business unit

In its Photofinishing business unit, CEWE continues to focus on expanding its CEWE PHOTOBOOK brand – positioned in the premium segment – in all of the other European countries supplied by CEWE as well as its core markets of Germany, Switzerland and Austria. For some years now, other product brands – CEWE CALENDARS, CEWE CARDS and CEWE WALL ART – as well as the CEWE umbrella brand have now been marketed with the same positioning alongside the well-established CEWE PHOTOBOOK. The goal is to exploit the positive consumer response to CEWE PHOTOBOOK and its strong brand profile for the benefit of these other product groups as well as for CEWE in general. The advantages relating to product differentiation that are associated with the performance and quality standards maintained by the CEWE brand will be progressively exploited with respect to a growing product portfolio. This will also raise advertising efficiency and allow CEWE products to be “pre-sold” to consumers – a system that also clearly benefits CEWE's business partners.

### (2) Development of Commercial Online Printing

In February 2012, CEWE acquired SAXOPRINT GmbH, Dresden, with the aim of establishing the foundations for growth in the Commercial Online Printing business unit. Besides digital printing, CEWE now also has offset-printing capacities which are available online for the efficient industrial production of large print runs. In addition, in early 2018 CEWE acquired the Berlin online printing firm LASERLINE.

### (3) Development of business units


Above all, for potential investments CEWE is interested in online business models which – just like CEWE – produce customised, high-quality products with a substantial customer benefit and thus build a strong brand, while offering the potential of developing CEWE's business in future. CEWE also gains a good overview of start-ups and potential investments through its interest in the High-Tech Gründerfonds (HTGF II) seed investor launched by the German government.

### Continuing focus on Europe

Almost 100 % of CEWE's business is located in Europe. At the present time, the company is not planning any changes in its regional presence.

### Ongoing work on technological foundations

As in the past, CEWE will continue to work on improving the potential effectiveness and efficiency of its production and data transfer technology in particular over the next few years. This development is being encouraged both within the company – through best practice transfers between the individual plants – and externally, e. g. through regular benchmarking and targeted use of external consultants.

 Page 43 | Research & development

### Constant innovation also includes products and services

CEWE's portfolio of products and services is undergoing continuous development. Innovations have already served as the key source of momentum in the analogue / digital transformation. The company endeavours to keep up its innovation momentum, in all of its business units, in order to preserve and consolidate its leading market position. For example, this includes extensive software updates, new apps and various product improvements.

### World economy: uncertainties reduce pace of growth

The International Monetary Fund (IMF) expects a slight dip in growth momentum over the next two years. This reflects the uncertainties over the current trade conflicts, China's further development and, in Europe, above all the possibility of a "no-deal Brexit". According to the IMF, worldwide growth will amount to 3.5 % in 2019 and to 3.6 % in 2020 (2018: 3.7 %). This trend is even stronger in the developed economies. A growth rate of 2.0 % is assumed for 2019, but just 1.7 % for 2020 (2018: 2.3 %). In the emerging economies and the developing countries, the IMF's experts assume a slightly weaker pace of growth in 2019, at 4.5 %, but additional momentum in 2020 with a growth rate of 4.9 %.

For the Eurozone, the IMF's forecasts are subdued. Growth will amount to 1.6 % in 2019, but just 1.7 % in the following year (2018: 1.8 %). In Germany, in 2019 in particular the IMF's experts expect weaker growth of 1.3 %, while a stronger rate of 1.6 % is envisaged in 2020. <sup>13</sup>

### Assessment of CEWE's management regarding the overall economic conditions

Despite declining momentum, over the next few years Europe's economies will achieve further moderate growth. The low interest rate level and an increase in prices below the ECB's inflation target are likely to stimulate private consumption. The management also sees the significant wage growth resulting from the latest collective agreements in Germany as a positive signal for private households' purchasing power.

However, all in all the overall economic impact on CEWE's development remains fairly marginal. To be sure, further employment growth might make it more difficult to recruit personnel in future. For that reason, nor can higher personnel costs be ruled out. To date, CEWE is benefiting from its strong reputation as an employer, so that there is currently no significant shortage of specialist staff.

The ECB wound up its bond purchasing activities at the end of 2018 but is to leave its key interest rate at 0.0 % at least up to the summer of 2019 <sup>14</sup>, so that companies are likely to retain access to low-cost debt financing options. However, as before this will only be relevant for CEWE in relation to financing of its acquisitions. The company remains capable of financing its planned organic growth and the associated investments through its own resources, on the basis of its solid equity capital position and its stable operating cash flow.

<sup>13</sup> International Monetary Fund: World Economic Outlook Update, Januar 2019, S. 3f. und Tabelle S. 8

<sup>14</sup> Europäische Zentralbank: Wirtschaftsbericht 8 / 2018 S. 5f.

### CEWE's sales activities are largely independent of the economic environment

To date, CEWE's sales activities are largely independent of the economic environment and private consumer spending. The economic trend may theoretically have an increasing influence in the event that business customers account for a rising share of CEWE's turnover. However, the management currently tends to see opportunities in the Commercial Online Printing business unit, even during weak economic phases, since CEWE's Commercial Online Printing products offer favourable cost-benefit ratios to business customers compared to printing companies' over-the-counter printing services – a fact that should raise the importance of this competitive differentiator in such an environment.

### Photofinishing will realise further slight growth in future

CEWE is encouraging value-added products' growing market share in order to offset or even overcompensate for the decline of simple photo prints. Thanks to CEWE PHOTOBOOK, the European market leader, as well as its other value-added products and its strong Internet expertise, CEWE is in an excellent position to actively promote this change and conceivably even to benefit from it. The upshot of this is that the trend of value-added products should continue to strengthen Photofinishing in 2019 and offers the prospect of stable and possibly slightly increasing margins. With the equity investment which it acquired in the Cheerz Group, France, in early February 2018, CEWE intends to further strengthen its photo business by means of mobile applications in southern Europe especially. For the current financial year, CEWE's

Board of Management expects this equity investment – including amortisation on the purchase price allocation – to initially have a negative EBIT effect.

### Seasonal migration to the fourth quarter likely to remain intact

The second and third quarters – previously the core season – are continuing to decline in significance in relation to the trend for the year as a whole. This is compensated for by the growing significance of the fourth quarter for annual business – sales of higher-margin value-added products are increasingly focusing on the fourth quarter – and by the first quarter's rising significance for earnings. This trend in CEWE's core Photofinishing business unit has persisted for a number of years and is thus shaping global strategy for the Group as a whole. Commercial Online Printing will only moderately offset this trend: Commercial Online Printing business is also focused on the fourth quarter, albeit to a lesser degree. This is attributable to the advertising materials for CEWE's printing customers' Christmas business. These orders are mainly placed at the start of the fourth quarter.

### Retail is increasingly focusing on sales of photofinishing products

In 2018, the Retail business unit once again provided an increasing turnover contribution through sales of CEWE photo products. Turnover and earnings for these photofinishing products – which CEWE distributes through its own retail operations – are reported in the Photofinishing business unit. The hardware turnover which is reported in the Retail business unit and which comprises cameras,

lenses, photo equipment etc. has been on the decline for a few years. The company continues to consistently optimise this in order to increase its earnings margins. CEWE's Retail business unit is responsible for making the necessary adjustments on account of a weak market trend (e.g. due to the decline in the reflex camera market): costs will be further adjusted in line with the turnover trend, while turnover will be supported through targeted measures. In principle, the management continues to expect that in 2019 it will be able to improve the profitability of the Retail business unit, so as to maintain this marketing channel for CEWE photo products.

#### The trend for Commercial Online Printing is probably independent of the economic situation

At CEWE, Commercial Online Printing offers the customer a series of advantages: increased quality from state-of-the-art large-scale printing plants, whose consistent quality is generally superior to stationary printing firms, and also time savings thanks to user-friendly Internet ordering, fast production and rapid delivery. As already outlined in relation to CEWE sales, particularly in a difficult economic period Commercial Online Printing is likely to offer advantages for customers. In 2019, the management therefore once again expects the Commercial Online Printing business unit to deliver a turnover trend which will be largely independent of the general economic situation.

#### Commercial Online Printing to achieve further profitable growth

In the first few years, the marketing expenses necessary for the development of Commercial Online Printing had a significant impact on this business unit's profit and loss account. CEWE exploited the strong profitability of its established Photofinishing business unit for rapid and steadfast expansion of its high-potential Commercial Online Printing business unit, while deliberately accepting negative earnings contributions. Thanks to the acquisition of the online printing firm LASERLINE at the start of 2018, Commercial Online Printing has achieved further strong turnover growth. In terms of earnings, 2018 was shaped above all by the costs for the integration of LASERLINE as well as the still negative operating EBIT contribution provided by this latest acquisition. In 2019, an increase in the profitability of the Commercial Online Printing business unit in overall terms is now more important than turnover growth.

#### EBIT earnings target range in 2019: + 4 million euros

Group turnover will increase in 2019, from 653.3 million euros in the previous year, 2018, to between 655 million euros and 690 million euros. The turnover trend for the core Photofinishing business unit will improve slightly, supplemented by turnover growth resulting from the company's Cheerz equity investment. Turnover in the Retail business unit will remain more or less constant or else decrease slightly, while Commercial Online Printing will achieve further slight organic turnover growth in most markets, once again with the possible exception of the British market.



Despite the negative EBIT contribution which is still expected – above all, due to the Group’s equity investment in Cheerz – Group EBIT in 2019 will fall within a range of between 52 million euros and 58 million euros, while the EBT figure will amount to between 51.5 million euros and 57.5 million euros and earnings after tax to between 35 million euros and 39 million euros. This corresponds to an increase of approx. 4 million euros in the scope of the EBIT results by comparison with the goals for the previous year, 2018.

CEWE’s Board of Management expects the ROCE figure to pick up again slightly in 2019. In 2018, the acquisitions increased the average capital employed used for the ROCE calculation but have not yet provided any positive earnings contribution, which has reduced the ROCE figure reported in overall terms.

The operational investments planned for 2019 (i. e. excluding investments for acquisitions and other unplanned effects resulting from specific opportunities) will amount to approx. 55 million euros.

In this annual report, CEWE is publishing a combined management report for the CEWE Group and for the individual company CEWE Stiftung & Co. KGaA. This means that a forecast is necessary for the individual company CEWE Stiftung & Co. KGaA in line with the legal requirements: for the financial year 2019, CEWE expects that CEWE Stiftung & Co. KGaA will realise turnover of between 330 and 375 million euros. Earnings before interest and taxes of between 40 and 60 million euros are expected.

#### Minimum goal of dividend continuity

In general, CEWE pursues the goal of dividend continuity. Where this appears appropriate in view of the company’s economic situation and the available investment opportunities, this entails at least constant dividends and ideally absolute dividend growth. This policy clearly focuses on the absolute dividend value, with the payout ratio as a secondary element.

#### Goal for 2019 CEWE Group

			Change on previous year
Photos	2.22 to 2.26	billion units	+ 0 % to + 2 %
CEWE PHOTOBOOK	6.24 to 6.31	millions of euros	+ 1 % to + 2 %
Investment *	55	millions of euros	—
Turnover	655 to 690	millions of euros	+ 0 % to + 6 %
EBIT	52 to 58	millions of euros	- 3 % to + 8 %
Earnings before taxes (EBT)	51.5 to 57.5	millions of euros	- 3 % to + 8 %
Earnings after tax	35 to 39	millions of euros	- 3 % to + 9 %
Earnings per share	4.84 to 5.40	euros /share	- 4 % to + 7 %

\* Operational investments excl. possible investments in expansion of the Group’s volume of business, e. g. corporate acquisitions or purchasing of customer bases

## INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

### Corporate governance report

#### CEWE largely complies with the stringent German standards

For the year under review, Neumüller CEWE COLOR Stiftung (hereinafter: the “management”) and the Supervisory Board provide the following report on corporate governance at CEWE in line with item 3.10 of the German Corporate Governance Code:

The Board of Management and the Supervisory Board have long subscribed to the principles of modern corporate governance. The Head of the Legal department, Mr Oliver Thomsen, has served as the Corporate Governance Officer since 2016. As a member of the Board of Management, he directly reports to the company’s management and Supervisory Board.

The goal is to uphold and to reinforce the confidence which investors, financial markets, business partners, our employees and the general public place in us. For this reason, CEWE implemented the necessary organisational measures early on, in order to comply with applicable requirements:

- Publication of all capital-market-related information on the Internet
- Active, open and transparent communication
- Close cooperation between the management and the Supervisory Board
- Responsible risk management

We regularly monitor implementation of the Corporate Governance Code and adjust our related policies in line with current developments. On its website, <http://ir.cewe.de>, CEWE Stiftung & Co. KGaA transparently sets out its approach in relation to corporate governance principles.

In the year under review, CEWE Stiftung & Co. KGaA has once again complied with almost all of the provisions of the German Corporate Governance Code:

#### Declaration of conformity in accordance with § 161 of the German Stock Corporation Act (Aktiengesetz – AktG) for the financial year 2018

The Board of Management of the general partner of CEWE Stiftung & Co. KGaA, Neumüller CeWe Color Stiftung, and the Supervisory Board of CEWE Stiftung & Co. KGaA declare that since they presented their last declaration of conformity in February 2018 they have complied with the recommendations of the German Corporate Governance Code government commission, as notified by the German Federal Ministry of Justice and Consumer Protection in the official section of the German Federal Gazette (Bundesanzeiger), as amended on May 5, 2015 and February 7, 2017, following their publication on April 24, 2017, and will continue to do so, with the following exceptions:

Standard limit for period of membership on the Supervisory Board (deviation from item 5.4.1 (2))

Fixing a standard period of membership and including this in proposals made to the general meeting would disproportionately restrict the statutory right of shareholders and employees to appoint their representatives to the Supervisory Board. Such a commitment would also make it more likely that the company would lose members who are able to make a particularly strong contribution thanks to their many years of industry and company expertise.

Elections to the Supervisory Board: attachment of curricula vitae and their contents (deviation from item 5.4.1 (5))

In case of impending elections to the Supervisory Board, including the curricula vitae of all of the candidates in the invitation to the general meeting would mean that many additional pages would be unnecessarily added to what is already a very long document, which would then be unwieldy. For this reason, the company does not intend to follow the Code's recommendation that curricula vitae be "attached" to candidate proposals. The improvement in the quality of the information for shareholders which this recommendation envisages will be more efficiently achieved by providing the curricula vitae of all candidates on the company's website and by additionally pointing out this opportunity to obtain further information in the invitation.

Nor do we comply with the recommendation to list the "key activities" of candidates in their curricula vitae in this respect. §§124 (3) clause 4 and 125 (1) clause 5 AktG include definitive and sufficient stipulations regarding the information to be provided for proposed Supervisory Board candidates. The candidate's current profession and seats on other executive boards must be declared; these details will provide a more detailed impression of the nature and scope of this candidate's other activities and his or her technical qualifications. To require further details would go beyond the text of the law and ultimately result in increased legal uncertainty, also because the term "key activities" is too imprecise and can be variously interpreted given the wide range of available life choices.

### Board of Management and Supervisory Board and their relationship

As an executive body, the Board of Management manages the company on its own responsibility. It acts in line with the company's interests and the goal of long-term value creation. The rules of procedure approved by the Board of Trustees of Neumüller CEWE COLOR Stiftung for the Board of Management set out the allocation of duties and cooperation on the Board of Management. The company's articles of association and the rules of procedure of the Supervisory Board stipulate the reporting obligations of the Board of Management. The Board of Management regularly, promptly and comprehensively notifies the Supervisory Board of all issues of relevance for the company, particularly planning, business development, the company's strategic orientation, its risk situation and its management of risks.

The Supervisory Board and the Board of Trustees supervise the Board of Management of Neumüller CEWE COLOR Stiftung in its management of the company and advise it accordingly. The Board of Management, the Board of Trustees and the Supervisory Board maintain a close and trusting working relationship, safeguarding the interests of the company. All key business transactions are discussed together with the competent committees. In particular, the details of the relationship between the Board of Management, the Board of Trustees and the Supervisory Board and issues for which the Board of Management requires approval are laid down in the rules of procedure of the Board of Management and the Supervisory Board. The rules of procedure of the CEWE Group apply in accordance with valid corporate governance and compliance regulations.

The competences of the Supervisory Board are also laid down in its rules of procedure. A key task of the Supervisory Board is its review of the company's quarterly reports, its auditing of the annual financial statements and the consolidated financial statements of CEWE Stiftung & Co. KGaA and its preparation of the resolution to be passed by the general meeting for approval of the annual financial statements. The members of the Supervisory Board of CEWE Stiftung & Co. KGaA are appointed in accordance with the provisions of the German Code-termination Act (Mitbestimmungsgesetz – MitbestG).

The members of the Board of Management and Supervisory Board disclose any conflicts of interest to the Supervisory Board.

### Shareholders and general meeting

CEWE's shareholders are regularly notified of important dates by means of a financial calendar which is available on the company's website <https://IR.cewe.de> and are informed of the company's net assets, financial position and results of operations and its business development in quarterly and annual reports. Meetings are regularly held with analysts and shareholders within the scope of investor relations activities. As a rule, as well as an annual analysts' conference the company holds telephone conferences for analysts as of the publication of its quarterly figures.

The shareholders exercise their rights before and during the general meeting, as stipulated in the company's articles of association and by law. For many years now, an annual general meeting has been organised and held with the goal of providing rapid, comprehensive and effective information for all of the company's shareholders before and during meetings and to facilitate the exercise of their rights. As part of this, CEWE offers its shareholders the usual power-of-attorney and voting instructions service for the company's general meetings. The general meeting votes on all of the matters referred to it.

The most recent general meeting of CEWE Stiftung & Co. KGaA took place on June 6, 2018.

#### Remuneration report

In regard to the remuneration received by the Board of Management and the Supervisory Board in the financial year 2018, please see the detailed remuneration report which is included as a component of the combined management report on pages 126 ff.

#### Disclosures regarding stock option plans

The Stock Option Plan 2014 (SOP 2014) was established on the basis of the resolution passed by the general meeting on June 4, 2014 (Board of Management's resolution of September 1, 2014, Supervisory Board's resolution of September 10, 2014, Board of Trustees' resolution of September 11, 2014); this was followed by the Stock Option Plan 2015 (SOP 2015, Board of Management's resolution of August 17, 2015, Supervisory Board's resolution of September 9, 2015, Board of Trustees' resolution of September 8, 2015); the Stock Option Plan 2016 (SOP 2016, Board of Management's resolution of May 23, 2016, Supervisory Board's resolution of June 1, 2016, Board of Trustees' resolution of June 16, 2016) as well as the Stock Option Plan 2017 (SOP 2017, Board of Management's resolution of June 12, 2017, Supervisory Board's circular resolution of July 2017, Board of Trustees' resolution of June 14, 2017). All of these plans have the same structure. These options were offered at the highest level of the Group's management, in Germany and other countries, at a premium of 0.50 euros per option. Overall, 409,110 options have been issued for all four of these plans. However, their number will be reduced in the event of participants leaving CEWE during their term. Upon expiry of the four-year waiting period, the options may only be exercised if the closing auction prices of the CEWE share in Deutsche Börse AG's Xetra trading system have reached at least 120 % or 125 % of the underlying price (performance target) on ten consecutive stock exchange trading days. This was already the case for the SOP 2014 and SOP 2015 plans. Each stock option plan has a term of five years. The key details of the stock option plans are as follows:

 [company.cewe.de/en](https://company.cewe.de/en)

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**Key details of the Stock Option Plans 2014, 2015, 2016 and 2017**

	Start of term	End of waiting period	End of term	Underlying price <i>in euros</i>	Performance target <i>in euros</i>
SOP 2017	January 1, 2018	December 31, 2021	December 31, 2022	74.00	92.50
SOP 2016	January 1, 2017	December 31, 2020	December 31, 2021	74.00	92.50
SOP 2015	January 1, 2016	December 31, 2019	December 31, 2020	52.00	62.40
SOP 2014	January 1, 2015	December 31, 2018	December 31, 2019	53.00	63.60

**Transparent communication**

To ensure the highest possible level of transparency, the aim is for all of the target groups to be provided with the same information, at the same time. Both institutional investors and private investors are able to obtain timely information online on current developments within the Group. All press releases and ad hoc releases and the articles of association of the company are published on its website, [www.cewe.de](http://www.cewe.de). Interested persons may also subscribe to a newsletter which provides news coverage for the Group.

**Shareholdings of the Board of Management and the Supervisory Board**

On December 31, 2018, the shares held by all of the members of the Board of Management and the Supervisory Board in CEWE Stiftung & Co. KGaA amounted to 11,634 of the total shares issued by the company. 10,992 shares are held by members of the Board of Management and 642 shares are held by members of the Supervisory Board.

**Disclosures regarding directors' dealings**

Under § 15a of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), persons holding management positions (in particular, members of the Board of Management and the Supervisory Board and certain employees with management responsibilities) and their close

associates are required to disclose their dealings for own account in shares or related financial instruments, insofar as the total securities transactions which a person with management responsibilities and his close associates enter into equal or exceed an amount of not less than 5,000.00 euros in a given calendar year. Details of notifiable securities transactions entered into in the year under review, 2018, and up to the present day are provided on the company's website, [www.cewe.de](http://www.cewe.de).

**Accounting and auditing**

BDO AG, Wirtschaftsprüfungsgesellschaft, Hamburg, has been appointed as the auditor for the annual accounts and for the Semi-Annual Financial Report 2018 of CEWE Stiftung & Co. KGaA for the past financial year, in line with the Audit Committee's recommendation. The auditor will notify the Chairman of the Supervisory Board immediately of any grounds for bias or disqualification arising in the course of the audit. Moreover, the auditor will immediately report on any key incidents and findings resulting during his audit which are of material significance for the tasks of the Supervisory Board. The auditor will also notify the Supervisory Board in the event of discovering in the course of his audit facts which are not compatible with the declaration of conformity submitted by the Board of Management and the Supervisory Board in accordance with § 161 AktG.

## Compliance

The company strongly emphasises compliance in terms of measures to ensure conformity with applicable legislation and internal policies and their observance by the Group's companies. The Board of Management of the general partner has implemented various mechanisms in line with its responsibilities in this respect, which are intended to ensure optimal fulfilment of these compliance requirements.

The Compliance Officer appointed for this issue continuously addresses the maintenance and development of the compliance structure of the company and the Group, in line with applicable requirements and the needs of the company. In particular, his activities focus on training for employees and on legal risk management. He reports to the overall Board of Management of the general partner. In case of any specific issues, the Compliance Officer will consult the persons with responsibility in the company's respective divisions and obtain external legal advice, where necessary.

The company keeps a list of insiders in this overall context. Any persons who are employed by the company and who have designated access to insider information are included in this list, following instruction regarding applicable obligations under insider law.

The company has also appointed an external lawyer as an ombudsman. Employees and also third parties may contact this person to point out possible violations of the law or policy violations within Group companies. The ombudsman did not receive any reports in the period under review. Nor has the company's in-house verification system uncovered any violations of applicable legislation or policies.

## Risk management system

### Goals and strategy of the risk management system

As an internationally operative business group, CEWE Stiftung & Co. KGaA and its subsidiaries are exposed to various risks which may adversely affect their business activities as well as their net assets, financial position and results of operations. Accordingly, in compliance with industry standards and statutory provisions CEWE has established an internal control and risk management system for identification of potential opportunities, assessment of risks and, where necessary, implementation of appropriate countermeasures. This control and risk management system is incorporated within the information and communication system of the CEWE Group as an integral part of its business, planning, accounting and control processes and is a key element of the CEWE Group's management system. Its control and risk management system is based on a systematic risk identification, assessment and management process for the overall Group.

### Organisation and structure of the risk management system

The Board of Management, the managers of the company's regional profit centres in Germany and other countries and its central departments and project managers are responsible for its control and risk management system. The Board of Management has overall responsibility for the handling of control and risk management.

The risk management system covers the risks and opportunities associated with the individual risk areas, within the scope of an annual, Group-wide risk inventory. The annual report on risks and opportunities has been produced on the basis of the risk inventory. In the course of a year, the company's risk and opportunity assessments are

reviewed at least quarterly. The Supervisory Board is notified of these assessments at least quarterly. Following notification of the risk officer, new risks and opportunities are incorporated in the risk management system and assigned to a risk manager. Insofar as individual risk assessments have resulted in the establishment of corresponding accruals, these will no longer be taken into consideration in the risk assessment.

#### Key features of the internal control system

The internal control system (ICS) is an integral component of the business processes of the CEWE Group, encompasses a variety of different monitoring and control mechanisms and is essentially based on five principles:

- Dual-control principle
- Signature guidelines
- IT authorisation concept
- Separation of functions
- Integrated reporting

The dual-control principle is safeguarded by means of rules and regulations such as articles of association, policies, rules of procedure, instructions and powers of representation and authorisations to sign. The operationally effective signature guidelines are an important aspect of these rules and regulations. The CEWE Group's coordinated IT authorisation concept is a further management and control mechanism. This regulates the activities of individual persons and groups of persons and their access to the Group's generally SAP-based applications and their functional competences.

To ensure the integrity of procedures and thus the quality of individual processes, the CEWE Group maintains a strict separation of functions for critical business processes. In addition, specific departments handle central tasks and thus have reciprocal responsibility for supervision of the Group's activities. The integrated reporting system comprises a detailed planning, management and reporting concept covering the Group's current position and its outlook. The planning process is based on a combined bottom-up and top-down approach, in line with monthly planned figures. The existing Group information system relies on a monthly target/actual/prior-year comparison as well as supplementary multiple-location business reviews at the level of the individual profit centres as well as the Board of Management. Developments, risks, opportunities and measures are discussed there and documented accordingly.

The CEWE Group also monitors the fair value of its interests in subsidiaries within the scope of its control and risk management system. Its shareholdings undergo regular as well as ad hoc impairment tests.

Moreover, all of the Group's companies and profit centres regularly undergo specialised, in-depth audits covering the areas of finance and accounting, IT, technical security and insurance policies as well as other functional competences. These audits are carried out by external or internal specialists.



### Key aspects of the internal control system, in relation to the Group accounting process

The accounting-related internal control system is embedded within the company-wide risk management system, as a component of the overall internal control system (ICS) of the CEWE Group. Its purpose is to minimise the risk of a material misstatement in the company's accounting and external reporting, to identify undesirable developments early on and to implement countermeasures. This ensures that the Group's affairs are presented in compliance with applicable legislation and standards in separate financial statements and in the consolidated financial statements.

The "Group balance sheets" unit, central Finance division, is responsible for preparing the consolidated financial statements including any consolidation measures. The preparation process for the financial statements of the CEWE Group is based on a uniform Group accounting policy which is regularly adjusted in line with applicable legal outline conditions. The Board of Management has sole responsibility in relation to this accounting policy.

The Group's accounting policy sets out its IFRS accounting standards for all of the Group's companies, in Germany and in other countries, to ensure the application of uniform recognition, measurement and reporting methods for its IFRS consolidated financial statements. Binding instructions have been laid down in relation to internal reconciliations and other tasks for preparation of the financial statements. All key dates have been specified throughout the Group in the Group's policy.

The local companies are responsible for compliance with the relevant rules and are supported and monitored by the Group Accounting unit. The Group Accounting unit handles consolidation of the separate financial statements of the Group companies – which are mainly prepared using SAP – centrally by means of a specific consolidation module.

The necessary work steps within the scope of the accounting process undergo a large number of automatic and manual checks and plausibility reviews. In addition, the effectiveness of accounting-related internal checks is continuously monitored through internal auditing. This task is handled by internal auditors and also by external auditors appointed by the company. A rolling process ensures that all of the companies within the scope of consolidation undergo this supervisory process. The Board of Management and the Supervisory Board are regularly notified of the results of these effectiveness reviews.

The separate financial statements included within the consolidated financial statements are audited by various local auditors. Compliance with applicable accounting rules and regulations and the accuracy and completeness of all other locally produced documents which are relevant for the consolidated financial statements are thus safeguarded. The external auditor of the consolidated financial statements summarises audit findings at the level of the separate financial statements and the consolidated financial statements regarding the effectiveness of the accounting-related internal control system of the CEWE Group and notifies the Supervisory Board accordingly.

## ACQUISITION-RELATED DISCLOSURES

### Disclosures in accordance with § 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB)

Composition of subscribed capital, restrictions relating to voting rights or the transfer of shares (§ 315a (1) nos. 1 and 2 HGB).

The subscribed capital of CEWE Stiftung & Co. KGaA, Oldenburg, comprises the following classes of shares:

Type of share	ISIN	Form of share	Volume of this class of shares	Share of subscribed capital <i>in euros</i>	Share of subscribed capital <i>as %</i>	Rights and obligations
Bearer shares	DE 0005403901	No-par value shares	7,400,020	19,240,052.00	100.0	The shares confer full voting and dividend rights unless mandatory provisions of the German Stock Corporation Act stipulate otherwise (e.g. shares which the company holds as treasury shares)
			<b>7,400,020</b>	<b>19,240,052.00</b>	<b>100.0</b>	

Shares issued to employees within the scope of employee share programmes are subject to various holding periods. A total of 3,218 shares must be held up to the end of the year following their transfer. A total of 23,720 shares must be held until the employee shareholder has

reached the age of 65 or begun to draw his statutory old-age pension. The company is not aware of any more extensive restrictions of voting rights or transfer restrictions within the meaning of § 315a (1) no. 1 HGB.

### Direct or indirect equity investments (§ 315a (1) no. 3 HGB)

According to the company's published notices and the available information, the following direct and indirect equity investments held in the company exceed 10% of the voting rights:

#### Mitteilungspflichtiger

	Type of interest	Notified voting rights as a proportion of the subscribed capital
ACN Vermögensverwaltungsgesellschaft mbH & Co. KG, Oldenburg (heirs of Senator h. c. Heinz Neumüller, Oldenburg)	Direct	27.3%

#### Holders of shares conferring special rights (§ 315a (1) no. 4 HGB)

There are no shares conferring special rights.

#### Form of control of voting rights in case of employee participation (§ 315a (1) no. 5 HGB)

Insofar as employees of the CEWE Group are shareholders in CEWE Stiftung & Co. KGaA, Oldenburg, as far as the company is aware no specific requirements apply in relation to the possibility of their exercise of voting rights. Employees are not known to have any joint holdings of one or more shares (§ 69 (1) AktG), and nor are any voting trust agreements between employee shareholders known of.

#### Statutory regulations and provisions in the company's articles of association regarding the appointment and removal from office of members of the Board of Management and amendments of the articles of association (§ 315a (1) no. 6 HGB)

The company's general partner, Neumüller CEWE COLOR Stiftung, Oldenburg, is authorised to manage the affairs of CEWE Stiftung & Co. KGaA, Oldenburg, and to represent it (§ 8 of the articles of association of CEWE Stiftung & Co. KGaA). Unless imperatively stipulated in the articles of association or by law, the legal relationships between the company and its general partner will be regulated in a separate agreement; the company shall be represented by the Supervisory Board in this respect. Article 9 of the articles of association of CEWE Stiftung & Co. KGaA provides for the withdrawal of the company's general partner. Neumüller CEWE COLOR Stiftung thus assumes this role irrespective of any capital contribution; but the imperative statutory grounds for the withdrawal of the general partner remain unaffected (§ 9 (1) of the articles of association). It will not be entitled to any credit balance in case of partition in the event of its withdrawal (§ 9 (2) of the articles of association). In the event of Neumüller CEWE COLOR Stiftung's withdrawal from its position as the company's general partner or if its withdrawal is foreseeable, to prevent the liquidation of CEWE Stiftung & Co. KGaA, § 9 (3) includes the following provision:

the Supervisory Board of CEWE Stiftung & Co. KGaA is entitled and obliged immediately / as of this withdrawal to appoint a company limited by shares – which are held in their entirety by CEWE Stiftung & Co. KGaA – as the new general partner of CEWE Stiftung & Co. KGaA with a sole authorisation for management of its business and a sole power of representation (clause 1). Should Neumüller CEWE COLOR Stiftung withdraw from its position as the company's general partner without the simultaneous appointment of a new general partner, CEWE Stiftung & Co. KGaA's limited shareholders will assume the continuing management of the company on a temporary basis (clause 2). In this case, the Supervisory Board shall immediately apply to the competent court for the appointment of a substitute representative to represent the company up to the appointment of a new general partner, particularly in the event that CEWE Stiftung & Co. KGaA need first acquire or establish a company limited by shares to serve as its general partner (clause 3). The Supervisory Board is authorised to adjust the wording of the articles of association in accordance with the replacement of the company's general partner (clause 4).

Neumüller CEWE COLOR Stiftung is represented by its Board of Management in and out of court. Its Board of Management is thus also responsible for the management of the business of CEWE Stiftung & Co. KGaA. The members of the Board of Management of Neumüller CEWE COLOR Stiftung are appointed by the Board of Trustees. A member of the Board of Management – i. e. the member who supervises the own-account business transactions of Neumüller CEWE COLOR Stiftung – will be appointed by the beneficiaries of Neumüller CEWE COLOR Stiftung designated in its articles of association. The members of the Board of Management will be appointed for a term of office of up to five years. The Board of Trustees shall rule on any issues pertaining to service regulations.

The relevant statutory provisions (§§ 179 ff., 285 (2) and 181 AktG) apply in relation to any changes to the articles of association of CEWE Stiftung & Co. KGaA.

#### Powers of the Board of Management to issue and to repurchase shares (§ 315a (1) no. 7 HGB)

The general meeting held on May 31, 2017 authorised the buyback of treasury shares for up to 10 % of the share capital as of the date of this resolution, in the period up to May 30, 2022. This authorisation has been granted to enable:

- the resale of the shares over the stock exchange or by means of an offer submitted to all of the shareholders, with the consent of the Supervisory Board and while complying with the principle of equal treatment (§ 53a AktG);
- the retirement of the shares, in whole or in part, on one or more occasions, with the consent of the Supervisory Board. The fact or the procedure of these shares' retirement will not require a further resolution to be passed by the general meeting. These shares may therefore be called in through simplified procedures, without any capital reduction, by adjusting the pro rata notional value of the other no-par value shares in the company's share capital;
- to dispose of the shares, with the consent of the Supervisory Board, in return for a payment in kind; in particular, these shares may be offered or granted to third parties within the scope of company mergers or at the acquisition of companies;
- to offer the shares for purchase to employees of the company or its affiliates within the meaning of §§ 15 ff. AktG, with the consent of the Supervisory Board, or to promise these shares or transfer them with a lockup period of not less than one year; the treasury shares

may also be promised and transferred to eligible persons in fulfilment of dividend claims arising from shares of the company;

- with the consent of the Supervisory Board, to offer the shares for purchase to employees including the members of the Board of Management and the management of Neumüller CEWE COLOR Stiftung within the scope of a stock option plan. In this case, the waiting period is four years. The Supervisory Board will specify the details of share-based remuneration for the members of the Board of Management;
- with the consent of the Supervisory Board, to dispose of the shares purchased in accordance with the above authorisation in a form other than via the stock exchange or by means of an offer submitted to all of the shareholders.

#### Material agreements which are subject to a change of control due to a takeover offer (§ 315a (1) no. 8 HGB)

The financing agreements concluded with the company's key bank partners include the usual change-of-control provisions; these may entail the need for the amendment, supplementation or revision of the existing credit agreements. Otherwise, CEWE Stiftung & Co. KGaA, Oldenburg, does not have any agreements with third parties which are subject to a change of control due to a takeover offer and which may have the following effects, either individually or in their totality.

#### Compensation agreements (§ 315a (1) no. 9 HGB)

CEWE Stiftung & Co. KGaA, Oldenburg, does not have any agreements which have been concluded with members of the Board of Management or the management of Neumüller CEWE COLOR Stiftung or employees, to cover the event of a takeover offer, and which may lead to an obligation for the company to provide compensation or other payments.

## ANNUAL FINANCIAL STATEMENTS OF CEWE STIFTUNG & CO. KGAA

### Results of operations, asset and financial position

#### Results of operations

The operating business of CEWE KGaA is only one part of the business activities of the overall CEWE Group. The following paragraphs refer to the separate financial statements of CEWE Stiftung & Co. KGaA.

**Revenues** increased by 7.0 million euros or 2.1% to 338.3 million euros in the financial year 2017. This was mainly due to the growth achieved by the Photofinishing business unit.

**Other operating income** has increased by 3.7 million euros, from 7.3 million euros in the previous year to 11.0 million euros. At 3.2% of turnover, this is slightly higher than the previous year's level (2017: 2.2% of turnover).

The 3.1 million euros or 3.4% decline in the **cost of materials** to 88.2 million euros is lower than the increased volume of business. The material expense ratio has thus decreased on the previous year, from 27.6% to 26.1%.

At 92.8 million euros, **personnel expenses** were 3.1 million euros higher than in the previous year. As well as the increased volume of business, this also reflects the increased personnel requirements for central functions as well as a collective agreement pay rise. The personnel expense ratio increased slightly, from 27.1% to 27.4%.

At 20.0 million euros, **depreciation** was slightly higher (1.0 million euros) than in the previous year. This is attributable to additions in the field of buildings and technical equipment and machinery.

At 102.0 million euros, **other operating expenses** were slightly higher (1.7 million euros) than in the previous year (2017: 100.3 million euros) and have slightly decreased from 30.3% of turnover to 30.1% of turnover.

The **financial result** increased from 5.8 million euros in the previous year to 7.9 million euros. This is mainly attributable to the inapplicability of valuation adjustments on financial assets in 2018 (2017: 1.6 million euros). Profit transfer income has resulted from an existing profit and loss transfer agreement.

**Earnings before income taxes** have increased from 44.2 million euros to 54.2 million euros and amount to 16.0 % of turnover, compared to 13.4 % of turnover in the previous year.

**Income taxes** amounted to 18.2 million euros (2017: 14.9 million euros); the income tax rate is unchanged at 33.6 % (2017: 33.7 %).

**Net income** for the year thus totals 35.9 million euros (2017: 29.3 million euros) and has therefore significantly increased to 10.6 % of turnover (2017: 8.9 % of turnover).

#### Asset position

CEWE KGaA's **total assets** have increased by 48.0 million euros on the previous year.

At 246.4 million euros (December 31, 2017: 233.4 million euros), fixed assets were 13.0 million euros higher than in the previous year. This **fixed assets** increase is mainly attributable to the 10.3 million euros increase in financial assets. Property, plant and equipment have increased by 2.9 million euros to 87.3 million euros.

**Current assets** increased by 34.7 million euros, from 188.2 million euros to 222.8 million euros. The increase in current assets has mainly resulted due to the 48.5 million euros increase in receivables from affiliates to 132.3 million euros. While cash and cash equivalents decreased by 15.7 million euros to 10.6 million euros, inventories were almost unchanged at 13.6 million euros.

**Equity** has mainly increased due to the unappropriated profits realised less the dividend paid in the financial year 2018 for 2017. Please see the notes for further information.

**Accruals** increased by 4.5 million euros, from 45.1 million euros to 49.6 million euros. Pension accruals were increased, mainly due to adjustments of the pension commitments to members of the Board of Management. Tax accruals as of December 31, 2018 increased year-on-year due to the revised treatment of remuneration for activities provided for CEWE Stiftung & Co. KGaA (see comments on the tax result – page 87). The decrease in other accruals is partly attributable to the reduced accruals for bonus payments to business partners as well as accruals for outstanding invoices.

**Liabilities**, which have increased by 18.0 million euros to 137.9 million euros, are mainly due to the increase in Group cash pool liabilities.

### Investments

Investments in fixed assets totalled 42.5 million euros. Of this amount, 24.8 million euros were invested in property, plant and equipment and 2.6 million euros in intangible assets. In the property, plant and equipment segment, expenses amounting to 5.8 million euros were incurred for the company's POS presence. 10.7 million euros were invested in digital printing and finishing. 1.7 million euros were committed for the expansion of the company's IT infrastructure. The remainder, in the amount of 6.6 million euros, comprises investments in buildings, the fleet of vehicles and other installations. Other investments in financial assets totalled 15.5 million euros and related to loans to affiliates as well as the acquisition of equity investments. As of December 31, 2018, commitments amounted to 1.0 million euros. Of this amount, 0.6 million euros consisted of property, plant and equipment and 0.4 million euros comprised intangible assets.

### Financing

CEWE's existing credit facilities provide it with additional financial leeway. At the end of the year, the total credit line of the CEWE Group amounted to 180.0 million euros (previous year: 94.6 million euros). After deducting the total loan volume drawn down (3.8 million euros, previous year: 1.6 million euros) and allowing for the company's existing liquidity (28.1 million euros, previous year: 38.8 million euros), its liquidity potential totalled 204.3 million euros (previous year: 131.8 million euros). As well as drawn-down fixed-rate loans (3.8 million euros, previous year: 1.6 million euros), the company has long-term revolving credit lines which have been granted for up to seven years as well as continuously renewed one-year lines whose overall

purpose is financing of the company's liquidity requirements, which fluctuate strongly over the course of a given year due to seasonal factors; this ensures that CEWE is able to fulfil its payment obligations at all times. In addition to this overall volume, additional facilities of up to 120.0 million euros are available for acquisition projects.

All long-term credit commitments are subject to normal bank agreements. No financial covenants have been agreed. No other significant collateral was provided. Change of control and penalty clauses apply. These agreements provide sufficiently large strategic leeway. These loans have been granted subject to normal market terms. The CEWE Group's regular investment budget is generally fully financed out of its operating cash flow. As well as equalisation of liquidity in the course of the year, these credit facilities are also available for larger strategic measures.

In the financial year 2018, the cash flow from operating activities calculated according to GAS 21 amounted to 24.7 million euros (2017: 62.9 million euros) and was thus slightly lower than the cash flow from investing activities which totalled – 26.5 million euros in 2018 (2017: – 58.5 million euros). Cash flow from financing activities amounted to – 14.0 million euros (2017: – 13.8 million euros). Cash and cash equivalents have thus decreased by 15.7 million euros, from 26.3 million euros to 10.6 million euros.

## REMUNERATION REPORT

In accordance with applicable legal requirements (§§ 285 clause 1 no. 9, 289a (2), 314 (1) no. 6 and 315a (2) of the German Commercial Code), the rules laid down in the German Accounting Standards (GAS) 17.10 and 14 ff. and the recommendations of the German Corporate Governance Code (GCGC), as amended on February 7, 2017, the remuneration report sets out the basic features of the remuneration system for the Board of Management of Neumüller CEWE COLOR Stiftung as the general partner of CEWE Stiftung & Co. KGaA and its Supervisory Board. The individual remuneration packages of the members of the Board of Management and Supervisory Board are also presented and commented on. In the year under review and the previous year, no external remuneration expert was consulted for an assessment of the appropriateness of the remuneration received by the Board of Management and the Supervisory Board.

The group of members of the Board of Management subject to reporting obligations comprises the Board of Management of Neumüller CEWE COLOR Stiftung as the general partner and sole managing director of CEWE Stiftung & Co. KGaA.

On June 30, 2017, Dr Rolf Hollander retired from the Board of Management and took up a seat on the Board of Trustees of Neumüller CEWE COLOR Stiftung.

With effect as of July 1, 2017, Dr Christian Friege was appointed as the Chairman of the Board of Management of Neumüller CEWE COLOR Stiftung.

### Remuneration of the Board of Management

#### Remuneration system

The remuneration paid over to the members of the Board of Management is determined by the Board of Trustees of Neumüller CEWE COLOR Stiftung. This continues to comprise fixed and performance-related variable components. As well as the tasks handled by the respective member of the Board of Management and their personal performance, the criteria for determination of overall remuneration are the performance of the overall Board of Management and the economic success of the CEWE Group and its peer group. The company's remuneration structure is intended to promote its positive long-term development. No remuneration components are granted which may result in a dilution of the share capital. Nor has the company concluded any agreements on discretionary or guaranteed bonus payments. It thereby complies with the requirements of the German Act on the Appropriateness of Management Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG). No remuneration was forthcoming from other companies in the CEWE Group.



### Elements of the Board of Management's remuneration system

The members of the Board of Management receive an annual salary as remuneration for their service. Excluding fringe benefits, this may amount to no more than twice their fixed remuneration. Their fixed remuneration comprises a fixed salary and non-cash remuneration. Their variable remuneration consists of a bonus plus long-term incentive components. Fixed remuneration is paid out regardless of performance as a constant monthly salary. The members of the Board of Management also receive non-cash remuneration, which is reported on the basis of the taxable amounts. This mainly consists of the use of a company car and occupational insurance premiums; the members of the Board of Management are entitled to receive the non-cash remuneration in the same way and pay tax on it. They are also entitled to the reimbursement of entertainment expenses and travel costs at the maximum rates permitted for tax purposes, insofar as such expenses and costs are exclusively incurred in the interests of Neumüller CEWE COLOR Stiftung.

The variable, performance-related remuneration elements are divided up into three different components and consist of a bonus share, payable annually (bonus I), a multi-year bonus share (bonus II) and a long-term, share-based remuneration component. In terms of their structure, the various remuneration elements are handled equally for all of the members of the Board of Management and have the following key features.

In terms of its annual and multi-year shares (bonus I and bonus II), the bonus is based on earnings before taxes (EBT) as well as depreciation on property, plant and equipment and amortisation on intangible assets of the CEWE Group for the year under review and the previous year. Overall, it is limited to a maximum of 100% of the fixed remuneration in a given year. Moreover, this only includes bonus shares which are relevant

for depreciation purposes and which have been earned through earnings before tax (earned depreciation). A multi-year assessment basis for the variable remuneration components is established in that only 80% of the calculated bonus share is paid out to the member of the Board of Management in the next year following the relevant financial year (bonus I). The 20% remaining amount (bonus II) is credited to an account held by a personal bonus bank. This bonus bank balance is retained for the multi-year term of the contract of the respective member of the Board of Management. It attracts interest at a rate of 5.0% per annum and will be paid out at the end of the period, including this credited interest.

Negative earnings before tax which exceed the level of annual depreciation will result in a negative bonus amount that will be deducted from the personal bonus bank account of the respective member of the Board of Management. Accordingly, the final balance of the bonus bank account upon expiry of the term of the Board of Management member's contract will only be paid out in case of a positive balance. In the event of the premature retirement of the respective member of the Board of Management, pro rata payment rules apply. Extraordinary developments (such as the disposal of shares in the company and the realisation of hidden reserves) are not included in the calculation of bonus I and bonus II. In the event of a deterioration in the position of CEWE Stiftung & Co. KGaA, Neumüller CEWE COLOR Stiftung may reduce these amounts appropriately, if their continued grant would otherwise be unreasonable. A new Board of Management agreement was signed with Dr Holzkämper with effect from January 1, 2018. Bonus I (annual special payment) and bonus II (multi-year special payment) are calculated separately from one another. However, the new rules have not resulted in any significant financial changes.

Page 199 ff. | Stock option plans D 50

Stock option plans were established in the period from 2014 to 2017 in which currently active members of the Board of Management were permitted to participate. The purpose of this was to establish a further long-term, performance-related remuneration component. This affected the period under review. All of these stock option plans (SOP 2014, SOP 2015, SOP 2016 and SOP 2017) had (and have) essentially the same terms. Participation in these plans and the volume of options purchased were subject to the discretion of the members of

the Board of Management, up to a maximum total. All of the members of the Board of Management fully participated in the SOP 2014, SOP 2015, SOP 2016 and SOP 2017 plans, in line with their respective entitlements. The underlying prices, the performance targets and the fair value of the options within the scope of the currently applicable option programmes are as indicated below; for further details of the programmes, please see pages 199 ff.

**Stock option plans: fair values, underlying prices and performance targets**

	Number of participants	Number of rights issued	Fair value euros/opt.	Fair value in euros	Underlying price euros/opt.	Performance premium	Performance target euros/opt.
SOP 2017	7	8,400	20.20	169,680.00	74.00	125%	92.50
SOP 2016	8	9,600	18.06	173,376.00	74.00	125%	92.50
SOP 2015	9	10,800	9.16	98,928.00	52.00	120%	62.40
SOP 2014	9	10,800	7.10	76,680.00	53.00	120%	63.60

The company has taken out a Group financial loss liability insurance policy for all of the members of the Board of Management, the managing directors and the executives of the CEWE Group, both in Germany and in other countries. This policy is concluded or extended annually. This insurance covers the personal liability risk in the event of this group of persons being sued for financial losses resulting from their activities (D & O insurance). Cover for the members of the Board of Management and the Supervisory Board of CEWE Stiftung & Co. KGaA complies with the requirements of the German Act on the Appropriateness of Management Board Remuneration. The policyholder thus bears 10% of a potential loss, up to one-and-a-half times their fixed annual remuneration. The individual member of the Board of Management is free to arrange additional cover privately, on their own account. Insurance cover also applies through D & O insurance as well as insurance covering legal expenses under criminal law for all of the company's employees (total annual expenditure: 63 thousand euros, previous year: 61 thousand euros). The company's statutory representatives and the members of its supervisory body are also jointly insured against any violations which they commit, or are alleged to have committed, in the performance of their duties. The company has also taken out an accident insurance policy (total annual expenditure: 6 thousand euros, previous year: 6 thousand euros) for all of its executives. This includes all of the members of the Board of Management.

#### Individual remuneration of the Board of Management for 2018

In addition to applicable accounting principles, the following presentation of the remuneration paid out in the financial year 2018 also reflects the recommendations of the German Corporate Governance Code (GCGC). The remuneration granted and received is presented in line with the model tables recommended in the Code. The maximum possible figures are also indicated; except for fixed remuneration, no minimum limits apply. The two tables recommended as models distinguish between potential and prospective payments (remuneration granted) and the payments actually made for the financial year (remuneration received). The indicated fair values of the share-based remuneration granted have been calculated according to applicable accounting principles.

The total remuneration granted for the members of the Board of Management of Neumüller CEWE COLOR Stiftung for the performance of its tasks within the parent company and the subsidiaries, as fixed gross and variable remuneration in the financial year 2018, amounts to a total of 4,322 thousand euros (previous year: 4,027 thousand euros). The breakdown of the payments granted is as follows for the individual members of the Board of Management:

## Remuneration granted

Figures in euros	Dr Christian Friege Chairman of the Board of Management and Head of National and International Distribution, Neumüller CEWE COLOR Stiftung				Patrick Berkhouwer Head of Foreign Markets and Expansion, Neumüller CEWE COLOR Stiftung				Dr Reiner Fageth Head of Technology and R & D, Neumüller CEWE COLOR Stiftung			
	2017	2018	Min. 2018	Max. 2018	2017	2018	Min. 2018	Max. 2018	2017	2018	Min. 2018	Max. 2018
<b>Fixed gross remuneration</b>												
Fixed remuneration	300,000	360,000	360,000	360,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000
Fringe benefits	20,497	14,570	14,570	14,570	26,535	20,953	20,953	20,953	16,654	16,654	16,654	16,654
<b>Total fixed gross remuneration</b>	<b>320,497</b>	<b>374,570</b>	<b>374,570</b>	<b>374,570</b>	<b>266,535</b>	<b>260,953</b>	<b>260,953</b>	<b>260,953</b>	<b>256,654</b>	<b>256,654</b>	<b>256,654</b>	<b>256,654</b>
<b>Variable remuneration</b>												
One-year variable remuneration	118,994	132,641	0	288,000	93,733	104,771	0	192,000	93,733	104,771	0	192,000
Multi-year variable remuneration												
Bonus bank	31,241	32,636	0	72,000	25,233	25,504	0	48,000	27,355	25,985	0	48,000
Stock Option Plans	5,418	11,478	0	11,478	10,296	16,356	0	16,356	10,296	16,356	0	16,356
<b>Total variable remuneration</b>	<b>155,653</b>	<b>176,755</b>	<b>0</b>	<b>371,478</b>	<b>129,262</b>	<b>146,632</b>	<b>0</b>	<b>256,356</b>	<b>131,384</b>	<b>147,112</b>	<b>0</b>	<b>256,356</b>
<b>Pension expenses</b>	<b>284,082</b>	<b>310,015</b>	<b>310,015</b>	<b>310,015</b>	<b>232,484</b>	<b>248,474</b>	<b>248,474</b>	<b>248,474</b>	<b>248,243</b>	<b>253,456</b>	<b>253,456</b>	<b>253,456</b>
<b>Total remuneration (GCGC)</b>	<b>760,232</b>	<b>861,340</b>	<b>684,585</b>	<b>1,056,063</b>	<b>628,281</b>	<b>656,059</b>	<b>509,427</b>	<b>765,783</b>	<b>636,281</b>	<b>657,222</b>	<b>510,110</b>	<b>766,466</b>

## Remuneration granted

Figures in euros	Carsten Heitkamp Head of German Plants, Neumüller CEWE COLOR Stiftung				Dr Olaf Holzkämper Head of Finance and Controlling, Neumüller CEWE COLOR Stiftung				Thomas Mehls Head of Marketing and Acquisitions, Neumüller CEWE COLOR Stiftung			
	2017	2018	Min. 2018	Max. 2018	2017	2018	Min. 2018	Max. 2018	2017	2018	Min. 2018	Max. 2018
<b>Fixed gross remuneration</b>												
Fixed remuneration	252,000	252,000	252,000	252,000	240,000	258,000	258,000	258,000	252,000	252,000	252,000	252,000
Fringe benefits	25,542	16,903	16,903	16,903	12,962	15,512	15,512	15,512	14,534	14,228	14,228	14,228
<b>Total fixed gross remuneration</b>	<b>277,542</b>	<b>268,903</b>	<b>268,903</b>	<b>268,903</b>	<b>252,962</b>	<b>273,512</b>	<b>273,512</b>	<b>273,512</b>	<b>266,534</b>	<b>266,228</b>	<b>266,228</b>	<b>266,228</b>
<b>Variable remuneration</b>												
One-year variable remuneration	93,733	104,771	0	201,600	93,733	85,420	0	206,400	93,733	104,771	0	201,600
Multi-year variable remuneration												
Bonus bank	24,216	26,176	0	50,400	26,329	50,427	0	51,600	24,216	26,176	0	50,400
Stock Option Plans	10,296	16,356	0	16,356	10,296	16,356	0	16,356	10,296	16,356	0	16,356
<b>Total variable remuneration</b>	<b>128,245</b>	<b>147,303</b>	<b>0</b>	<b>268,356</b>	<b>130,358</b>	<b>152,203</b>	<b>0</b>	<b>274,356</b>	<b>128,245</b>	<b>147,303</b>	<b>0</b>	<b>268,356</b>
<b>Pension expenses</b>	<b>225,210</b>	<b>244,248</b>	<b>244,248</b>	<b>244,248</b>	<b>239,630</b>	<b>253,832</b>	<b>253,832</b>	<b>253,832</b>	<b>235,519</b>	<b>270,315</b>	<b>270,315</b>	<b>270,315</b>
<b>Total remuneration (GCGC)</b>	<b>630,997</b>	<b>660,454</b>	<b>513,151</b>	<b>781,507</b>	<b>622,950</b>	<b>679,548</b>	<b>527,344</b>	<b>801,700</b>	<b>630,298</b>	<b>683,846</b>	<b>536,543</b>	<b>804,899</b>

## Remuneration granted

Figures in euros	Frank Zweigle Head of Administration, Neumüller CEWE COLOR Stiftung				TOTAL Remuneration granted to the Board of Management of Neumüller CEWE COLOR Stiftung			
	2016	2018	Min. 2018	Max. 2018	2016	2018	Min. 2018	Max. 2018
<b>Fixed gross remuneration</b>								
Fixed remuneration	96,000	96,000	96,000	96,000	1,620,000	1,698,000	1,698,000	1,698,000
Fringe benefits	11,425	11,340	11,340	11,340	128,149	110,161	110,161	110,161
<b>Total fixed gross remuneration</b>	<b>107,425</b>	<b>107,340</b>	<b>107,340</b>	<b>107,340</b>	<b>1,748,149</b>	<b>1,808,161</b>	<b>1,808,161</b>	<b>1,808,161</b>
<b>Variable remuneration</b>								
One-year variable remuneration	0	0	0	0	587,659	637,146	0	1,281,600
Multi-year variable remuneration								
Bonus bank	0	0	0	0	158,590	186,904	0	320,400
Stock option plan	10,296	16,356	0	16,356	67,194	109,614	0	109,614
<b>Total variable remuneration</b>	<b>10,296</b>	<b>16,356</b>	<b>0</b>	<b>16,356</b>	<b>813,443</b>	<b>933,664</b>	<b>0</b>	<b>1,711,614</b>
<b>Pension expenses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,465,168</b>	<b>1,580,340</b>	<b>1,580,340</b>	<b>1,580,340</b>
<b>Total remuneration (GCGC)</b>	<b>117,721</b>	<b>123,696</b>	<b>107,340</b>	<b>123,696</b>	<b>4,026,760</b>	<b>4,322,165</b>	<b>3,388,501</b>	<b>5,100,115</b>

Fixed remuneration for the members of the Board of Management in office as of December 31, 2018 will remain unchanged for the terms of their respective contracts. Mr Zweigle is exclusively granted fixed remuneration; he is not a beneficiary of a bonus bank scheme or of a pension commitment as is normally granted for Board of Management members. Dr Friege was appointed as the Chairman of the Board of Management of Neumüller CEWE COLOR Stiftung with effect as of July 1, 2017. Fringe benefits include the costs assumed or the benefit in money's worth associated, for example, with provision of a company car, the conclusion of insurance policies or temporary housing and relocation costs.

In the year under review, the variable, performance-related remuneration granted for the active members of the Board of Management totalled 934 thousand euros and was thus higher than in the previous year (813 thousand euros). This includes the paid-out bonus shares (bonus I). For the one-off variable remuneration, the amounts granted relate to the financial year in which the preconditions were fulfilled for the actual remuneration entitlements (in this case, earnings before tax and depreciation amounts). The members of the Board of Management will only receive amounts calculated on this basis in the following year. As multi-year variable remuneration, they comprise the share of bonus bank contributions (bonus II) as well as the expenses registered in the waiting period for the stock option plans pursuant to

IFRS 2.10 ff., due to initial measurement of share-based remuneration; the fair value as of the grant date is key in this respect. None of the members of the Board of Management has received third-party payments in relation to their service. The remuneration of the members of the Board of Management of Neumüller CEWE COLOR Stiftung for the financial year 2018, which is paid out in 2019 (bonus I), will amount to 637 thousand euros and thus be higher than the figure for 2018 (588 thousand euros).

A total of 187 thousand euros (previous year: 159 thousand euros) has been paid over to the bonus bank accounts, i. e. the accounts holding the remuneration comprising bonus II. As of December 31, 2018, the bonus bank accounts of the members of the Board of Management had the following balances, including the pro rata contractually stipulated amount of interest:

**Bonus bank**

<i>Figures in euros</i>	Opening balance Jan. 1, 2017	Amount added 2017	Amount paid out 2017	End balance Dec. 31, 2017	Amount added 2018	Payment 2018	End balance Dec. 31, 2018
Dr Christian Friege (Chairman)	23,066	31,241	- 23,931	30,376	32,636	0	63,012
Patrick Berkhouwer	23,066	25,233	0	48,299	25,504	0	73,803
Dr Reiner Fageth	61,668	27,355	0	89,023	25,985	0	115,008
Carsten Heitkamp	66,961	24,216	- 67,249	23,928	26,176	0	50,104
Dr Olaf Holzkämper	61,668	26,329	0	87,997	50,427	- 87,997	50,427
Thomas Mehls	73,123	24,216	- 73,411	23,928	26,176	0	50,104
Frank Zweigle	0	0	0	0	0	0	0
<b>Total active members of the Board of Management</b>	<b>309,551</b>	<b>158,590</b>	<b>- 164,591</b>	<b>303,550</b>	<b>186,904</b>	<b>- 87,997</b>	<b>402,457</b>

The indicated payout amount for bonus bank balances includes the contractually stipulated amount of interest. Including interest, 87,997 euros was paid in the year under review.

The following table shows the inflow of cash in the financial year 2018 as a result of fixed remuneration, fringe benefits, one-year variable remuneration and multi-year variable remuneration as well as pension expenses. In deviation from the remuneration set out above which was granted for the past financial year, this table indicates the actual remuneration granted in previous years and received in the financial year 2018.

In the financial year 2018, the overall remuneration which the active members of the Board of Management of Neumüller CEWE COLOR Stiftung received as fixed and variable components totalled 4,064 thousand euros (previous year: 3,931 thousand euros). Of the total fixed gross remuneration, the amounts received match the amounts granted (see above). The breakdown of these payments is as follows for the individual members of the Board of Management:

## Remuneration received

Figures in euros	Dr Christian Friege Chairman of the Board of Management and Head of National and International Distribu- tion, Neumüller CEWE COLOR Stiftung		Patrick Berkhouwer Head of Foreign Markets and Expansion, Neumüller CEWE COLOR Stiftung		Dr Reiner Fageth Head of Technology and R & D, Neumüller CEWE COLOR Stiftung		Carsten Heitkamp Head of German Plants, Neumüller CEWE COLOR Stiftung		Dr Olaf Holzkämper Head of Finance and Controlling, Neumüller CEWE COLOR Stiftung		Thomas Mehls Head of Marketing and Acquisitions, Neumüller CEWE COLOR Stiftung		Frank Zweigle Head of Administration, Neumüller CEWE COLOR Stiftung		TOTAL Remuneration received by the Board of Management of Neumüller CEWE COLOR Stiftung	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
<b>Fixed gross remuneration</b>																
Fixed remuneration	300,000	360,000	240,000	240,000	240,000	240,000	252,000	252,000	240,000	258,000	252,000	252,000	96,000	96,000	1,620,000	1,698,000
Fringe benefits	20,497	14,570	26,535	20,953	16,654	16,654	25,542	16,903	12,962	15,512	14,534	14,228	11,425	11,340	128,149	110,161
<b>Total fixed gross remuneration</b>	<b>320,497</b>	<b>374,570</b>	<b>266,535</b>	<b>260,953</b>	<b>256,654</b>	<b>256,654</b>	<b>277,542</b>	<b>268,903</b>	<b>252,962</b>	<b>273,512</b>	<b>266,534</b>	<b>266,228</b>	<b>107,425</b>	<b>107,340</b>	<b>1,748,149</b>	<b>1,808,161</b>
<b>Variable remuneration</b>																
One-year variable remuneration	92,263	118,994	92,263	93,733	92,263	93,733	92,263	93,733	92,263	93,733	92,263	93,733	0	0	553,578	587,656
Multi-year variable remuneration																
Bonus bank	23,931	0	0	0	0	0	67,249	0	0	87,997	73,411	0	0	0	164,591	87,997
Stock optionplan	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other items	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total variable remuneration</b>	<b>116,194</b>	<b>118,994</b>	<b>92,263</b>	<b>93,733</b>	<b>92,263</b>	<b>93,733</b>	<b>159,512</b>	<b>93,733</b>	<b>92,263</b>	<b>181,729</b>	<b>165,674</b>	<b>93,733</b>	<b>0</b>	<b>0</b>	<b>718,169</b>	<b>675,653</b>
Pension expenses	284,082	310,015	232,484	248,474	248,243	253,456	225,210	244,248	239,630	253,832	235,519	270,315	0	0	1,465,168	1,580,340
<b>Total remuneration (GCGC)</b>	<b>720,773</b>	<b>803,579</b>	<b>591,282</b>	<b>603,160</b>	<b>597,160</b>	<b>603,842</b>	<b>662,264</b>	<b>606,883</b>	<b>584,855</b>	<b>709,074</b>	<b>667,727</b>	<b>630,275</b>	<b>107,425</b>	<b>107,340</b>	<b>3,931,486</b>	<b>4,064,154</b>



None of the members of the Board of Management has received third-party payments in relation to their service.

#### Commitments to the members of the Board of Management in the event of the termination of their office

The members of the Board of Management have vested pension rights. The value of their pension entitlements amounts to two forty-fifths of the last fixed remuneration paid, for each year of their service on the Board of Management of Neumüller CEWE COLOR Stiftung. Overall, their respective pension entitlements are limited to two-thirds of their most recent fixed remuneration. The structure of the pension scheme applies equally for all of the members of the Board of Management of Neumüller CEWE COLOR Stiftung.

In principle, the commitments entered into do not include provision for dependants. However, provision has been made for the dependants of Dr Reiner Fageth, Dr Olaf Holzkämper and Patrick Berkhouwer. This is cost-neutral from an actuarial point of view, through a reduction in retirement benefits by comparison with the arrangements which apply in principle. The service cost for pensions in 2018 is as follows, subject to an actuarial interest rate of 1.8% (previous year: 1.8%) and use of the projected unit credit method in accordance with the IFRS.

In addition to the company's commitments to the Board of Management, Mr Pirwitz and Mr Heydemann will receive pensions as part of the company's pension scheme, on the basis of a direct commitment upon their retirement from the company at the age of 65 or higher. This includes provision for dependants amounting to 50% of their

respective pensions. Dr Fageth will receive a financially equivalent old-age pension within the scope of the company's pension scheme, out of an employer-financed support fund. Reinsurance cover applies for this direct commitment/ support fund commitment in the form of insurance contracts.

#### Pensions of the Board of Management of Neumüller CEWE COLOR Stiftung

	2017				2018			
	Vested pension entitlements	Pension entitlements Dec. 31, 2017	Service cost for pensions	Provision for pension liabilities	Vested pension entitlements	Pension entitlements Dec. 31, 2018	Service cost for pensions	Provision for pension liabilities
<i>Figures in thousands of euros</i>								
<b>Members of the Board of Management of Neumüller CEWE COLOR Stiftung</b>								
Dr Christian Friege (Chairman)	18	29	220	570	14	43	289	933
Patrick Berkhouwer	9	18	229	467	9	27	237	749
Dr Reiner Fageth	9	53	233	1,260	10	63	253	1,555
Carsten Heitkamp	11	45	210	903	11	56	229	1,225
Dr Olaf Holzkämper	11	45	239	1,122	9	54	244	1,443
Thomas Mehls	11	45	228	943	5	50	240	1,358
Frank Zweigle	0	0	0	0	0	0	0	0
<b>Total active members of the Board of Management</b>	<b>69</b>	<b>235</b>	<b>1,359</b>	<b>5,265</b>	<b>58</b>	<b>293</b>	<b>1,492</b>	<b>7,263</b>
Dr Rolf Hollander (to June 30, 2017)	0	312	0	6,772	0	312	0	6,651
Andreas F.L. Heydemann (to December 31, 2015)	0	97	0	1,862	0	97	0	1,984
Harald H. Pirwitz (to December 31, 2015)	0	110	0	2,069	0	110	0	2,060
<b>Total former members of the Board of Management</b>	<b>0</b>	<b>519</b>	<b>0</b>	<b>10,703</b>	<b>0</b>	<b>519</b>	<b>0</b>	<b>10,695</b>
<b>Total for CEWE Stiftung &amp; Co. KGaA</b>	<b>69</b>	<b>754</b>	<b>1,359</b>	<b>15,968</b>	<b>58</b>	<b>812</b>	<b>1,492</b>	<b>17,958</b>

Finally, for Dr Reiner Fageth and Dr Olaf Holzkämper as part of the company's pension scheme the company maintains life insurance policies with a capital payment in the event of premature death as provision for dependants or, in case of survival, as a pension, with an insured sum of 38 thousand euros. The related annual expenses for each member of

the Board of Management amount to 1 thousand euros (previous year: 1 thousand euros). No loans or advance payments have been granted. Moreover, nor has the company entered into any contingent liabilities for the benefit of the members of the Board of Management.

#### Company pension scheme

	2017			2018		
	Vested pension entitlements	Pension entitlements Dec. 31, 2016	Service cost for pensions	Vested pension entitlements	Pension entitlements Dec. 31, 2017	Service cost for pensions
<i>Figures in thousands of euros</i>						
<b>Members of the Board of Management of Neumüller CEWE COLOR Stiftung</b>						
Dr Christian Friege (Chairman)	0.0	0.0	0.0	0.0	0.0	0.0
Patrick Berkhouwer	0.0	0.0	0.0	0.0	0.0	0.0
Dr Reiner Fageth	0.0	3.0	2.0	0.0	3.0	2.0
Carsten Heitkamp	0.0	0.0	0.0	0.0	0.0	0.0
Dr Olaf Holzkämper	0.0	0.0	0.0	0.0	0.0	0.0
Thomas Mehls	0.0	0.0	0.0	0.0	0.0	0.0
Frank Zweigle	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total active members of the Board of Management</b>	<b>0.0</b>	<b>3.0</b>	<b>2.0</b>	<b>0.0</b>	<b>3.0</b>	<b>2.0</b>
Dr Rolf Hollander (to June 30, 2017)	0.0	0.0	0.0	0.0	0.0	0.0
Andreas F. L. Heydemann (to December 31, 2015)	0.0	3.0	2.0	0.0	3.0	0.0
Harald H. Pirwitz (to December 31, 2015)	0.0	3.0	5.0	0.0	0.0	0.0
<b>Total former members of the Board of Management</b>	<b>0.0</b>	<b>6.0</b>	<b>7.0</b>	<b>0.0</b>	<b>3.0</b>	<b>0.0</b>
<b>Total for CEWE Stiftung &amp; Co. KGaA</b>	<b>0.0</b>	<b>9.0</b>	<b>9.0</b>	<b>0.0</b>	<b>6.0</b>	<b>2.0</b>

The following arrangements apply in the event of the premature termination of the contracts of the members of the Board of Management: in case of dismissal for good cause, their contracts will have been terminated as of the date of dismissal. In case of a dismissal which is not made for good cause or which is made on grounds lying outside of the responsibility of the member of the Board of Management, their fixed remuneration will be paid up to the end of the term of their contract. In addition, in this case this member of the Board of Management will receive a settlement in the amount of half of one year's fixed salary in case of a period of at least twelve months before he begins to draw a pension, and otherwise a pro rata compensation amount. Pro rata payment rules apply for the payment of any positive bonus bank balance. The company has not concluded any compensation agreements with the members of the Board of Management to cover the event of a takeover offer (§ 315a (1) no. 9; cf. page 122).

Finally, a post-contractual non-compete clause has been agreed for all of the members of the Board of Management. Where applicable, for a maximum period of two years the members of the Board of Management will receive half of the contractual benefits which they have most recently received from Neumüller CEWE COLOR Stiftung, for each year for which this non-compete clause applies for them (non-competition compensation). This compensation will be paid out monthly in instalments.

## Remuneration of the Supervisory Board

The Supervisory Board consists of twelve members. The remuneration of the members of the Supervisory Board is stipulated in the company's articles of association and comprises a fixed component and three variable components. The fixed gross remuneration amounts to 6,000 euros per annum. The Chairman of the Supervisory Board receives twice this amount and the Deputy Chairman receives one-and-a-half times this amount. Each Supervisory Board member also receives an attendance fee of 1,000 euros for each meeting attended. These amounts are payable upon expiry of the financial year.

Each Supervisory Board member additionally receives performance-related and dividend-linked annual remuneration. Performance-related remuneration is determined on the basis of the undiluted earnings per limited partner's share, calculated according to the IFRS rules, and amounts to 250.00 euros for each 0.05 euros portion of earnings exceeding earnings of 0.25 euros per limited partner's share. The dividend-linked remuneration is calculated as follows: if a dividend of more than 0.25 euros per limited partner's share is resolved, the remuneration will amount to 500.00 euros for each 0.05 euros portion of the dividend which exceeds the dividend of 0.25 euros per limited partner's share. Here too, the Chairman of the Supervisory Board receives twice the performance-related and dividend-linked remuneration and the Deputy Chairman one-and-a-half times this amount. For each member of the Supervisory Board, this remuneration is payable ten days after the general meeting which ratifies the actions of the Supervisory Board for the financial year in question. Supervisory Board members who have only served on the Supervisory Board for part of the financial year will receive remuneration pro rata temporis.

The following remuneration has been paid over to the members of the Supervisory Board:

## Supervisory Board remuneration, shareholdings, options

	2017 <sup>2</sup>							2018 <sup>1</sup>						
	Fixed remuneration in thousands of euros	Attendance fees in thousands of euros	Performance-related remuneration in thousands of euros	Dividend-linked remuneration in thousands of euros	Total remuneration in thousands of euros	Shareholdings Number	Options in units	Fixed remuneration in thousands of euros	Attendance fees in thousands of euros	Performance-related remuneration in thousands of euros	Dividend-linked remuneration in thousands of euros	Total remuneration in thousands of euros	Shareholdings in units	Options in units
<b>Supervisory Board of CEWE Stiftung &amp; Co. KGaA</b>														
Otto Korte (Chairman)	12.0	8.0	40.0	31.0	91.0	0	0	12.0	7.0	44.5	32.0	95.5	550	0
Paolo Dell'Antonio (since February 14, 2017)	6.0	6.0	0.0	0.0	12.0	0.0	0.0	6.0	5.0	19.5	14.0	44.5	0	0
Professor Dr Hans-Jürgen Appelrath (to August 5, 2016)	—	—	13.3	10.3	23.6	—	—	—	—	—	—	—	—	—
Patricia Geibel-Conrad (since June 6, 2018)	—	—	—	—	—	—	—	3.5	4.0	0.0	0.0	7.5	0	0
Professor Dr Christiane Hipp	6.0	4.0	20.0	15.5	45.5	0	0	6.0	5.0	22.3	16.0	49.3	0	0
Corinna Linner (to June 6, 2018)	6.0	7.0	20.0	15.5	48.5	0	0	2.5	3.0	22.3	16.0	43.8	0	0
Professor Dr Michael Paetsch (to June 6, 2018)	6.0	4.0	20.0	15.5	45.5	0	0	2.5	2.0	22.3	16.0	42.8	0	0
Dr Birgit Vemmer (since June 6, 2018)	—	—	—	—	—	—	—	3.5	3.0	0.0	0.0	6.5	0	0
Dr Hans-Henning Wiegmann	6.0	6.0	20.0	15.5	47.5	0	0	6.0	5.0	22.3	16.0	49.3	0	0
<b>Subtotal</b>	<b>42.0</b>	<b>35.0</b>	<b>133.3</b>	<b>103.3</b>	<b>313.6</b>	<b>0.0</b>	<b>0.0</b>	<b>42.0</b>	<b>34.0</b>	<b>153.0</b>	<b>110.0</b>	<b>339.0</b>	<b>550.0</b>	<b>0.0</b>
Vera Ackermann (to June 6, 2018)	6.0	5.0	30.0	23.2	64.2	0	0	2.5	2.0	22.3	16.0	42.8	0	0
Petra Adolph (since June 6, 2018)	—	—	—	—	—	—	—	3.5	2.0	0.0	0.0	5.5	0	0
Dr Christine Debus (to June 6, 2018)	6.0	5.0	20.0	15.5	46.5	213	1,200	2.5	1.0	22.3	16.0	41.8	221	1,200
Angelika Eßer (to June 6, 2018)	6.0	5.0	20.0	15.5	46.5	391	0	2.5	2.0	22.3	16.0	42.8	399	0
Marion Gerdes (since June 6, 2018)	—	—	—	—	—	—	—	3.5	4.0	0.0	0.0	7.5	29	2,600
Insa Lukaßen (since June 6, 2018)	—	—	—	—	—	—	—	3.5	3.0	0.0	0.0	6.5	21	0
Philipp Martens (to June 6, 2018)	6.0	7.0	20.0	15.5	48.5	0	0	2.5	3.0	22.3	16.0	43.8	0	0
Alexander Oyen (since June 6, 2018)	—	—	—	—	—	—	—	3.5	3.0	0.0	0.0	6.5	0	0
Markus Schwarz (Deputy Chairman)	6.0	5.0	20.0	15.5	46.5	25	0	7.8	6.0	22.3	16.0	52.0	38	0
Thorsten Sommer (to June 6, 2018)	9.0	5.0	20.0	15.5	49.5	13	1,200	3.8	3.0	33.4	24.0	64.1	21	1,200
Elwira Wall (since June 6, 2018)	—	—	—	—	—	—	—	3.5	2.0	0.0	0.0	5.5	38	0
<b>Subtotal</b>	<b>39.0</b>	<b>32.0</b>	<b>130.0</b>	<b>100.7</b>	<b>301.7</b>	<b>642</b>	<b>2,400</b>	<b>39.0</b>	<b>31.0</b>	<b>144.6</b>	<b>104.0</b>	<b>318.6</b>	<b>767</b>	<b>5,000</b>
<b>Supervisory Board of CEWE Stiftung &amp; Co. KGaA</b>	<b>81.0</b>	<b>67.0</b>	<b>263.3</b>	<b>204.0</b>	<b>615.3</b>	<b>642</b>	<b>2,400</b>	<b>81.0</b>	<b>65.0</b>	<b>297.6</b>	<b>214.0</b>	<b>657.6</b>	<b>1,317</b>	<b>5,000</b>

1 Fixed remuneration and attendance fees for 2018, payable after the end of the financial year in 2019  
Performance-related and dividend-linked remuneration for the financial year 2017, payable 10 working days after the general meeting in 2018

2 Fixed remuneration and attendance fees for 2017, payable after the end of the financial year in 2018  
Performance-related and dividend-linked remuneration for the financial year 2016, payable 10 working days after the general meeting in 2017

CEWE Stiftung & Co. KGaA reimburses the members of the Supervisory Board any value added tax payable on their remuneration. The above amounts are exclusive of value added tax. None of the members of the Supervisory Board has received or been granted third-party payments in relation to their service. Finally, none of the members of the Supervisory Board has been granted or paid remuneration or benefits for personal services, in particular advisory or mediation services.

The members of the Supervisory Board are also covered by the company's D&O insurance policy. A deductible of 10 % of the possible damage has been agreed for them, up to a total amount of one-and-a-half times their fixed Supervisory Board remuneration. No loans or advance payments have been granted to members of the Supervisory Board. Nor has the company entered into any contingent liabilities for their benefit.

### Remuneration of previous members of the Board of Management

#### Remuneration of retired members of the Board of Management

Andreas F. L. Heydemann and Harald Pirwitz retired from the Board of Management as of December 31, 2015. The company's contract with Mr Harald Pirwitz expired on December 31, 2015 as scheduled. For the years 2016 and 2017, he received monthly non-competition compensation under a post-contractual non-compete clause. In accordance with the terms of the stock option plans, Mr Pirwitz kept his options under the 2014 and 2015 plans. Mr Pirwitz will begin to draw pension benefits under the company's direct commitment to him as a member of the Board of Management in the year 2018. For the years 2017 and 2018, Mr Heydemann will receive monthly non-competition compensation under a post-contractual non-compete clause. Mr Heydemann will begin to draw pension benefits under the company's direct commitment to him as a member of the Board of Management in the year 2019. In detail, former members of the Board of Management received the following overall remuneration:

## Remuneration granted former members of the Board of Management

Figures in euros	Dr Rolf Hollander Chairman of the Board of Management, Neumüller CEWE COLOR Stiftung to June 30, 2017				Andreas F. L. Heydemann Head of IT and Legal, Neumüller CEWE COLOR Stiftung, to December 31, 2015				Harald H. Pirwitz Head of Distribution, Neumüller CEWE COLOR Stiftung, to December 31, 2015				TOTAL Remuneration granted to the Board of Management of Neumüller CEWE COLOR Stiftung			
	2017	2018	Min. 2018	Max. 2018	2017	2018	Min. 2018	Max. 2018	2017	2018	Min. 2018	Max. 2018	2017	2018	Min. 2018	Max. 2018
<b>Fixed gross remuneration</b>																
Fixed remuneration	240,000		0	0	159,726	159,726	0	159,726	175,680		0	0	575,406	159,726	0	159,726
Fringe benefits	13,591		0	0	0		0	0	0		0	0	13,591	0	0	0
<b>Total fixed gross remuneration</b>	<b>253,591</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>159,726</b>	<b>159,726</b>	<b>0</b>	<b>159,726</b>	<b>175,680</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>588,997</b>	<b>159,726</b>	<b>0</b>	<b>159,726</b>
<b>Variable remuneration</b>																
One-year variable remuneration	157,140		0	0	0		0	127,781	0	0	0	0	157,140	0	0	127,781
Multi-year variable remuneration																
Bonus bank	42,185	0	0	0	0		0	31,945	0	0	0	0	42,185	0	0	31,945
Stock Option Plans 2015 – 2016	10,296	10,296	0		4,878	4,878	0	4,878	4,878	4,878	0	4,878	20,052	20,052	0	9,756
<b>Total variable remuneration</b>	<b>209,621</b>	<b>10,296</b>	<b>0</b>	<b>0</b>	<b>4,878</b>	<b>4,878</b>	<b>0</b>	<b>164,604</b>	<b>4,878</b>	<b>4,878</b>	<b>0</b>	<b>4,878</b>	<b>219,377</b>	<b>20,052</b>	<b>0</b>	<b>169,482</b>
<b>Pension expenses</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total remuneration (GCGC)</b>	<b>463,212</b>	10,296	0	0	<b>164,604</b>	164,604	0	324,330	<b>180,558</b>	4,878	0	4,878	<b>808,374</b>	179,778	0	329,208

## Remuneration received former members of the Management Board

Figures in euros	Dr Rolf Hollander Chairman of the Board of Management of Neumüller CEWE COLOR Stiftung to June 30, 2017		Andreas F.L. Heydemann Head of IT and Legal, Neumüller CEWE COLOR Stiftung to December 31, 2015		Harald H. Pirwitz Head of Distribution, Neumüller CEWE COLOR Stiftung to December 31, 2015		TOTAL Remuneration granted to the Board of Management of Neumüller CEWE COLOR Stiftung	
	2017	2018	2017	2018	2017	2018	2017	2018
<b>Fixed gross remuneration</b>								
Fixed remuneration	240,000	0	159,726	159,726	175,680	0	575,406	159,726
Fringe benefits	13,591	0	0	0	0	0	13,591	0
<b>Total fixed gross remuneration</b>	<b>253,591</b>	<b>0</b>	<b>159,726</b>	<b>159,726</b>	<b>175,680</b>	<b>0</b>	<b>588,997</b>	<b>159,726</b>
<b>Variable remuneration</b>								
One-year variable remuneration	309,353	157,140	0	0	0	0	309,353	157,140
Multi-year variable remuneration								
Bonus bank	147,172	39,285	67,948	0	0	0	215,120	39,285
Stock option plan	0	0	0	0	0	0	0	0
Other items	0	0	0	0	0	61,704	0	61,704
<b>Total variable remuneration</b>	<b>456,525</b>	<b>196,425</b>	<b>67,948</b>	<b>0</b>	<b>0</b>	<b>61,704</b>	<b>524,473</b>	<b>258,129</b>
<b>Pension expenses</b>	<b>284,082</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>284,082</b>	<b>0</b>
<b>Total remuneration (GCGC)</b>	<b>994,198</b>	<b>196,425</b>	<b>227,674</b>	<b>159,726</b>	<b>175,680</b>	<b>61,704</b>	<b>1,397,552</b>	<b>417,855</b>

The other remuneration received by Mr Pirwitz exclusively comprises the benefits owed to him within the scope of the company's pension scheme.



The bonus bank accounts of former members of the Board of Management developed as follows:

#### Bonus bank former members of the Management Board

<i>Figures in euros</i>	Opening balance Jan. 1, 2017	Amount added 2017	Amount paid out 2017	End balance Dec. 31, 2017	Amount paid out 2018	End balance Dec. 31, 2018
Dr Rolf Hollander (to June 30, 2017)	144,272	42,185	- 147,172	39,285	- 39,285	0
Andreas F.L. Heydemann (to December 31, 2015)	67,948	0	- 67,948	0	0	0
<b>Total amount for former members of the Board of Management</b>	<b>212,220</b>	<b>42,185</b>	<b>- 215,120</b>	<b>39,285</b>	<b>- 39,285</b>	<b>0</b>

The indicated payout amounts for bonus bank balances include the contractually stipulated amount of interest.

The bonus bank (bonus II) due for Dr Hollander (incl. the contractually stipulated interest) was paid out in June 2018 in the total amount of 39 thousand euros. The bonus bank balance of Mr Andreas F.L. Heydemann was paid out in June 2017, including the interest due, in the amount of 68 thousand euros.

#### Pension commitments and pensions paid to former members of the Board of Management

For former members of the Board of Management of the old CEWE COLOR Holding AG and Neumüller CEWE COLOR Stiftung, as of December 31, 2018 the company had made pension accruals in the amount of 17,730 thousand euros (previous year: 17,769 thousand euros). Pension payments for the financial year 2018 amounted to 912 thousand euros

(previous year: 637 thousand euros). With effect as of April 1, 2007, the pension commitments for the former members of the Board of Management who had already retired as of this date were transferred to CEWE COLOR Versorgungskasse e. V., Wiesbaden. They are included in the consolidated financial statements. The company's pension commitments for the other retired members of the Board of Management were maintained in the form of a direct commitment. The company has not granted any loans, advance payments and contingent liabilities for former members of the Supervisory Board and the Board of Management of Neumüller CEWE COLOR Stiftung, the old CEWE COLOR Holding AG or the current CEWE Stiftung & Co. KGaA.


The company has not paid any remuneration to retired members of the Supervisory Board.

## MANAGEMENT DECLARATION

### Management report

 Page 112 ff. | Declaration of conformity

This management declaration under § 289f and § 315d of the German Commercial Code includes the declaration of conformity in accordance with § 161 of the German Stock Corporation Act, relevant details of corporate governance practices beyond the scope of applicable statutory requirements, a description of the procedures of the Board of Management and the Supervisory Board and the makeup and procedures of their committees. This also includes details of the stipulations under § 76 (4) AktG as well as male and female appointments to the Supervisory Board. Pursuant to item 3.10 of the German Corporate Governance Code (the Code), this management declaration of CEWE Stiftung & Co. KGaA includes the company's corporate governance (corporate governance report).

 <https://company.cewe.de/en/about-us/compliance.html>  
> Principles of conduct

 [www.bme.de/Compliance](http://www.bme.de/Compliance)

### Declaration of conformity under § 161 of the German Stock Corporation Act

The German Corporate Governance Code has been drawn up for public limited companies. Since it thus does not cover the legal form of a partnership limited by shares (Kommanditgesellschaft auf Aktien – KGaA), CEWE Stiftung & Co. KGaA has decided to apply the Code so as to reflect the interests of the limited shareholders while remaining true to the spirit of the Code.

For the full text of the company's declaration of conformity under § 161 AktG, please see pages 112 ff. of this annual report or the company's website <https://ir.cewe.de>.

### Relevant disclosures on management practices

The CEWE Group has an established tradition of conducting its business affairs in compliance with national and international legislation as well as generally acknowledged ethical principles.

### Commitment to social responsibility as a part of CEWE's corporate culture

CEWE Stiftung & Co. KGaA is aware of its social responsibility, which it considers to be an important factor in the company's long-term success. In this respect, the CEWE Group has developed a mission statement which sets out its corporate culture, which is characterised by integrity, trustworthiness and responsibility. The basic values and principles of this mission statement may be viewed online at <https://company.cewe.de/en/about-us/compliance.html>.

CEWE Stiftung & Co. KGaA has also summarised its key principles in a Code of Conduct which is based on ethical values and related business principles that reflect integrity and loyalty. This Code of Conduct applies for all of the Group's employees and requires compliance with the following operating principles:

### The company's activities are defined by integrity and lawful behaviour

We pursue appropriate business relationships, which are free of any dishonest practices.

The company avoids any conflicts between the interests of the CEWE Group and private interests. The company will not tolerate any abuse of employees' positions for personal advantage, for the benefit of third parties or to the detriment of the CEWE Group.

Further information on our Code of Conduct is publicly available on the following website:

<https://company.cewe.de/de/ueber-uns/compliance.html>


CEWE Stiftung & Co. KGaA also supports the principles of the compliance initiative of the German Association for Supply Chain Management, Procurement and Logistics. Further information on the principles of the German Association for Supply Chain Management, Procurement and Logistics is available at [www.bme.de/Compliance](http://www.bme.de/Compliance).


### Procedures of the management and the Supervisory Board and makeup and procedures of the Supervisory Board's committees

Due to the provisions of the German Stock Corporation Act, the articles of association of CEWE Stiftung & Co. KGaA and the rules of procedure of the company's various committees, rules are in place at CEWE Stiftung & Co. KGaA for its management and for supervision of its management which comply with the requirements of the Code. The company fulfils the Code's requirement of protection for investors bearing entrepreneurial risk..

### Management

The general partner Neumüller CEWE COLOR Stiftung ("the management") holds 20,000 no-par value bearer shares in the share capital of CEWE Stiftung & Co. KGaA and thus approx. 0.27 %, while the limited shareholders hold the remainder of the shares. Neumüller CEWE COLOR Stiftung manages the company's business through its Board of Management as well as its managing directors appointed as special representatives pursuant to § 30 of the German Civil Code (Bürgerliches Gesetzbuch – BGB) in accordance with applicable legislation, the articles of association of CEWE Stiftung & Co. KGaA and its own articles of association and also the rules of procedure for its Board of Management. Due to its unlimited personal liability, Neumüller CEWE COLOR Stiftung has a considerable interest in the orderliness and efficiency of the business activities of CEWE Stiftung & Co. KGaA, which it accordingly encourages. The Board of Management of Neumüller CEWE COLOR Stiftung passes resolutions at its meetings, which are

 <https://company.cewe.de/en/about-us/compliance.html> > Our mission statement

 Page 15 | Report of the Supervisory Board

normally held once a week. Each member of the Board of Management of Neumüller CEWE COLOR Stiftung notifies the other members in good time of important events and transactions within his area of business. Specific tasks are assigned to individual members of the Board of Management by means of a schedule of responsibilities.

The tasks handled by the management include preparation of the annual financial statements of CEWE Stiftung & Co. KGaA, the consolidated financial statements as well as the quarterly and semi-annual financial statements. The management also ensures compliance with statutory, official and internal regulations and ensures that all of the companies of the CEWE Group comply with these regulations. The management notifies the Supervisory Board of the course of business and the company's position at least once a quarter. The management also notifies the Supervisory Board at least once per year regarding the annual planning and the company's strategy. Moreover, the management notifies the Supervisory Board regularly, promptly and comprehensively regarding any strategy, planning, business development, risk position, risk management and compliance issues which are relevant for the company and thus comprehensively complies with its reporting obligation. In addition, the management reports regularly, promptly and comprehensively – in writing or orally – on any matters which are of material significance for the company. Further details are stipulated in the rules of procedure for the Board of Management and the Supervisory Board and in the articles of association of Neumüller CEWE COLOR Stiftung.

 Page 112 | Corporate governance

### Supervisory Board

On the basis of the information provided by the company's management, the Supervisory Board considers the course of business and the company's position at least once a quarter. The members of the Board of Management of Neumüller CEWE COLOR Stiftung are invited to attend the meetings of the Supervisory Board, unless the Supervisory Board resolves otherwise in an individual instance. Moreover, at each of its meetings the Supervisory Board systematically discusses the following issues:

- Corporate governance
- Compliance
- The company's risk situation

The Supervisory Board and the Board of Trustees are notified of key decisions of the Board of Management early on. The management and the Supervisory Board also regularly discuss issues of strategy and planning as well as current business developments outside of these meetings. The Supervisory Board maintains regular contact with the management, so as to obtain early notification of the company's current business development as well as significant business transactions. The Supervisory Board regularly assesses whether conflicts of interest may apply for members of the Board of Management or the Board of Trustees of Neumüller CEWE COLOR Stiftung in relation to the work which they perform for CEWE Stiftung & Co. KGaA.

In the period under review, an Audit Committee performed the tasks assigned to it under the rules of procedure approved by the overall Supervisory Board. The Supervisory Board and its committees regularly undergo an efficiency review of their own and incorporate the findings in their future activities.

For further information, please refer to the report of the Supervisory Board (pages 15 ff. of this annual report and online at <https://company.cewe.de/en/about-us/compliance>) and the corporate governance report (pages 112 ff. of this annual report and online at <https://ir.cewe.de>).

#### Board of Trustees of Neumüller CEWE COLOR Stiftung

Some of the tasks which are performed by a public limited company's supervisory board are handled by Neumüller CEWE COLOR Stiftung at CEWE, specifically by the Board of Trustees of Neumüller CEWE COLOR Stiftung. Accordingly, the details of the Board of Trustees are outlined below.

The Board of Trustees has six members.

The Board of Trustees advises and supervises the Board of Management. It keeps up-to-date regarding the affairs of Neumüller CEWE COLOR Stiftung and CEWE Stiftung & Co. KGaA and may inspect and audit the commercial books and other documents of the company and also its assets for this purpose. According to § 7 (2) of the articles of association of CEWE Stiftung & Co. KGaA, the management requires the consent of the Supervisory Board for certain transactions beyond the scope of normal business. The articles of association of Neumüller CEWE COLOR Stiftung also stipulate the consent of the Board of Trustees for certain extraordinary measures enacted by the management. The Board of Trustees is convened as required, but meets at least four times a year.

#### The general meeting of CEWE Stiftung & Co. KGaA

The annual general meeting of CEWE Stiftung & Co. KGaA took place on June 6, 2018 in Oldenburg, with 48.9% of the share capital present. In particular, the annual general meeting passes resolutions regarding the approval of the annual financial statements, appropriation of unappropriated profits, ratification of the actions of the members of the management and the Supervisory Board, and the appointment of the auditor. The general meeting is also entitled to resolve amendments to the articles of association. The limited shareholders of CEWE Stiftung & Co. KGaA exercise their rights at the general meeting. They may exercise their voting rights in person or through a proxy appointed either by themselves or by the company. All documents and information for impending general meetings (incl. summaries of the shareholders' rights) will also be made available on CEWE's website.

### Corporate governance report

In the financial year 2018, the management and the Supervisory Board of CEWE Stiftung & Co. KGaA pursued intensive discussions regarding the issue of corporate governance and the German Corporate Governance Code in particular. Corporate governance entails the management and supervision of companies on the basis of a sense of responsibility and with the goal of long-term value creation. For this reason, the company not only complies with almost all of the recommendations, but also with the proposals included in the Code. The rules and principles of the Code also determine the corporate policies of CEWE Stiftung & Co. KGaA.

### On the quota targets

Since the company does not have any Board of Management pursuant to § 278 AktG, the provision laid down in § 111 (5) AktG concerning the makeup of the Board of Management does not apply for the company. In accordance with the statutory requirements, no target quota has been specified for the Board of Management.

For the first management level below the top management, the management had resolved a target ratio of 20% for the period up to June 30, 2017. For the second management level, the management had resolved a target ratio of 35% for the period up to June 30, 2017. In the period under review, these goals were not yet achieved on account of the existing employment law framework as well as the business group's organisational structure. The management has resolved a further implementation period of five years in order to achieve these goals. This period will thus end on June 30, 2022.

The Supervisory Board has twelve members, of whom half are appointed by the company's shareholders and half by its employees. Up to the general meeting held on June 6, 2018, the shareholders had appointed two female members while the employees had appointed three female members. The shareholders appointed new members at the general meeting, and the employees likewise routinely appointed new members of the Supervisory Board. The current Supervisory Board has three female members appointed by the shareholders and three female members appointed by the employees. The members appointed by the shareholders have resolved to fulfil the prescribed women's quota independently of the employees' representatives, who have made the same commitment themselves. The statutory targets have thus been fulfilled.

### Diversity

Items 4.1.5, 5.1.2 and 5.4.1 of the German Corporate Governance Code, as amended on February 7, 2017, deal with the issue of diversity in terms of appointments to the Supervisory Board, the Board of Management and the company's executives. Within the scope of sound corporate governance, the management and the Supervisory Board of CEWE Stiftung & Co. KGaA have considered this issue in detail:

### Makeup of the Supervisory Board

The Supervisory Board of CEWE Stiftung & Co. KGaA consists of twelve members. In its current makeup, it almost entirely fulfils the requirements stipulated in item 5.4.1 (2) of the German Corporate Governance Code:

- The Supervisory Board of CEWE Stiftung & Co. KGaA traditionally comprises members with international experience.
- None of the members of the current Supervisory Board of CEWE Stiftung & Co. KGaA has any conflicts of interest.
- An age limit is stipulated for the members of the Supervisory Board of CEWE Stiftung & Co. KGaA in § 2.1 of the rules of procedure for the Supervisory Board; however, a standard period of membership is not specified.

The Supervisory Board includes three female representatives of the shareholders and three female representatives of the employees. The company has thus complied with the new statutory requirement of 30% female representation on its Supervisory Board. While fulfilling applicable statutory requirements, in any future nominations the Supervisory Board will also appropriately consider whether candidates have the necessary skills, competences and technical experience which are required for service on the Supervisory Board.

### Makeup of the Board of Management

The current Board of Management of Neumüller CEWE COLOR Stiftung consists of seven male members. All of the members of the Board of Management have international experience.

The company seeks to ensure the adequate representation of women and in general to reflect diversity in its appointments of members of the Board of Management.

### Appointments to management positions

In compliance with item 4.1.5 of the German Corporate Governance Code, CEWE Stiftung & Co. KGaA has already implemented a large number of measures which are intended to promote diversity – in particular, a greater share of women – in management positions.

For instance, CEWE Stiftung & Co. KGaA has enacted the following specific measures to encourage a better balance between career and family needs:

- Contract with “AWO Eltern- und Seniorenservice” in Oldenburg to provide free consultations for employees needing to arrange placements for their children or for their parents
- Nursery in the immediate vicinity of CEWE Stiftung & Co. KGaA, Oldenburg

The Board of Management of CEWE COLOR Holding AG also resolved the following at its meeting held on January 31, 2011:

The company seeks to ensure the adequate representation of women and in general to reflect diversity in its appointments to management positions. As well as the existing measures enacted in support of this criterion, the following measures are to be implemented in addition:

Drafting and implementation of a programme which considers the issues of “Women in management positions”, “Promotion of women as junior executives“ and “International approach at the management level”.

This resolution remains valid for appointments to management positions.

### **Final declaration by the Board of Management of the general partner on the report on relationships with affiliates**

The status of Neumüller CEWE COLOR Stiftung as the general partner of CEWE Stiftung & Co. KGaA means that, in principle, CEWE Stiftung & Co. KGaA is dependent on Neumüller CEWE COLOR Stiftung within the meaning of §17 AktG. Since no control agreement has been concluded with Neumüller CEWE COLOR Stiftung in accordance with § 291 AktG, as the management body of CEWE Stiftung & Co. KGaA pursuant to § 312 AktG the Board of Management of the general partner Neumüller CEWE COLOR Stiftung has prepared a report on relationships with affiliates. At the end of this report, the Board of Management has presented the following declaration:

“We hereby declare that our company has received an appropriate consideration for each of the legal transactions listed in this report on relationships with affiliates, in accordance with the circumstances known to us as of the execution of these transactions. No measures have been implemented or waived at the instigation or in the interest of the controlling company or an affiliate.”



## Transactions with related parties

Neumüller CEWE COLOR Stiftung is the company's managing partner. It does not have any interest in the company's capital. Neumüller CEWE COLOR Stiftung has concluded a contract with CEWE Stiftung & Co. KGaA regulating its management duties as managing partner and the assumption of expenses. Under this contract, Neumüller CEWE COLOR Stiftung is to be reimbursed for any expenses arising in connection with its management activities, particularly those incurred by its Board of Management, its management and its Board of Trustees. Neumüller CEWE COLOR Stiftung

is also entitled to receive appropriate annual remuneration, irrespective of any profit or loss, for its management and representational duties and for the assumption of its personal liability risk.

The Group has entered into heritable building right contracts and tenancy agreements for property used for commercial purposes with the community of heirs whose executor is Mr Otto Korte, member of the Supervisory Board.

Oldenburg, March 21, 2019

CEWE Stiftung & Co. KGaA  
For the general partner Neumüller CEWE COLOR Stiftung  
- The Board of Management -



Dr Christian Friege  
(Chairman of the Board of Management)



Patrick Berkhouwer



Dr Reiner Fageth



Carsten Heitkamp



Dr Olaf Holzkämper



Thomas Mehls



Frank Zweigle

## BOARD OF MANAGEMENT

of Neumüller CEWE COLOR Stiftung as the general partner of CEWE Stiftung & Co. KGaA

Page 234 | Structure and executive bodies

<https://company.cewe.de/en/about-us/cewe-group.html>  
> Board of Management



**Dr Christian Friege**

Chairman of the Board of Management of Neumüller CEWE COLOR Stiftung



**Dr. Reiner Fageth**

Member of the Board of Management of Neumüller CEWE COLOR Stiftung  
Responsible for Technology, IT and Research & Development



**Patrick Berkhouwer**

Member of the Board of Management of Neumüller CEWE COLOR Stiftung  
Responsible for Foreign Markets and Expansion



**Carsten Heitkamp**

Member of the Board of Management of Neumüller CEWE COLOR Stiftung  
Responsible for the German Plants, Personnel, Logistics and Materials  
Management



**Dr. Olaf Holzkämper**

Member of the Board of Management of Neumüller CEWE COLOR Stiftung  
Responsible for Finance & Controlling, Business Development, Investor  
Relations, Legal and On-Site Finishing



**Thomas Mehls**

Member of the Board of Management of Neumüller CEWE COLOR Stiftung  
Responsible for National and International Marketing, Online Photo Service,  
CEWE-PRINT.de, viaprinto, New Business Acquisition and Sustainability



**Frank Zweigle**

Member of the Board of Management of Neumüller CEWE COLOR Stiftung  
Responsible for the Administrative Activities of Neumüller CEWE COLOR  
Stiftung

## GLOSSARY

**i** Please note:

Where digital photos are referred to in this interim report, figures include CEWE PHOTOBOOK prints and the images included in photo gifts.

As a rule, all figures are calculated as precisely as possible and are rounded off in the tables in line with applicable commercial procedures. This rounding-off may give rise to discrepancies, e.g. particularly for totals.

### Borrowed capital

The total value reported as non-current and current liabilities under equity and liabilities

### Capital employed (CE)

Net working capital plus non-current assets and cash and cash equivalents

### Capital invested (CI)

Equity plus non-operating liabilities and gross financial liabilities

### Days working capital

Term of net working capital in days, measured in relation to turnover in the past quarter

### EBIT

Earnings before interest and taxes

### EBITDA

Earnings before interest, taxes, depreciation and amortisation

### EBT

Earnings before taxes

### Equity

The residual claim to the net assets remaining after deduction of liabilities according to IAS 32

### Equity ratio

Equity as a share of total capital; the ratio of equity to the balance sheet total

### Fixed assets

Property, plant and equipment plus investment properties, goodwill, intangible assets and financial assets

### Free cash flow

Cash flow from operating activities less cash flow from investing activities (both according to the cash flow statement)

### Free float

The proportion of the company's freely tradable shares on the market

### Gross cash flow

Earnings after taxes plus amortisation on intangible assets and depreciation on property, plant and equipment

### Gross financial liabilities

Total of non-current interest-bearing financial liabilities and current interest-bearing financial liabilities; cf. interestbearing financial liabilities

### Gross working capital

Current assets without cash and cash equivalents

### Interest-bearing financial liabilities

Non-current and current interest-bearing financial liabilities shown as such, without rights to repayment subject to interest shown in the balance sheet under other credit lines

### Liquidity ratio

Ratio of cash and cash equivalents versus the balance sheet total

### Net cash flow

Gross cash flow less investments

**Net cash position/  
net financial liabilities**

Non-current interest-bearing financial liabilities plus current interest-bearing financial liabilities less cash and cash equivalents; this represents a net cash position in case of a negative difference, and otherwise net financial liabilities

**Net working capital**

Current assets excl. cash and cash equivalents less current liabilities excl. current special items for investment grants and excl. current interest-bearing financial liabilities

**Non-operating liabilities**

Current and non-current special items for investment grants, non-current provisions for pensions, non-current deferred tax liabilities, other non-current provisions, non-current financial liabilities and other non-current liabilities

**NOPAT**

EBIT less income taxes and other taxes

**Operating net working capital**

Inventories plus current trade receivables less current trade payables

**Other current liabilities**

Current provisions for taxes, other current provisions, other current financial liabilities and other current liabilities

**Other gross working capital**

Assets held for sale, current receivables from income tax refunds, other current financial assets and other current receivables and assets

**Other net working capital**

Other gross working capital less other current liabilities

**Other operating cash flows**

Changes resulting from taxes paid as well as proceeds from interest received

**P&L**

Profit and loss account

**POS**

The points of sale are the retail outlets of the company's business partners and also its own retail branches

**Return on capital employed  
(ROCE)**

The ratio of earnings before interest and taxes (EBIT) versus the capital employed; in general, the twelve-month perspective is chosen for the calculation of a rolling annual return on investment

**Return on capital employed  
(ROCE) before restructuring**

The ratio of earnings before interest and taxes (EBIT) - adjusted for restructuring expenses - versus the capital employed

**Working capital-induced  
cash flow**

Changes resulting from net working capital

# 03

## CONSOLIDATED FINANCIAL STATEMENTS

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*CEWE received a TIPA Award for  
“Best Photo Print Service  
Worldwide” in 2018.*

Selfies of CEWE employees taken at their workplace.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the financial year 2018 of CEWE Stiftung & Co. KGaA

<i>Figures in thousands of euros</i>	2017 *	2018	Change	Notes
Revenues	599,394	653,291	9.0%	C25
Increase / decrease in finished and unfinished goods	117	- 148	—	
Other own work capitalised	872	1,102	26.4%	
Other operating income	23,160	25,100	8.4%	C26
Cost of materials	- 168,445	- 178,659	- 6.1%	C27
<b>Gross profit</b>	<b>455,098</b>	<b>500,686</b>	<b>10.0%</b>	
Personnel expenses	- 160,279	- 178,138	- 11.1%	C28
Other operating expenses	- 205,526	- 228,612	- 11.2%	C29
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>89,293</b>	<b>93,936</b>	<b>5.2%</b>	
Amortisation of intangible assets, depreciation of property, plant and equipment	- 40,078	- 40,216	- 0.3%	C30
<b>Earnings before interest and taxes (EBIT)</b>	<b>49,215</b>	<b>53,720</b>	<b>9.2%</b>	
Financial income	457	683	49.5%	C31
Financial expenses	- 817	- 1,082	- 32.4%	C31
<b>Financial result</b>	<b>- 360</b>	<b>- 399</b>	<b>- 10.8%</b>	
<b>Earnings before taxes (EBT)</b>	<b>48,855</b>	<b>53,321</b>	<b>9.1%</b>	
Income taxes	- 16,042	- 17,025	- 6.1%	C32
<b>Earnings after taxes</b>	<b>32,813</b>	<b>36,296</b>	<b>10.6%</b>	
<b>Earnings per share (in euros)</b>				
undiluted	4.59	5.06	10.3%	C33
diluted	4.54	5.01	10.3%	C33

\* The reference figures have been restated (cf. comments in section A).



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year 2018 of CEWE Stiftung & Co. KGaA

<i>Figures in thousands of euros</i>	2017*	2018	Change	Notes
<b>Earnings after taxes</b>	<b>32,813</b>	<b>36,296</b>	<b>10.6 %</b>	
Difference resulting from currency translation	- 411	- 645	- 56.9 %	A5
<b>Amounts which may be reclassified to the profit and loss account in future periods</b>	<b>- 411</b>	<b>- 645</b>	<b>- 56.9 %</b>	
Actuarial losses	- 510	- 857	- 68.0 %	D53, D54
Income taxes on income and expenses not affecting net income	143	295	106 %	
Other comprehensive income from equity instruments measured at fair value	0	1,802	—	
<b>Other comprehensive income not subsequently reclassified to the profit and loss account</b>	<b>- 367</b>	<b>1,240</b>	<b>—</b>	
<b>Other comprehensive income</b>	<b>- 778</b>	<b>595</b>	<b>—</b>	
<b>Comprehensive income</b>	<b>32,035</b>	<b>36,891</b>	<b>15.2 %</b>	

\* The reference figures have been restated (cf. comments in section A).

**CONSOLIDATED BALANCE SHEET**

as of December 31, 2018 of CEWE Stiftung &amp; Co. KGaA

**ASSETS**

<i>Figures in thousands of euros</i>	Jan. 1, 2017*	Dec. 31, 2017*	Dec. 31, 2018*	Change	Notes
Property, plant and equipment	124,548	148,113	160,242	8.2%	D 34
Investment properties	4,916	17,860	17,643	-1.2%	D 35
Goodwill	25,839	25,839	59,718	131%	D 36
Intangible assets	19,240	14,087	28,489	102%	D 37
Financial assets	6,175	6,829	6,855	0.4%	D 38
Non-current financial assets	478	394	1,253	218%	D 39
Non-current other receivables and assets	606	560	256	-54.3%	D 39
Deferred tax assets	6,772	7,842	12,289	56.7%	D 40
<b>Non-current assets</b>	<b>188,574</b>	<b>221,524</b>	<b>286,745</b>	<b>29.4%</b>	
Inventories	49,383	50,314	49,027	-2.6%	D 42
Current trade receivables	84,156	84,547	92,883	9.9%	D 43
Current receivables from income tax refunds	1,319	1,484	2,699	81.9%	D 44
Current financial assets	3,014	2,392	3,363	40.6%	D 45
Other current receivables and assets	5,461	5,631	9,457	67.9%	D 46
Cash and cash equivalents	48,557	38,772	28,061	-27.6%	D 47
	<b>191,890</b>	<b>183,140</b>	<b>185,490</b>	<b>1.3%</b>	
Non-current assets held for sale	525	1,408	0	—	D 41
<b>Current assets</b>	<b>192,415</b>	<b>184,548</b>	<b>185,490</b>	<b>0.5%</b>	
<b>Assets</b>	<b>380,989</b>	<b>406,072</b>	<b>472,235</b>	<b>16.3%</b>	

\* The reference figures have been restated (cf. comments in section A).

## EQUITY AND LIABILITIES

<i>Figures in thousands of euros</i>	Jan. 1, 2017 *	Dec. 31, 2017 *	Dec. 31, 2018	Change	Notes
Subscribed capital	19,240	19,240	19,240	—	D 48, D 49
Capital reserve	71,188	73,071	75,334	3.1%	D 50, D 51
Treasury shares at acquisition cost	-8,482	-7,940	-7,176	9.6%	D 52
Retained earnings and unappropriated profits	121,496	140,641	166,802	18.6%	D 53
<b>Equity</b>	<b>203,442</b>	<b>225,012</b>	<b>254,200</b>	<b>13.0%</b>	
Non-current accruals for pensions	25,464	27,163	29,150	7.3%	D 54
Non-current deferred tax liabilities	2,918	1,540	2,945	91.2%	D 55
Non-current interest-bearing financial liabilities	0	0	1,148	—	D 56
Non-current financial liabilities	230	137	1,552	> 1,000%	D 57
Non-current other liabilities	521	517	628	21.5%	D 58
<b>Non-current liabilities</b>	<b>29,133</b>	<b>29,357</b>	<b>35,423</b>	<b>20.7%</b>	
Current tax liabilities	12,606	5,944	8,221	38.3%	D 59
Current other accruals	3,484	3,530	3,473	-1.6%	D 60
Current interest-bearing financial liabilities	210	1,581	2,665	68.6%	D 61
Current trade payables	96,064	95,850	112,664	17.5%	D 62
Current financial liabilities	1,457	1,346	10,158	655%	D 63
Current other liabilities	34,593	43,452	45,431	4.6%	D 64
<b>Current liabilities</b>	<b>148,414</b>	<b>151,703</b>	<b>182,612</b>	<b>20.4%</b>	
<b>Equity and liabilities</b>	<b>380,989</b>	<b>406,072</b>	<b>472,235</b>	<b>16.3%</b>	

\* The reference figures have been restated (cf. comments in section A).

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

of CEWE Stiftung & Co. KGaA

<i>Figures in thousands of euros</i>	Subscribed capital	Capital reserve	Generated Group equity	Special item for stock option plans
As of Jan. 1, 2017 (as previously reported)	19,240	71,188	133,502	-9,822
Correction acc. IAS 8 *	-	-	-1,449	-
<b>As of Jan. 1, 2017 (after correction)</b>	<b>19,240</b>	<b>71,188</b>	<b>132,053</b>	<b>-9,822</b>
<b>Comprehensive income</b>	<b>-</b>	<b>-</b>	<b>32,813</b>	<b>-510</b>
Dividend paid out	-	-	-12,890	-
Sale of treasury shares	-	919	-	-
Stock option plans	-	964	-	-
<b>Owner-related equity changes</b>	<b>-</b>	<b>1,883</b>	<b>-12,890</b>	<b>-</b>
<b>As of Dec. 31, 2017 (after correction) / Jan. 1, 2018</b>	<b>19,240</b>	<b>73,071</b>	<b>151,976</b>	<b>-10,332</b>
Changeover effect resulting from initial application of IFRS 9	-	-	2,559	-
<b>As of Jan. 1, 2018 after restatement</b>	<b>19,240</b>	<b>73,071</b>	<b>154,535</b>	<b>-10,332</b>
<b>Comprehensive income</b>	<b>-</b>	<b>-</b>	<b>38,098</b>	<b>-857</b>
Dividend paid out	-	-	-13,289	-
Sale of treasury shares	-	879	-	-
Stock option plans	-	1,384	-	-
<b>Owner-related equity changes</b>	<b>-</b>	<b>2,263</b>	<b>-13,289</b>	<b>-</b>
<b>As of Dec. 31, 2018</b>	<b>19,240</b>	<b>75,334</b>	<b>179,344</b>	<b>-11,189</b>

\* The reference figures have been restated (cf. comments in section A).

Compensating item from currency translation	Income taxes not affecting net income	Retained earnings and unappropriated profits	Total	Treasury shares at acquisition cost	Group equity
-4,164	3,429	122,945	213,373	-8,482	204,891
—	—	-1,449	-1,449	—	-1,449
<b>-4,164</b>	<b>3,429</b>	<b>121,496</b>	<b>211,924</b>	<b>-8,482</b>	<b>203,442</b>
<b>-411</b>	<b>143</b>	<b>32,035</b>	<b>32,035</b>	<b>—</b>	<b>32,035</b>
—	—	-12,890	-12,890	—	-12,890
—	—	—	919	542	1,461
—	—	—	964	—	964
—	—	-12,890	-11,007	542	-10,465
<b>-4,575</b>	<b>3,572</b>	<b>140,641</b>	<b>232,952</b>	<b>-7,940</b>	<b>225,012</b>
—	—	2,559	2,559	—	2,559
<b>-4,575</b>	<b>3,572</b>	<b>143,200</b>	<b>235,511</b>	<b>-7,940</b>	<b>227,571</b>
<b>-645</b>	<b>295</b>	<b>36,891</b>	<b>36,891</b>	<b>—</b>	<b>36,891</b>
—	—	-13,289	-13,289	—	-13,289
—	—	—	879	764	1,643
—	—	—	1,384	—	1,384
—	—	-13,289	-11,026	764	-10,262
<b>-5,220</b>	<b>3,867</b>	<b>166,802</b>	<b>261,376</b>	<b>-7,176</b>	<b>254,200</b>

**CONSOLIDATED CASH FLOW STATEMENT**

for the financial year 2018 of CEWE Stiftung &amp; Co. KGaA

Notes E 68

<i>Figures in thousands of euros</i>	2017	2018	Change as %
<b>EBITDA</b>	<b>89,293</b>	<b>93,936</b>	<b>5.2 %</b>
<b>+ Non-cash factors</b>	<b>2,538</b>	<b>1,208</b>	<b>-52.4 %</b>
+ / - Decrease (+)/increase (-) in operating net working capital	-2,774	4,594	—
+ / - Decrease (+)/increase (-) in other net working capital (excluding income tax items)	8,336	-6,783	—
- Taxes paid	-25,174	-14,579	42.1 %
+ Interest received	169	358	112 %
<b>= Cash flow from operating activities</b>	<b>72,388</b>	<b>78,734</b>	<b>8.8 %</b>
- Outflows from investments in fixed assets	-70,975	-45,046	36.5 %
- Outflows from purchases of consolidated interests / acquisitions	0	-38,432	—
+ / - Inflows (+) / outflows (-) from investments in financial assets	-654	4,336	—
+ / - Inflows (+) / outflows (-) from investments in non-current financial instruments	109	-859	—
+ Inflows from the sale of property, plant and equipment and intangible assets	1,285	3,791	195 %
<b>= Cash flow from investing activities</b>	<b>-70,235</b>	<b>-76,210</b>	<b>-8.5 %</b>
<b>= Free cash flow</b>	<b>2,153</b>	<b>2,524</b>	<b>17.2 %</b>
- Dividends paid	-12,890	-13,289	—
+ Amounts paid in for stock option plans	46	0	—
<b>= Outflows to shareholders</b>	<b>-12,844</b>	<b>-13,289</b>	<b>-3.5 %</b>
+ Inflows from change in financial liabilities	1,371	850	-38.0 %
- Interest paid	-451	-1,046	-132 %
+ Other financial transactions	258	57	-77.9 %
<b>= Cash flow from financing activities</b>	<b>-11,666</b>	<b>-13,428</b>	<b>-15.1 %</b>
<b>Cash and cash equivalents at the start of the reporting period</b>	<b>48,557</b>	<b>38,772</b>	<b>-20.2 %</b>
+ / - Exchange-rate-related changes in cash and cash equivalents	-272	193	—
+ Cash flow from operating activities	72,388	78,734	8.8 %
- Cash flow from investing activities	-70,235	-76,210	-8.5 %
- Cash flow from financing activities	-11,666	-13,428	-15.1 %
<b>= Cash and cash equivalents at the end of the reporting period</b>	<b>38,772</b>	<b>28,061</b>	<b>-27.6 %</b>

## SEGMENT REPORTING BY BUSINESS UNIT \*

for the financial year 2018 of CEWE Stiftung & Co. KGaA

		Photofinishing	Retail	Commercial Online Printing	Other Activities	CEWE Group
External revenues	2018	499,026	48,669	101,629	3,967	653,291
	2017	459,349	53,003	84,011	3,031	599,394
External revenues, adjusted for currency effects	2018	500,476	49,093	102,076	3,967	655,612
	2017	459,349	53,003	84,011	3,031	599,394
EBIT	2018	57,845	55	-1,553	-2,627	53,720
	2017	53,937	272	1,645	-6,639	49,215
Scheduled depreciation	2018	29,860	1,415	7,936	780	39,991
	2017	27,402	1,624	6,565	957	36,548
Non-scheduled depreciation	2018	169	0	32	24	225
	2017	0	0	0	3,530	3,530

\* Segment reporting by business unit is an integral part of the notes.

Comments on the business units

- Photofinishing includes turnover and earnings from CEWE photo products from own retail activities.
- Retail only consists of merchandise business, excl. CEWE's photography products.
- Other Activities comprises holding / structural costs (mainly Supervisory Board and IR costs), real estate, futalis.

## NOTES

### A. General disclosures

#### 1 | Corporate information

CEWE Stiftung & Co. KGaA (hereinafter: CEWE KGaA), is a stock-market-listed partnership limited by shares (Kommanditgesellschaft auf Aktien – KGaA) under German law and is seated in Germany (Meerweg 30 – 32, 26133 Oldenburg).

CEWE KGaA is the parent company of the CEWE Group (hereinafter: CEWE). CEWE is an internationally active group which focuses on photofinishing, commercial online printing and photo retail business as a technology and market leader.

These consolidated financial statements and the combined management report for the financial year 2018 have been prepared by the Board of Management of CEWE KGaA and submitted to and duly published in the German Federal Gazette (Bundesanzeiger).

#### 2 | Principles for the preparation of the consolidated financial statements

The consolidated financial statements of CEWE KGaA for the year under review from January 1, 2018 to December 31, 2018 have been prepared in compliance with the International Financial Reporting Standards (IFRS) effective as of the reporting date and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as applied in the EU, as well as the supplementary rules prescribed by § 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB).

The following standards, revisions and interpretations were applicable for the first time in the year under review:

#### Amendment/ standard

	Date of publication	Date of endorsement within the scope of EU law	Date of adoption (EU)
Amendments to IFRS 2: Classification and Measurement of Share Based Payment Transactions	June 20, 2016	February 2, 2018	January 1, 2018
IFRS 15 Revenue from Contracts with Customers (including amendments to IFRS 15: date on which IFRS 15 enters into force)	September 9, 2015	October 29, 2016	January 1, 2018
Clarification of IFRS 15 Revenue from Contracts with Customers	April 12, 2016	October 31, 2017	January 1, 2018
IFRS 9 Financial Instruments	July 24, 2014	November 22, 2016	January 1, 2018
Amendments to IAS 40: Transfers of Investment Property	December 8, 2016	March 14, 2018	January 1, 2018
Annual Improvements to the IFRS (AIP) Cycle 2014 – 2016	December 8, 2016	February 7, 2018	January 1, 2018 / January 1, 2017
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	December 8, 2016	March 28, 2018	January 1, 2018
Amendments to IFRS 4: Adoption of IFRS 9 Financial Instruments together with IFRS 4 Insurance Contracts	September 9, 2016	November 3, 2017	January 1, 2018

CEWE is applying IFRS 9 – which replaces the previous rules in IAS 39 (Financial Instruments: Recognition and Measurement) – for the first time for the financial year beginning on January 1, 2018, on the basis of the modified retrospective method, without restating the figures for the previous year. The changeover effects as of January 1 have been cumulatively recognised in equity, and the comparison period is presented in accordance with the previously applicable rules.



CEWE is applying IFRS 15 for the first time for the financial year beginning on January 1, 2018. The first-time adoption of IFRS 15 will not have any significant effects. Advertising costs subsidiaries granted to business partners were already appropriately reported in the past by means of the US GAAP rules (adopted through IFRS 15.70).

The effects resulting from the initial application of IFRS 9 and IFRS 15 to retained earnings and the market measurement of the equity instruments are outlined below:

#### Reconciliation of retained earnings IFRS 9 and IFRS 15

<i>Figures in thousands of euros</i>	
Retained earnings incl. consolidated income Dec. 31, 2017	142,842
Effects resulting from IFRS 9	2,559
Effects resulting from IFRS 15	0
Retained earnings incl. consolidated income Jan. 1, 2019	145,401

According to IFRS 9, financial assets will be classified and measured according to the business model of the entity and the characteristics of the cash flows for the respective financial asset. For equity instruments held as of January 1, 2018, CEWE has uniformly exercised the option to recognise future fair value changes in other comprehensive income and, upon disposal of the financial instrument, to retain them in equity. In principle, this option may be irrevocably exercised on the basis of the individual instrument as of its addition.

The revised classification and measurement of financial assets have resulted in the following consequences as of the date of initial application:

#### Reconciliation for market measurement of equity instruments

<i>Figures in thousands of euros</i>	
Market measurement of equity instruments acc. IAS 39 Dec. 31, 2017	6,490
Reclassifications to retained earnings	2,559
Market measurement of equity instruments acc. IAS 9 Jan. 1, 2018	9,049

There has not been any impact on financial liabilities. Since CEWE does not apply hedge accounting, this has not had any effect.

The effect of initial application of IFRS 9 as of January 1 to retained earnings amounts to 2,559 thousand euros.

The effects of the increase in the balance sheet provisions due to initial application of the new impairment model are insignificant at CEWE.

The following IFRS endorsed in EU law had been issued up to the balance sheet date but are only mandatorily applicable in subsequent reporting periods:

#### Amendment / standard

	Date of publication	Date of endorsement within the scope of EU law	Date of adoption (EU)
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	October 12, 2017	February 8, 2019	January 1, 2019
IFRS 16 Leases	January 13, 2016	October 31, 2017	January 1, 2019
Amendments to IFRS 9: Prepayment Features with Negative Compensation	October 12, 2017	March 22, 2018	January 1, 2019
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments	June 7, 2017	October 23, 2018	January 1, 2019

Through the publication of the new standard IFRS 16 “Leasing”, the previous classification for lessees of lease agreements as operating and finance lease arrangements has been abandoned. Under IFRS 16, for lease agreements with a term of more than twelve months lessees are obliged to report assets for the respective right of use and also leasing liabilities. This means that leases which were not previously reported in the balance sheet will be recognised in the balance sheet in future. CEWE will exercise the option to exclude low-value assets, intangible assets and short-term leases beginning after December 31, 2018 from the scope of IFRS 16. Due to the accounting rules whose application is mandatory as of the start of the financial year 2019, for existing operating leases leasing liabilities will be recognised at the present value of the outstanding lease

payments. Discounting will be implemented at the applicable incremental borrowing rate of interest at the time of initial application. As of initial application, this is expected to result in an increase in leasing liabilities in the amount of 57,312 thousand euros and a corresponding increase in rights of use. Implementation of this accounting standard is expected to result in a 185 thousand euros increase in the EBIT figure, while the financial result will decrease by 746 thousand euros. CEWE will apply IFRS 16 for the first time as of January 1, 2019, while using the simplification available for lessees (“modified retrospective method”).

The other new standards and amendments of existing standards are not expected to have any significant impact on the Group's net assets, financial position and results of operations.

The following standards and interpretations and amendments of existing standards which have also been issued by the IASB are not yet mandatorily applicable in the consolidated financial statements as of December 31, 2018. They will become applicable following their adoption within the scope of the EU's endorsement of the IFRS.

#### Amendment / standard

	Date of publication	Date of endorsement within the scope of EU law	Date of adoption (EU)
Annual improvements to the IFRS cycle 2015 – 2017	December 12, 2017	unknown	January 1, 2019
Amendments to IAS 19: Remeasurement on a Plan Amendment, Curtailment or Settlement / Availability of a Refund of a Surplus from a Defined Benefit Plan	February 7, 2018	unknown	January 1, 2019
Amendments to the IFRS framework	March 29, 2018	unknown	January 1, 2020
Amendments to IFRS 3: Definition of a Business	October 22, 2018	unknown	January 1, 2020
Amendments to IAS 1 and IAS 8: Definition of Material	October 31, 2018	unknown	January 1, 2020
IFRS 17 Insurance Contracts	May 18, 2017	unknown	January 1, 2021

Insofar as any further new standards which are not yet valid for 2018 may be adopted voluntarily, the Group has not made use of this option. The future effects on the Group's net assets, financial position and results of operations resulting from implementation of the standards issued as of the reporting date but not yet mandatorily applicable are still being reviewed. Several standards may necessitate additional notes. The new standards will be adopted in the EU upon completion of the endorsement procedure.

#### Correction of error

In the year under review, the following error was corrected in line with IAS 8:

In the past, remuneration paid to the management of the general partner of CEWE KGaA was not added to the profit resulting from trade income and nor was this therefore taken into consideration in tax returns. This resulted in excessively low carrying values for tax accruals and for income tax expenses.

The changes have had the following effects on the reference figures:

#### Balance sheet

Figures in thousands of euros	January 1, 2017		
	Before	Correction	After
Retained earnings and unappropriated profits	122,945	-1,449	121,496
Current tax liabilities	11,254	1,352	12,606
Current other liabilities	34,496	97	34,593

#### Balance sheet

Figures in thousands of euros	December 12, 2017		
	Before	Correction	After
Retained earnings and unappropriated profits	142,842	-2,201	140,641
Current tax liabilities	3,867	2,077	5,944
Current other liabilities	43,328	124	43,452

**Consolidated profit and loss account**

Figures in thousands of euros	2017		
	Before	Correction	After
Financial expenses	- 790	- 27	- 817
Financial result	- 333	- 27	- 360
Earnings before taxes	48,882	- 27	48,855
Income taxes	- 15,317	- 725	- 16,042
Earnings after taxes	33,565	- 752	32,813

**Consolidated statement of comprehensive income**

Figures in thousands of euros	2017		
	Before	Correction	After
Comprehensive income	32,787	- 752	32,035
Earnings per share (in euros)			
undiluted	4.70	- 0.11	4.59
diluted	4.64	- 0.10	4.54

**Determination of fair values**

As far as possible, CEWE uses data observable on the market in order to determine the fair value of an asset or a liability. On the basis of the input factors used within the scope of the valuation techniques, the fair values have been assigned to the different levels of the fair value hierarchy:

- Level 1: quoted prices (unadjusted) on active markets for identical assets or liabilities.
- Level 2: valuation parameters which do not involve the quoted prices included in Level 1 but which are observable for the asset or the liability either directly (i. e. as a price) or indirectly (i. e. derived from prices).

- Level 3: valuation parameters for assets or liabilities which are not based on observable market data.

With the exception of the derivatives carried in the balance sheet at fair value, in these annual financial statements all assets and liabilities are measured at amortised cost. For assets and liabilities carried at amortised cost, the book values of the financial assets and liabilities in the balance sheet represent a reasonable approximation of the fair value.

Derivatives reported in the balance sheet are carried at fair value. The market values determined by credit institutions are arrived at by discounting the expected future cash flows throughout the remaining term of the contracts on the basis of individual, non-observable input parameters (Level 3 according to IFRS 7). The effects are of minor significance.

The profit and loss account has been prepared in accordance with the nature of expense method. Unless otherwise indicated, all figures refer to thousands of euros.

**3 | Scope of consolidation**

Apart from CEWE Stiftung & Cg & Co. KGaA, the consolidated financial statements as of December 31, 2018 include domestic and foreign companies over which CEWE Stiftung & Co. KGaA has a direct or indirect controlling interest. The Group has control over a company if it is exposed to risk in relation to fluctuating yields, or is entitled to receive these yields, from its holdings in the company in question, and if the Group also has the ability to use its power of control over the investee so as to affect the value of the yield granted by this investee. The financial statements of subsidiaries are incorporated into the consolidated financial statements as of the point in time at which the relationship of control begins, and remain so until the relationship of control ends.

As of December 31, 2018, apart from CEWE Stiftung & Co. KGaA, Oldenburg, as the parent company, the scope of consolidation includes 12 German and 23 foreign companies (cf. E66). The pension commitments transferred to the pension fund CEWE COLOR Versorgungskasse e. V., Wiesbaden, according to IAS 19 are also included in the scope of consolidation. No contractual trust arrangement (CTA) is applicable, since the pension commitments remain attributable to CEWE KGaA from a legal point of view. Insofar as this pension fund is unable to meet its obligations on the basis of its own resources, resources are provided by CEWE KGaA.

Bilderplanet.de GmbH, Cologne, is not operationally active and has not been included in the scope of consolidation due to its economic insignificance.

On January 1, 2018, CEWE acquired 100 % of the interests in the online printing firm LASERLINE (LASERLINE Druckzentrum Berlin GmbH & Co. KG, LASERLINE Media GmbH and Supersteady GmbH). LASERLINE specialises in business stationery and printing advertising media in small, medium and large-scale print runs, with offset and digital printing systems as well as digital large-format printing operations. This purchase has the status of an acquisition of a business in accordance with IFRS 3. While a positive earnings contribution is not yet expected for 2018, from 2019 LASERLINE will further strengthen CEWE's positive earnings in its Commercial Online Printing business unit thanks to improved purchasing conditions and more efficient production. A purchase price of 9.2 million euros was agreed, of which to date 7.8 million euros has been paid in cash and cash equivalents. The purchase price allocation was completed on December 31, 2018. The intangible assets will thus increase by 1.7 million euros, which will in turn result in a 0.2 million euros increase in scheduled depreciation. A figure of 2.7 million euros has been recognised as goodwill, which has been assigned to the Commercial Online Printing business unit.

CEWE also acquired a controlling majority stake (79.91%) in the Cheerz Group (Stardust Media And Communication, SAS, Paris, France) in the first quarter of 2018, for a purchase price of 45.5 million euros. Of this amount, to date 34.3 million euros has been paid in cash and 0.5 million euros through treasury shares. This purchase has the status of an acquisition of a business in accordance with IFRS 3. With its premium brand "Cheerz" which mainly targets smartphone users, the Cheerz Group is enjoying dynamic growth in France, Spain and Italy. This is expected to have a positive long-term impact on CEWE's enterprise value due to additional growth in its mobile business segment, strengthening of its business in France and southern Europe as well as synergies in the areas of mobile expertise, purchasing, production and logistics. The purchase price allocation was completed on December 31, 2018. The intangible assets will thus increase by 13.1 million euros, which will in turn result in a 1.8 million euros increase in scheduled depreciation. A figure of 31.2 million euros has been recognised as goodwill, which has been assigned to the Photofinishing business unit. Reciprocal put / call options have been agreed for the acquisition of the remaining shares in the Cheerz Group. The reciprocal put / call options for the remaining shares may be exercised at the earliest in the second quarter of 2019 and at the latest in 2021. The purchase price will be determined

on the basis of a fixed purchase price and, for portions of the put / call options, according to the development of defined key indicators for the last two years prior to the date of exercise. Due to their structure as reciprocal put / call options, at the present time their exercise by at least one of the parties is considered to be highly probable. Accordingly, the risks and opportunities and thus present ownership were already transferred to CEWE as of the date of the acquisition. This has resulted in the reporting of a purchase price liability.

For this reason, initial consolidation has already occurred in the financial year 2018, on the basis of a 100 % shareholding. The financial liabilities resulting from the anticipated exercise of the forward purchase and the option have been reported at fair value as of the balance sheet date, in the amount of 9,439 thousand euros, and have been shown under the current financial liabilities. This figure is based on the assumption that the options are exercised at the start of the exercise period.

In the event of their exercise at the end of the exercise period, a total amount of 10,739 thousand euros would apply.

**Acquired assets and liabilities**

<i>Figures in thousands of euros</i>	LASERLINE	Cheerz	Total
Goodwill	2,680	31,198	33,878
Non-current assets	6,227	14,368	20,595
Current assets	3,136	5,646	8,782
Non-current liabilities	530	1,098	1,628
Current liabilities	2,295	4,636	6,931
<b>Net assets</b>	<b>9,218</b>	<b>45,478</b>	<b>54,696</b>
<b>Purchase price</b>	<b>9,218</b>	<b>45,478</b>	<b>54,696</b>
Assumed cash and cash equivalents	1,112	3,594	4,706
Purchase price liabilities	345	10,758	11,103
Purchase price paid by means of treasury shares	0	455	455
<b>Net outflow for acquisitions</b>	<b>7,761</b>	<b>30,671</b>	<b>38,432</b>

Since their initial consolidation, the assumed activities of Cheerz and LASERLINE have contributed 40.9 million euros to the Group's turnover and – 3.9 million euros to earnings after taxes. If the acquisitions had already been included in the scope of consolidation as of January 1, 2018, the Group's turnover would have increased by a further 1.3 million euros and earnings after taxes would have decreased by – 0.3 million euros.

**4 | Consolidation principles**

The consolidated financial statements have been prepared on the basis of the incorporated German and foreign financial statements of the subsidiaries, on the basis of uniform accounting and measurement methods. For all of the companies included in the consolidated financial statements, the reporting date for the separate financial statements is the same as the reporting date for the consolidated financial statements, i. e. December 31, 2018.

Acquired subsidiaries are accounted for using the acquisition method. The acquisition costs correspond to the fair value of the assets provided, the equity instruments issued and the liabilities arising or assumed as of the transaction date. They also include the fair values of any recognised assets or liabilities resulting from a contingent consideration agreement. Assets, liabilities and contingent liabilities which are identifiable within the scope of a company merger are measured at their fair values as of the date of their acquisition when first included in the scope of consolidation.

Any costs associated with their acquisition are recognised as expenses as of their date of their accrual.

Any contingent considerations are measured at fair value as of the date of their acquisition. Subsequent adjustments to the fair value of an asset or a contingent consideration classified as a liability are measured within the scope of IFRS 9 and any resulting profit or loss is recognised either in profit or loss or in other comprehensive income.

Goodwill is the value resulting from the surplus of the acquisition costs plus the value of the non-controlling interests in the acquired company and the fair value of any equity interests previously held as of the date of acquisition divided by the Group's interest in the net assets measured at fair value.

In case of the additional purchase of interests in companies already fully included in the scope of consolidation, this does not affect net income. This does not lead to any changes in the recognition of assets, liabilities and goodwill of the company already included in the scope of consolidation. The annual goodwill impairment tests are performed using the discounted cash flow method. This is calculated on the basis of future expected cash flows from the latest management planning, updated with long-term turnover growth rates as well as assumptions regarding margin and earnings trends and discounted in the value of the capital costs for the corporate unit. Testing is carried out at the level of the cash-generating unit. In the course of the year, an impairment test is also performed in case of events suggesting a permanent fall in value.

Intragroup turnover, expenses and income and also loans, receivables and liabilities between the consolidated companies are eliminated. Interim profits from intragroup deliveries are consolidated insofar as they are significant for presentation of the actual net assets, financial position and results of operations. Intragroup deliveries and services are calculated on the basis of market prices and also on the basis of transfer prices determined according to the arm's length principle. Where necessary, deferred taxes are calculated for consolidation entries affecting earnings.

Stock option plans have been measured at fair value as issued equity instruments for future work, in accordance with IFRS 2. The resulting effects have been apportioned as expense throughout the period, recognised in personnel expenses and entered against equity. Insofar as the terms of options are not fulfilled, this item is reversed directly within equity.

Companies which are no longer classifiable as companies to be included in the scope of consolidation have been excluded accordingly. The relevant date is determined on the basis of the date of this company's withdrawal, i.e. the date of loss of control over its financial and business policy. Expenses and income resulting for the consolidated company up to its disposal are included in the consolidated profit and loss account. All of the assets and liabilities representing the consolidated company immediately prior to its withdrawal from the scope of consolidation will be considered as the disposal value. The effect on income of removal from the scope of consolidation is calculated by comparing the disposal or liquidation proceeds and the disposal value. The same consolidation methods have been used as in the previous year.

## 5 | Currency translation

The annual financial statements of the foreign Group companies have been translated into euros according to the functional currency concept. Since the subsidiaries conduct their business independently in financial, economic and organisational terms, in principle the respective functional currency is identical with the national currency of the company in question. The reporting currency and functional currency of the Group is the euro.

Assets and liabilities of foreign companies included in the scope of consolidation are translated at the mean rates of exchange on the balance sheet date (balance sheet exchange rate), while income and expenses are translated at the average annual mean rates of exchange (profit and loss account exchange rate).

Goodwill resulting for foreign subsidiaries as a result of capital consolidation is carried at historical cost.

Equity is also translated at historical exchange rates. Any resulting translation differences are not shown in the profit and loss account and are instead presented in a separate equity item. Currency differences resulting from the translation of non-current loans to Group companies are likewise recognised directly in equity.

The following key exchange rates apply for currency translation:

### Currency translation

		2017		2018	
		Balance sheet exchange rate	Profit and loss account exchange rate	Balance sheet exchange rate	Profit and loss account exchange rate
CHF	Swiss franc	1.17020	1.11156	1.12690	1.15496
CZK	Czech crown	25.54000	26.32884	25.72500	25.64615
DKK	Danish krone	7.44490	7.43864	7.46730	7.45317
GBP	British pound sterling	0.88723	0.87651	0.89453	0.88471
HUF	Hungarian forint	310.14000	309.22979	321.51000	318.86365
NOK	Norwegian krone	9.84030	9.32718	9.94830	9.59749
PLN	Polish zloty	4.17090	4.25966	4.29690	4.26181
SEK	Swedish krona	9.84380	9.63573	10.25480	10.25826
TRY	Turkish lira	4.54640	4.12078	6.05880	5.70767
USD	US dollar	1.19930	1.12944	1.14500	1.18095

## B. Accounting and measurement principles

### 6 | General disclosures

In principle, the annual financial statements of the companies included in the scope of consolidation are prepared on the basis of uniform accounting and measurement methods. Accounting and measurement options are exercised in the consolidated financial statements in the same way as in the separate financial statements.

For preparation of the consolidated financial statements, the Board of Management requires a series of assessments and estimates and makes assumptions affecting the application of accounting principles within the Group and also recognition of assets and liabilities as well as income and expenses. The actual amounts may deviate from these estimates. Estimates and underlying assumptions are continuously reviewed. The following estimates and associated assumptions may affect the consolidated financial statements.

If items of property, plant and equipment and intangible assets are acquired within the scope of company mergers, the fair value of these assets as of the date of acquisition and the expected useful life are estimated. Fair values and useful lives are calculated on the basis of the management's assessments.

Impairments of property, plant and equipment, intangible assets and goodwill are determined on the basis of estimates regarding the cause, the date and the value of these impairments and, where permissible, revaluations. Indications of impairments, estimates of future cash flows and fair values of assets are evaluated on the basis of assessments regarding expected cash flows, useful lives, discount rates and residual values. The development of future cash flows is mainly determined by the future demand trend for products. If the actual demand trend falls short of expectations, this would negatively affect turnover and cash flows. Further expenses for valuation adjustments might thus result which would negatively affect future results of operations.

To deal with the default risk for receivables, as well as provisioning for credit risk (expected credit loss) valuation adjustments are established for doubtful accounts. Provisioning for credit risk is determined on the basis of the maturity structure, the current market situation and past experience. In the event of a deterioration in customers' financial situation, the actual bad debts may exceed the expected bad debts.

The CEWE Group is obliged to pay income taxes in various countries (chiefly in Europe). Material assumptions are therefore necessary for calculation of Group-wide income tax liabilities. Income taxes are determined by calculating for each taxable entity the expected actual amount of income tax and the deferred taxes resulting from temporary differences between the balance sheet items in the consolidated financial statements and the accounts prepared for tax purposes. This requires assumptions for interpretation of applicable tax regulations in Germany and other countries. This also requires an assessment of the possibility of realising a sufficiently high level of taxable income for each type of tax and in each tax jurisdiction. For some transactions and calculations, the final level of taxation cannot be conclusively determined. The Group assesses the value of accruals for expected tax audits on the basis of estimates of whether additional income taxes may fall due and the respective amount. Insofar as the final level of taxation for these transactions deviates from the initially assumed level of taxation, this will affect the actual and deferred taxes in the period in which the level of taxation is conclusively determined. If the final values (in the areas affected by estimates) were to deviate from the management's estimates by 10%, the Group would be required to increase its tax liabilities by 822 thousand euros and its deferred tax liability by 295 thousand euros, in case of a negative deviation, or reduce its tax liabilities by 822 thousand euros and its deferred tax liability by 295 thousand euros in case of a positive deviation. Pensions and similar obligations are measured on the basis of actuarial procedures. These measurements are mainly based on assumptions regarding discount factors, salary and pension trends and life expectancies. Pensions and similar obligations may be subject to significant changes if these assumptions significantly deviate from actual trends due to changes in the market and economic environment.

The recognition and measurement of other accruals and contingent liabilities are highly dependent on the complexity of the underlying transaction as well as estimates. This requires assumptions regarding the probability of realisation and the value of the claim. This in turn depends on past experience, assessments of cost trends and the assessment of other information. Changes in these estimates may have a significant effect on results of operations.

Individual items have been summarised in the profit and loss account and the balance sheet. They are reported separately in the notes. The Group classifies assets and liabilities as current if they are expected to be realised or settled within twelve months of the balance sheet date.

#### **7 | Recognition of income and expenses**

The ordinary activities of the CEWE Group comprise photofinishing and other printing services and trading of photographic hardware as well as photofinishing products and services. CEWE mainly realises revenues from the sale of goods and does so only marginally from the provision of services. Any income associated with the Group's ordinary activities is presented as revenue in the profit and loss account. CEWE does not realise any further significant revenue. All other income is presented as other operating income (cf. C26). Revenues are recognised on the basis of a five-step model. Amounts which are expected as consideration for the transfer of goods to or for the provision of services for a customer must thus be recognised as revenues. Turnover will be realised where (or once) the power of disposal over goods or services has been transferred to a customer, either over a period of time or at a point in time. Operating expenses are recognised in profit or loss upon use of the service or as of the time at which they are incurred. In principle, turnover-related expenses or accruals are measured as of the date of realisation of the corresponding revenues; this includes estimated amounts for rebates and discounts and other sales deductions. Interest income and expenses are recognised on an accrual basis.

#### **8 | Property, plant and equipment**

Property, plant and equipment are recognised at cost and, in case of wear and tear, less scheduled straight-line depreciation. Production costs comprise all directly attributable costs as well as appropriate portions of the production-related overheads. Financing costs are capitalised. The profits or losses resulting from the write-off of the asset are calculated as the difference between the net disposal proceeds and the book value and are recognised in profit or loss as other operating income or expenses in the period in which this item is written off.



### 9 | Investment properties

Investment properties comprise land and buildings which are held in order to generate rental income or for capital appreciation and are not used for separate production, for delivery of goods or provision of services, for administrative purposes or for sale within the scope of ordinary activities.

As of their first-time measurement these assets are measured at amortised cost, including incidental costs. Within the scope of subsequent measurement, investment properties are recognised at amortised cost.

Investment properties are written off if they are sold or permanently no longer used and if no future economic benefit is expected as of their disposal. Profits or losses resulting from the shutdown or disposal of investment properties are recognised in the year of this shutdown or disposal.

Items of real estate are assigned to the portfolio of investment properties in case of a change of use involving the end of the Group's own use or the beginning of an operating lease with another party.

### 10 | Goodwill

Goodwill does not undergo scheduled amortisation and is tested for impairment once a year. It is also tested whenever events occur which indicate potential impairment.

### 11 | Intangible assets

Intangible assets comprise industrial property rights and similar rights, software acquired for consideration, proprietary software, customer bases and lists, trademark rights and advance payments made on such assets. Acquired and proprietary intangible assets are capitalised subject to the conditions laid down in IAS 38 "Intangible Assets".

Intangible assets acquired for consideration are capitalised at cost, as are proprietary intangible assets which are expected to provide a future benefit for the Group and which can be reliably determined and measured. Both types of intangible assets undergo scheduled straight-line depreciation over their expected useful life. Production costs comprise all directly attributable costs as well as appropriate portions of the production-related overheads. Financing costs are not capitalised, since the Group does not have any assets which involve a protracted production/ manufacturing phase. Other development costs are likewise not capitalised, since the conditions for capitalisation are not generally fulfilled. Intangible assets undergo impairment if the recoverable amount – the higher of the fair value less disposal costs and the asset's value in use – is less than the book value. Proprietary intangible assets mainly comprise new developments in the field of distribution- and production-specific software systems which can be used throughout the Group.

## 12 | Impairment

Scheduled depreciation of fixed assets is mainly calculated on the basis of the following uniform expected useful life throughout the Group:

### Average useful life

<i>in years</i>	Dec. 31, 2017	Dec. 31, 2018
<b>Asset</b>		
Customer base and customer lists	5	5
Software and other intangible assets	3 to 7	3 to 8
ERP software	5	5
Buildings	25 to 40	25 to 50
<b>Machinery</b>		
Adhesive binding equipment and machinery	8	8
Offset printing machines	8	8 to 10
Digital printing machines	4 to 6	4 to 6
Sorting systems	5 to 8	5 to 8
IT equipment	3 to 7	3 to 7
Motor vehicles	5	5
Office furniture	13	13

Average useful lives are determined on the basis of past experience of use of this asset, current and envisaged possibilities for its use and related technical development.

The book values of property, plant and equipment and intangible assets are tested for impairment on each balance sheet date. In case of any such indications, the recoverable amount of the asset is estimated in order to determine the scope of any impairment loss. The recoverable amount is determined for each individual asset, unless an asset results in cash inflows which are not largely independent of those of other assets or

other groups of assets (cash-generating units). In this case, the calculation will be performed at the level of the cash-generating unit to which the respective asset has been assigned. The respective value will be assigned to the individual cash-generating units or to the smallest group of cash-generating units on an appropriate and consistent basis.

In case of intangible assets with indefinite useful lives or intangible assets which cannot be used yet, an impairment test is performed at least annually and in case of any indication of impairment. The recoverable amount is the higher of the fair value less disposal costs and the value in use.

For calculation of the value in use, the future cash flows resulting from continued use of the cash-generating units are discounted by a risk-adjusted interest rate. The cash flows are determined on the basis of the planning which has been approved by the Board of Management and is valid at the time of the impairment test. This planning is based on expectations of future market shares, growth on the respective markets and products' profitability. Cash flow forecasts beyond the detailed planning period are calculated on the basis of suitable growth rates. This includes both the current market assessment regarding the fair value of the money and the risks to which the respective asset is exposed, if these factors have not already been reflected in the estimate of the cash flows. Before taxes, the risk-adjusted interest rates used for discounting of cash flows amount to between 9.0 % and 13.2 % in the Photofinishing business unit, to between 9.7 % and 11.3 % in the Retail business unit and to 8.4 % in the Commercial Online Printing business unit. The risk-adjusted interest rate for the cash-generating units is based on the weighted average cost of capital (WACC). This is determined on the basis of the capital asset pricing model (CAPM), with due consideration of current market expectations. Specific peer group information for beta factors, capital structure data and the cost of borrowing are used to calculate the risk-adjusted interest rate for the purpose of the impairment test. Periods not included in the planning are reflected by means of a terminal value. Various sensitivity analyses are also performed. If the recoverable amount of an

asset or a cash-generating unit falls below its book value, impairment is recognised in the amount of the difference. If the value in use is less than the book value, for the calculation of the recoverable amount the fair value less the disposal costs will also be determined. The impairment loss is immediately recognised in profit or loss. In the event of a recovery of the impairment loss, the book value of the asset or the cash-generating unit will be increased to the newly determined recoverable amount. However, the increased book value may not exceed the book value which would have been determined (less scheduled depreciation) if no impairment loss had been recognised in previous years. A recovery in value is immediately recognised in profit or loss.

Goodwill does not undergo any scheduled amortisation and is tested for impairment on the basis of the recoverable amount for the cash-generating unit to which it has been assigned. For this purpose, the goodwill acquired through a merger will be assigned to each individual cash-generating unit which is expected to realise synergies as a result of the merger. The maximum size of the respective cash-generating unit corresponds to the operating business unit which is included in internal reporting submitted to the main decision-making entity and thus reflects the internal reporting structure. The impairment test is performed at least once a year and also in case of any indication of impairment of the cash-generating unit.

In the event that the book value of the cash-generating unit to which this goodwill has been assigned exceeds its recoverable amount, amortisation will be recognised on this assigned goodwill in the value of the difference determined. Goodwill amortisation already recognised may not be reversed. If the difference determined for the cash-generating unit exceeds the book value of the assigned goodwill, the book values of the assets assigned to the cash-generating unit will undergo pro rata impairment in the value of the remaining impairment loss.

### 13 | Financial assets

Financial assets have been measured at fair value. CEWE reviews whether objective indications of impairment are applicable on each balance sheet date. Reinsurance policies included in financial assets are recognised at their actuarial present value. This does not involve plan assets.

#### 14 | Non-current assets held for sale

Non-current assets held for sale comprise assets or groups of assets whose book values within the next twelve months are expected to be mainly realised through their disposal and not through their operational use. They are measured at the lower of their book value and their fair value less disposal costs. In the event of a subsequent increase in their fair value, a revaluation will be made in the value of the impairment recognised.

#### 15 | Inventories

Inventories are recognised at cost. Manufacturing costs include individual material and production costs as well as pro rata material and production overheads. Administrative costs are included where attributable to production. Acquired inventory items are measured on the basis of the average value method, at the weighted average value. If the net disposal value is lower on the balance sheet date, this will be recognised. Inventories rarely used due to obsolescence or technical progress are subject to marketability discounts. The Group does not have any long-term production orders.

#### 16 | Primary financial instruments

Primary financial instruments comprise financial assets (receivables, other assets, loans extended and cash and cash equivalents) as well as financial liabilities (interest-bearing financial liabilities, trade payables and other liabilities). They are accounted for and measured in accordance with the provisions of IAS 39. A financial instrument is thus recognised if a consideration is provided in the form of cash and cash equivalents or financial assets. In principle, it will be recognised and written off at fair value, allowing for the transaction costs. Non-interest-bearing receivables and other assets are discounted if they are non-current. In accordance with IAS 39, subsequent measurement will depend on the subsequent categorisation of the financial instruments.

#### Financial assets

Financial interests recognised as financial assets are measured at fair value, with changes in value recognised in other comprehensive income.

In principle, loans and receivables not quoted on an active market are measured at amortised cost. This includes non-current financial receivables, trade receivables and other current financial receivables and assets. In case of any doubt regarding the collectability of individual receivables, they will be recognised at the lower realisable amount. Objective defaults will result in a write-off of the relevant receivable. Otherwise, receivables are measured according to the expected loss method. Foreign-currency receivables are translated at the exchange rate as of the reporting date.

Cash and cash equivalents are recognised at fair value. Cash in hand and balances in foreign currencies are translated at the exchange rate as of the reporting date.

#### Financial liabilities

Financial liabilities regularly establish an obligation for delivery in the form of cash and cash equivalents or another financial asset. This includes, in particular, trade payables, amounts owed to credit institutions, derivative financial liabilities and other financial liabilities.

Financial liabilities are measured at amortised cost.

### 17 | Derivative financial instruments

Derivative financial instruments such as interest rate and foreign currency options, interest rate swaps, combined interest rate and foreign currency swaps and commodities futures transactions for hedging of exchange rate, interest rate and commodity price risks are used within narrowly defined limits. In accordance with the Group's risk management principles, no derivative financial instruments are held for trading purposes. Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently at their market value. Profit and loss are recognised on the basis of the type of position to be hedged. Recognised measurement models are used in order to determine the market value. Derivatives for which no hedge accounting is applied are recognised at fair value.

### 18 | Deferred taxes

In accordance with IAS 12, deferred tax assets and liabilities are established for any temporary discrepancies in terms of assets and liabilities in the tax and IFRS balance sheets, for tax credits and loss carry-forwards and for consolidation measures recognised in profit or loss. The national tax rates applicable as of the balance sheet date or applicable in future will be used for calculation purposes. The effect of changes in tax rates on deferred taxes is recognised as of the respective change in the law coming into effect. Deferred tax assets resulting from loss carry-forwards are only included insofar as their realisation is sufficiently concrete and probable. In principle, changes in deferred taxes recognised in the balance sheet will result in deferred tax expenses or income. Insofar as items resulting in changes to deferred taxes are directly entered against equity, the change in deferred taxes will also be directly recognised in equity.

Deferred tax liabilities are shown within the scope of accruals. They are calculated on the basis of the standard international balance sheet-based liability method and show the tax effects resulting from the valuation differences between the tax balance sheets of the individual companies and the consolidated financial statements. Neither deferred tax assets nor deferred tax liabilities are discounted.

The deferral amounts are calculated at the tax rates which may currently be expected in case of a reversal of the temporary differences.

Deferred tax receivables and liabilities will be netted if they apply in relation to the same tax authority.

**Average tax rates for calculation of deferred taxes**

<i>Figures as %</i>	2017	2018
Belgium	33.99	29.58
Denmark	22.00	22.00
Germany	30.88	30.88
France	28.00	28.00
United Kingdom	17.00	17.00
Netherlands	25.00	25.00
Norway	24.00	23.00
Poland	19.00	19.00
Sweden	22.00	22.00
Switzerland	25.00	25.00
Slovak Republic	21.00	21.00
Czech Republic	19.00	19.00
Hungary	9.00	9.00
USA	31.78	21.00

**19 | Equity**

Subscribed capital is recognised within equity at its nominal value. The premium resulting from the first-time share issue is measured as a capital reserve on the basis of the difference between the nominal value of the ordinary bearer shares issued and the realised issue amount.

The subscribed capital and the capital reserve relate to CEWE Stiftung & Co. KGaA, Oldenburg, and are recognised as if held by this company. Through the treasury shares deduction deducted from equity on the face of the balance sheet, treasury shares are reported as a deduction at the value of their full, original acquisition costs and incidental acquisition costs at the time of their buyback (see item D 52). Retained earnings and unappropriated profits are determined by law and in accordance with the articles of association of CEWE Stiftung & Co. KGaA, Oldenburg, and are reported at nominal value. As well as earnings calculated according to provisions of commercial law, these items include the discrepancies in relation to IFRS accounting standards. Effects resulting from fair value measurement of equity instruments, fair value measurement of hedging transactions and stock option plans (see item D 50) are also shown, as are the currency translation differences recognised directly in equity and actuarial profits and losses. The change in hidden reserves recognised within the scope of successive share purchases is apportioned to retained earnings.

**20 | Pension commitments**

Pension accruals are calculated in accordance with the actuarial projected unit credit method prescribed in IAS 19 rev. 2011 for defined-benefit pension obligations. The future obligation is discounted to its present value on the basis of the vested rights acquired up to the balance sheet date, while allowing for additional parameters. Discrepancies between estimates made and actual trends and changes in actuarial assumptions will result in actuarial profits and losses. These will be directly recognised in equity in the year of their occurrence. The current service cost and the interest expenses included in pension expenses are recognised in personnel expenses.

These figures only refer to the group of employees entitled to pensions for which a pension liability must be carried.

The biometric probabilities are calculated according to the current "Heubeck reference tables 2018 G" or similar foreign mortality tables. Reinsurance policies have been concluded to a minor extent for some of the reported pension commitments. Pension commitments in France are covered by plan assets which may be used to settle the Group's pension obligations in that country.

### 21 | Accruals

Accruals are established insofar as a legal or constructive obligation has resulted from a past event. This is subject to the requirement that this obligation is expected to lead to a future outflow of assets which can be reliably estimated. In case of a level of probability which is greater than 50 %, the respective item will be recognised on the basis of the settlement amount with the highest possible probability of realisation. Accruals for obligations which are not expected to already result in an outflow in the following year are recognised in the amount of the present value of the expected outflow, if such accruals are significant. The discount rates correspond to the normal capital market rates. The value of the accruals is reviewed on each balance sheet date.

### 22 | Share-based payment

IFRS 2 is complied with in respect of the balance-sheet treatment of stock option plans. The fair value of the options as of the grant date is determined upon the basis of market prices (prices of Deutsche Börse AG, Frankfurt) with consideration of the terms of issue as well as generally recognised valuation techniques for financial instruments. The exercise price, the respective term, the current market value of the option instrument (the CEWE share), the expected level of volatility for the market price, the expected dividends on the shares and the risk-free interest rate for the terms of the options are included for the purpose of this valuation. Moreover, as specific requirements for the exercise of the option the beneficiaries

comply with the necessary waiting period (lockup period) and, where applicable, exercise the option as early as possible. In the following financial reporting, the determined value of the stock options is apportioned to the term as expense, with consideration of the assumed service period and the level of fluctuation in the beneficiaries. Option premiums received within the scope of the options issued are recognised in retained earnings.

### 23 | Research and non-capitalisable development costs

Research and non-capitalisable development costs are recognised in profit or loss at the time of their occurrence.

### 24 | Contingent liabilities and contingent assets

Contingent liabilities are liabilities resulting from a possible obligation on account of a past event and whose existence depends on the occurrence or non-occurrence of one or more uncertain future events over which the company lacks complete control. Contingent liabilities may also result from a present obligation which is attributable to past events but has not been recognised in the balance sheet because

- the outflow of resources providing an economic benefit upon fulfilment of this obligation is not probable or
- the value of this obligation cannot be estimated sufficiently reliably.

If the outflow of resources providing an economic benefit for the company is not probable, no contingent liability will be disclosed.

Contingent assets are not shown in the balance sheet and will only be indicated if the accrual of an economic benefit is probable. They include possible assets which result from past events and whose existence on account of the occurrence or non-occurrence of uncertain future events – over which the company lacks complete control – is yet to be confirmed.

## C. Comments on the profit and loss account

### 25 | Revenues

#### Revenues by business unit

<i>Figures in thousands of euros</i>	2017	Share	2018	Share
Revenues Photofinishing	459,349	76.6%	499,026	76.4%
<i>Change on previous year (as %)</i>	1.6		8.6	
Revenues Retail	53,003	8.8%	48,669	7.4%
<i>Change on previous year (as %)</i>	-3.5		-8.2	
Revenues Commercial Online Printing	84,011	14.0%	101,629	15.6%
<i>Change on previous year (as %)</i>	0.0		21.0	
Other Activities	3,031	0.5%	3,967	0.6%
<i>Change on previous year (as %)</i>	39.6		30.9	
<b>Total revenues</b>	<b>599,394</b>	<b>100.0%</b>	<b>653,291</b>	<b>100.0%</b>

Turnover largely results from sales of CEWE products and is therefore shown by business unit in the above table.

The breakdown of turnover by geographical region is as follows. Turnover realised with external customers has been allocated on the basis of the geographical location of the customer's business activities.

<i>Figures in thousands of euros</i>	2017	2018
Germany	322,901	347,075
Other countries	276,493	306,216

Turnover with business partners is shown net of any sales deductions. Retrospectively applicable discounts are frequently agreed here which are based upon the overall turnover within a given period. The proceeds from these sales are recognised at the price stated in the contract, less the agreed discounts. A reimbursement liability (reported under trade payables) is recognised for discounts which are expected to be payable to the customer for sales completed up to the end of the reporting period. Sales via

mail-order shipping are recognised in Photofinishing and Commercial Online Printing, mainly on the basis of prepayment. The retail stores operated by CEWE sell photographic hardware as well as photofinishing products. Payment of the transaction price is due immediately upon the customer's purchase of the product and acceptance of delivery in the retail store. Other revenues which have not resulted from the delivery or provision of typical goods, merchandise and services (the ordinary activities of the CEWE Group) are shown as other operating income. As of the reporting date, there are no contracts where the period between the transfer of the promised asset or services to the customer and the payments made by the customer is greater than one year. Accordingly, the promised consideration has not been restated on the basis of the time value of money.

### 26 | Other operating income

#### Other operating income

<i>Figures in thousands of euros</i>	2017	2018
Income from pass-through expenses	4,763	4,648
Income from the reversal of accruals	4,204	3,020
Other revenues from sales to third parties	4,157	5,304
Rental income	2,309	2,387
Reimbursement of costs own personnel	1,093	1,188
Income from currency translation	933	1,234
Income from default charges	506	664
Income from the receipt of impaired receivables	385	403
Income from insurance indemnification	162	102
Additional other operating income	4,648	6,150
<b>Total other operating income</b>	<b>23,160</b>	<b>25,100</b>

In particular, income from pass-through expenses includes passed-on charges for sales aids, advertising services and logistics and other transport services.



Other revenues from sales to third parties comprise revenues from sales of aluminium from the resale of the printing plates used in offset printing, silver revenues from the resale of recovered and recycled pure silver and revenues from the sale of property, plant and equipment.

Income from currency translation mainly comprises profits resulting from exchange rate changes between the time of accrual and the time of payment or from measurement of monetary items at the exchange rate as of the reporting date. Exchange rate losses resulting from such transactions are shown under other operating expenses (see item C 29).

Income from the release of accruals comprises various individual items within the scope of ordinary activities. Accruals are reversed if, in view of the circumstances prevailing as of the balance sheet date, they are no longer expected to be used or are only expected to be used to a marginal degree.

The additional other operating income includes non-period income as well as additional positions not allocable to other items referred to in the notes.

## 27 | Cost of materials

### Cost of materials

<i>Figures in thousands of euros</i>	2017	2018
Expenses for raw materials and supplies and for purchased merchandise	-148,185	-152,356
Expenses for purchased services	-20,260	-26,303
<b>Total cost of materials</b>	<b>-168,445</b>	<b>-178,659</b>

Expenses for raw materials and supplies and for purchased merchandise comprise, in particular, supplies of photographic paper, photo bags, chemicals and other packaging in the Photofinishing business unit, while in the Commercial Online Printing business unit expenses are mainly reported for printing plates, paper and freight costs. For the Retail business unit, this item comprises supplies of merchandise.

Expenses for purchased services include third-party work in the Photofinishing and Commercial Online Printing business units.

## 28 | Personnel expenses

### Personnel expenses

<i>Figures in thousands of euros</i>	2017	2018
Wages and salaries	-132,504	-146,601
Social security contributions	-25,301	-28,822
Expenses for pensions and support	-2,474	-2,715
<b>Total personnel expenses</b>	<b>-160,279</b>	<b>-178,138</b>

Wages paid to manual workers amount to 52,457 thousand euros (previous year: 47,315 thousand euros), while salaries of non-manual employees amount to 94,144 thousand euros (previous year: 85,190 thousand euros).

Expenses for pensions and support mainly comprise allocations to pension accruals; pension accruals for members of the executive bodies of the general and managing partner Neumüller CEWE COLOR Stiftung, Oldenburg, have increased by 1,996 thousand euros (previous year: decrease of 4,995 thousand euros). Please also see the comments regarding non-current accruals for pensions (see item D 54).

**Number of employees**

	2017	2018
Non-manual employees	2,170	2,325
Manual employees	1,297	1,424
<b>Total employees</b>	<b>3,467</b>	<b>3,749</b>

**Number of employees by business unit**

	2017	2018
Photofinishing	2,282	2,468
Retail	552	512
Commercial Online Printing	580	706
Other Activities	53	63
<b>Total employees</b>	<b>3,467</b>	<b>3,749</b>

The above figures are annual averages. As of December 31, 2018, the Group had a total of 4,030 employees (December 31, 2017: 3,967 employees).

Initial measurement of the stock option plans is on the basis of the parameters outlined in the following table:

**Parameters for stock option plans**

	2014	2015	2016	2017
Fair value in thousands of euros	799	948	1924	1856
Other personnel expenses p. a. in thousands of euros	200	237	481	464
End of lockup period	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021
Performance target as % of underlying price	120 %	120 %	125 %	125 %
Exit rate	3.00 %	3.00 %	3.00 %	3.00 %
Risk-free interest rate	0.002 %	-0.04 %	-0.52 %	-0.20 %
Historical volatility	27.56 %	28.42 %	27.99 %	28.17 %

The fair values resulting from the initial measurement of the stock option plans (IFRS 2.10 ff.) are accrued pro rata temporis up to the end of the relevant lockup period and recognised as "other personnel expenses". Reserves are entered for them in equity. On the structure of the stock option plans, we refer to the comments regarding the Group's equity (see item D 50). A Monte Carlo simulation has been used for these measurements. A log-normal distribution-based process has been simulated for the price of the CEWE share so as to map the performance target in the form of an increase in the average closing price on the underlying price on ten consecutive trading days.

The simulations also included the possibility of early exercise – with due consideration of the respective exercise windows – and also the beneficiaries' early exercise behaviour, in line with a modified version of the approach proposed by Hull and White. The simulation assumed that, upon expiry of the lockup period, every year through a percentage exit rate stock options are exercised immediately upon this becoming possible due to the beneficiary leaving the company. A risk-free interest rate was assumed for the period up to the key date of December 30 of the relevant year. The calculation used discrete dividends; publicly available estimates were used as the basis for calculation. Finally, the historical level of volatility was considered and recognised for December 30 of the current year. The Group did not make any direct support payments.

**29 | Other operating expenses****Other operating expenses**

<i>Figures in thousands of euros</i>	2017	2018
Selling expenses	-123,811	-140,565
Administrative expenses	-27,040	-31,375
Costs of premises	-20,746	-20,220
Operating costs	-10,023	-10,818
Motor vehicle costs	-3,421	-3,721
Depreciation and valuation adjustments for current assets	-3,315	-2,606
Currency translation expenses	-1,603	-1,541
Additional operating expenses	-15,567	-17,766
<b>Total other operating expenses</b>	<b>-205,526</b>	<b>-228,612</b>

The key selling expense items comprise transport service expenses, shipping costs for brand and mail-order business in the Photofinishing business unit and marketing expenses. Valuation adjustments on current assets mainly comprise individual valuation adjustments on receivables (2018: 1,893 thousand euros, 2017: 1,716 thousand euros), which have resulted from an assessment of the loss of future returns.

The indicated exchange rate losses mainly comprise currency losses resulting from exchange rate changes between the time of accrual and the time of payment and from measurement at the exchange rate as of the reporting date. Exchange rate gains resulting from these transactions are shown under other operating income (see item C26).

In the year under review, as well as the costs of external services and personnel in the amount of 3,837 thousand euros (previous year: 1,896 thousand euros), other operating expenses also include losses from the disposal of fixed assets in the amount of 1,077 thousand euros (previous year: 418 thousand euros).

#### Auditor's fees

<i>Figures in thousands of euros</i>	2017	2018
Audit services for financial statements	253	272
Other confirmation services	73	71
Other services	34	3
<b>Total</b>	<b>360</b>	<b>346</b>

The fees for auditing of financial statements mainly comprise payments for the audit of the consolidated financial statements and the separate financial statements of CEWE Stiftung & Co. KGaA, Oldenburg, and its German subsidiaries. The fees for other confirmation services relate to the auditor's review of the quarterly financial statements and of the summarised non-financial declaration.

### 30 | Amortisation of intangible assets, depreciation of property, plant and equipment

The breakdown of depreciation and amortisation and non-scheduled depreciation and amortisation is shown in the analysis of fixed assets. No non-scheduled goodwill amortisation was recognised in the financial year 2018 (previous year: 0 thousand euros).

### 31 | Financial income and financial expenses

#### Financial income / financial expenses

<i>Figures in thousands of euros</i>	2017	2018
Income from equity investments	258	57
Other interest and similar income	199	626
<b>Financial income</b>	<b>457</b>	<b>683</b>
Interest and similar expenses	-817	-1,082
<b>Financial expenses</b>	<b>-817</b>	<b>-1,082</b>

Other interest and income include income recognisable in profit or loss from the fair value measurement of derivatives in the amount of 18 thousand euros (previous year: 30 thousand euros). Interest and similar expenses include expenses recognisable in profit or loss from the fair value measurement of put options in the amount of 0 thousand euros (previous year: 339 thousand euros).

## 32 | Income taxes

### Current and deferred expenses for income taxes

<i>Figures in thousands of euros</i>	2017	2018
Current German taxes <sup>1</sup>	-16,699	-18,465
Current foreign taxes <sup>2</sup>	-1,645	-1,723
<b>Current total taxes</b>	<b>-18,344</b>	<b>-20,188</b>
Deferred German taxes	2,358	-49
Deferred foreign taxes	-56	3,212
<b>Deferred total taxes</b>	<b>2,302</b>	<b>3,163</b>
<b>Total income taxes</b>	<b>-16,042</b>	<b>-17,025</b>
<sup>1</sup> of which not relating to the period – Germany	0	236
<sup>2</sup> of which not relating to the period – other countries	215	141

In Germany, income taxes include corporate income tax plus the solidarity surcharge and trade tax. In other countries, this item comprises similar income taxes of the subsidiaries.

No significant effects have resulted from tax rate changes or from the introduction of new German or foreign taxes.

The volume of income tax expenses shown can be calculated on the basis of the expected income tax expenses as follows:

### Reconciliation of income tax expenses

<i>Figures in thousands of euros</i>	2017	2018
Earnings before taxes	48,855	53,321
Theoretical tax rate (as %)	30.0	30.0
Expected income tax expenses	14,657	15,996
Increase / reduction of income tax burden due to:		
Deviation resulting from application of local tax rate	-34	-490
Deviation resulting from different assessment bases		
- Tax-free income (-)	-402	-494
- Other tax additions and deductions	207	565
- Non-deductible expenses (+)	918	868
- Depreciation of items not deductible for tax purposes	0	1,058
Recognition and measurement of deferred taxes		
- Non-recognition of deferred tax assets on loss carry-forwards	1,073	2,267
- Revaluation / subsequent recognition of deferred taxes	-1,037	-2,244
Non-period effects		
- Use of loss carry-forwards not reported in the balance sheet (-)	-336	-580
- Other non-period effects	921	363
Other effects	75	-284
<b>Income tax expenses shown</b>	<b>16,042</b>	<b>17,025</b>

For the overall income tax burden, a theoretical tax rate of 30.0 % (previous year: 30.0 %) is assumed. This comprises a tax rate of 15.0 % for corporate income tax (previous year: 15.0 %), 5.5 % for the solidarity surcharge levied on the corporate income tax liability (previous year: 5.5 %) and a lump-sum average of approx. 14.0 % for trade tax (previous year: 14.0 %) plus marginal rounding-off.

Deferred tax assets and liabilities shown in the balance sheet resulted for discrepancies in value for the following balance sheet positions and for loss carry-forwards:

#### Classification of deferred tax items

Figures in thousands of euros	Dec. 31, 2017		Dec. 31, 2018	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Loss carry-forwards and tax credits	1,393	—	5,489	—
Property, plant and equipment	494	- 464	1,344	- 1,336
Intangible assets	389	- 1,335	720	- 4,008
Inventories	173	- 2	393	- 2
Receivables and other assets	8	- 158	447	- 200
Special item for investment grants	103	—	89	- 58
(investment subsidies)	4,960	—	5,772	—
Pension accruals	277	- 292	459	- 303
Other accruals	756	—	604	—
Other liabilities	—	—	—	- 66
<b>Deferred taxes on temporary differences</b>	<b>8,553</b>	<b>- 2,251</b>	<b>15,317</b>	<b>- 5,973</b>
<b>Netting</b>	<b>- 711</b>	<b>711</b>	<b>- 3,028</b>	<b>3,028</b>
<b>Balance sheet item</b>	<b>7,842</b>	<b>- 1,540</b>	<b>12,289</b>	<b>- 2,945</b>

In the past financial year and the previous year, with the exception of a portion of the deferred tax assets any changes in deferred tax assets and liabilities were measured in profit and loss in the pension accruals item. In the past financial year, the change in deferred tax assets not affecting net income amounted to - 295 thousand euros (previous year: - 143 thousand euros) for the pension accruals.

The total amount carried forward for tax losses not yet used is 56,207 thousand euros (previous year: 46,984 thousand euros) and mainly relates to CEWE's subsidiary in France. Deferred tax assets have been reported in the balance sheet for tax loss carry-forwards in the total amount of 20,777 thousand euros (previous year: 4,866 thousand euros). For the capitalisation of deferred taxes on loss carry-forwards, future realisability is key. This mainly depends on future taxable profits in periods in which tax loss carry-forwards can be claimed. For the purpose of capitalisation, profit expectations are assumed which are considered to

be more probable than not. Of these loss carryforwards, 56,069 thousand euros (previous year: 46,061 thousand euros) may be carried forward without any limit. The remaining loss carry-forwards may be carried forward until 2022 at the latest.

#### Total income tax expense recognised in equity

Figures in thousands of euros	2017	2018
Income tax expense recognised in profit and loss account	- 16,042	- 17,025
Tax expense directly recognised in equity	143	295
<b>Total income tax expense recognised in equity</b>	<b>- 15,899</b>	<b>- 16,730</b>

### 33 | Earnings per share

#### Earnings per share

Figures in thousands of euros	2017	2018
Earnings after taxes	32,813*	36,296
Weighted average number of shares, undiluted ( <i>in units</i> )	7,143,976	7,166,540
<b>Undiluted earnings per share (<i>in euros</i>)</b>	<b>4.59*</b>	<b>5.06</b>
Earnings after taxes	32,813*	36,296
Weighted average number of shares, diluted ( <i>in units</i> )	7,143,976	7,166,540
Diluting effect of stock options issued	83,729	81,175
<b>Diluted earnings per share (<i>in euros</i>)</b>	<b>4.54*</b>	<b>5.01</b>

\* The reference figures have been restated (cf. comments in section A).

Undiluted earnings per share are calculated as the ratio of earnings after taxes and the weighted average number of shares outstanding during the financial year less treasury shares.

For purposes of comparison, diluted earnings per share as of December 31, 2018 have also been indicated. Treasury shares are not included in the calculation of diluted earnings per share.

## D. Comments on the balance sheet

### Total fixed assets of CEWE Stiftung & Co. KGaA

#### Entwicklung 2018

<i>Figures in thousands of euros</i>	Property, plant and equipment	Investment properties	Goodwill	Intangible assets	Non-current financial assets	Total
<b>Acquisition and production costs</b>						
<b>As of Jan. 1</b>	<b>390,685</b>	<b>32,103</b>	<b>68,227</b>	<b>112,216</b>	<b>7,386</b>	<b>610,617</b>
Changes to the scope of consolidation	3,248	—	33,879	17,176	1	54,304
Currency translation adjustments	- 680	—	—	- 183	—	- 863
Additions	43,366	319	—	5,873	1,519	51,077
Disposals	- 20,456	—	—	- 2,119	- 1,494	- 24,069
Transfers	232	- 78	—	33	—	187
<b>As of Dec. 31</b>	<b>416,395</b>	<b>32,344</b>	<b>102,106</b>	<b>132,996</b>	<b>7,412</b>	<b>691,253</b>
<b>Depreciation</b>						
<b>As of Jan. 1</b>	<b>242,572</b>	<b>14,243</b>	<b>42,388</b>	<b>98,129</b>	<b>557</b>	<b>397,889</b>
Currency translation adjustments	- 474	—	—	- 157	—	- 631
Scheduled additions	30,980	461	—	8,550	—	39,991
Non-scheduled additions	169	—	—	56	—	225
Disposals	- 17,097	—	—	- 2,071	—	- 19,168
Transfers	3	- 3	—	—	—	—
<b>As of Dec. 31</b>	<b>256,153</b>	<b>14,701</b>	<b>42,388</b>	<b>104,507</b>	<b>557</b>	<b>418,306</b>
<b>Book value on Dec. 31</b>	<b>160,242</b>	<b>17,643</b>	<b>59,718</b>	<b>28,489</b>	<b>6,855</b>	<b>272,947</b>

## Development in 2017

<i>Figures in thousands of euros</i>	Property, plant and equipment	Investment properties	Goodwill	Intangible assets	Non-current financial assets	Total
<b>Acquisition and production costs</b>						
<b>As of Jan. 1</b>	<b>351,114</b>	<b>22,423</b>	<b>74,656</b>	<b>107,291</b>	<b>6,732</b>	<b>562,216</b>
Changes to the scope of consolidation	- 11	—	—	—	—	- 11
Currency translation adjustments	763	—	—	- 125	—	638
Additions	52,171	14,564	—	5,472	654	72,861
Disposals	- 13,348	—	- 6,429	- 426	—	- 20,203
Transfers	- 4	- 4,884	—	4	—	- 4,884
<b>As of Dec. 31</b>	<b>390,685</b>	<b>32,103</b>	<b>68,227</b>	<b>112,216</b>	<b>7,386</b>	<b>610,617</b>
<b>Depreciation</b>						
<b>As of Jan. 1</b>	<b>226,566</b>	<b>17,507</b>	<b>48,817</b>	<b>88,051</b>	<b>557</b>	<b>381,498</b>
Changes to the scope of consolidation	- 11	—	—	—	—	- 11
Currency translation adjustments	351	—	—	- 105	—	246
Scheduled additions	29,085	402	—	7,061	—	36,548
Non-scheduled additions	—	—	—	3,530	—	3,530
Disposals	- 12,709	—	- 6,429	- 408	—	- 19,546
Transfers	—	- 3,666	—	—	—	- 3,666
Revaluations	- 710	—	—	—	—	- 710
<b>As of Dec. 31</b>	<b>242,572</b>	<b>14,243</b>	<b>42,388</b>	<b>98,129</b>	<b>557</b>	<b>397,889</b>
<b>Book value on Dec. 31</b>	<b>148,113</b>	<b>17,860</b>	<b>25,839</b>	<b>14,087</b>	<b>6,829</b>	<b>212,728</b>

### 34 | Property, plant and equipment

On the development of the fixed assets, please see the attached analysis of fixed assets. The scheduled depreciations indicated here and the non-scheduled depreciations of fixed assets are shown in the profit and loss account under amortisation of intangible assets and depreciation of property, plant and equipment. On the basis of impairment tests, non-scheduled depreciation on equipment with limited usability for technical reasons has been recognised in the amount of 169 thousand euros (previous year: 0 thousand euros).

The book value of property, plant and equipment used only temporarily is of lesser importance. The same applies for property, plant and equipment which is definitively no longer used. It is assumed that the fair value of property, plant and equipment does not significantly deviate from its book value. The Group does not have any pledged property, plant and equipment. Obligations for the purchase of property, plant and equipment (commitments) amount to 643 thousand euros (previous year: 7,255 thousand euros).

Borrowing costs capitalised in the period amount to 8 thousand euros (previous year: 19 thousand euros). The financing cost rate applied for determination of the capitalisable borrowing costs is 0.9 %.

#### Development of property, plant and equipment in 2018

	Land, leasehold rights and buildings, incl. buildings on third-party land	Technical equipment and machinery	Other equipment, furniture and fixtures	Advance payments and assets under construction	Total
<i>Figures in thousands of euros</i>					
<b>Acquisition and production costs</b>					
<b>As of Jan. 1</b>	76,817	225,944	81,322	6,602	390,685
Changes to the scope of consolidation	171	2,568	509	—	3,248
Currency translation adjustments	-185	-239	-253	-3	-680
Additions	6,236	22,919	7,873	6,338	43,366
Disposals	-368	-13,413	-6,675	—	-20,456
Transfers	2,868	3,409	437	-6,482	232
<b>As of Dec. 31</b>	<b>85,539</b>	<b>241,188</b>	<b>83,213</b>	<b>6,455</b>	<b>416,395</b>
<b>Depreciation</b>					
<b>As of Jan. 1</b>	26,472	153,898	62,202	—	242,572
Currency translation adjustments	-75	-205	-194	—	-474
Scheduled additions	2,429	20,248	8,303	—	30,980
Non-scheduled additions	0	61	108	—	169
Disposals	-26	-10,770	-6,301	—	-17,097
Transfers	3	—	—	—	3
<b>As of Dec. 31</b>	<b>28,803</b>	<b>163,232</b>	<b>64,118</b>	<b>—</b>	<b>256,153</b>
<b>Book value on Dec. 31</b>	<b>56,736</b>	<b>77,956</b>	<b>19,095</b>	<b>6,455</b>	<b>160,242</b>

#### Development of property, plant and equipment in 2017

	Land, leasehold rights and buildings, incl. buildings on third-party land	Technical equipment and machinery	Other equipment, furniture and fixtures	Advance payments and assets under construction	Total
<i>Figures in thousands of euros</i>					
<b>Acquisition and production costs</b>					
<b>As of Jan. 1</b>	52,726	212,141	75,591	10,656	351,114
Changes to the scope of consolidation	—	—	-11	—	-11
Currency translation adjustments	658	394	-295	6	763
Additions	19,232	18,673	8,454	5,812	52,171
Disposals	-249	-10,363	-2,728	-8	-13,348
Transfers	4,450	5,099	311	-9,864	-4
<b>As of Dec. 31</b>	<b>76,817</b>	<b>225,944</b>	<b>81,322</b>	<b>6,602</b>	<b>390,685</b>
<b>Depreciation</b>					
<b>As of Jan. 1</b>	24,620	145,465	56,481	—	226,566
Changes to the scope of consolidation	—	—	-11	—	-11
Currency translation adjustments	239	373	-261	—	351
Scheduled additions	1,816	18,642	8,627	—	29,085
Disposals	-203	-9,872	-2,634	—	-12,709
Revaluations	—	-710	—	—	-710
<b>As of Dec. 31</b>	<b>26,472</b>	<b>153,898</b>	<b>62,202</b>	<b>—</b>	<b>242,572</b>
<b>Book value on Dec. 31</b>	<b>50,345</b>	<b>72,046</b>	<b>19,120</b>	<b>6,602</b>	<b>148,113</b>



Intragroup deliveries and services (e.g. digital printing machines, CEWE PHOTOSTATIONS, etc.) are calculated on the basis of market prices and also on the basis of transfer prices determined according to the arm's length principle. Fixed assets resulting from intragroup deliveries are adjusted for interim results. For consolidation measures recognised in profit or loss, the income tax effects are considered and deferred taxes are recognised accordingly.

#### Reclassification from "Assets held for sale" to "Property, plant and equipment"

<i>Figures in thousands of euros</i>	Acquisition and production costs reclassifications	Book value Dec. 31, 2018
<b>Property, plant and equipment</b>		
Land, leasehold rights and buildings, incl. buildings on third-party land	188	188
	<b>188</b>	<b>188</b>

### 35 | Investment properties

Investment properties comprise commercial properties in Bad Schwartau, Berlin and the parts of the Dresden production plant site which are leased to third parties and are no longer used by the Group. In accordance with IAS 40, these buildings no longer used by the Group are measured at amortised cost. The underlying expected useful lives for scheduled straight-line depreciation are between 25 and 50 years. Additions in the financial year consist of subsequent acquisition costs in the amount of 231 thousand euros (previous year: 424 thousand euros) and the leased part of the Dresden production plant site in the amount of 89 thousand euros (previous year: 14,140 thousand euros). In the financial year, rent income amounted to 1,850 thousand euros (previous year: 1,458 thousand euros). Including depreciation, maintenance and incidental costs, expenses for the leased properties amounted to 1,663 thousand euros (previous year: 1,279 thousand euros).

The fair value of these investment properties is 19,785 thousand euros (previous year: 19,952 thousand euros). In principle, the fair value is calculated at Level 3 (of the fair value hierarchy levels according to IFRS 13). The fair value as of the balance sheet date has been calculated on the basis of an opinion prepared by external, independent real estate experts in 2017. The expert who provided this assessment has relevant professional qualifications and current experience in relation to the location and type of the assessed real estate. For calculation of the fair value as of the balance sheet date, the calculation provided in this opinion has been internally restated in line with the current circumstances. With regard to the reclassification, reference is made to chapter D 41.

#### Development of investment properties

<i>Figures in thousands of euros</i>	2017	2018
<b>Acquisition and production costs</b>		
<b>As of Jan. 1</b>	<b>22,423</b>	<b>32,103</b>
Additions	14,564	319
Transfers	- 4,884	- 78
<b>As of Dec. 31</b>	<b>32,103</b>	<b>32,344</b>
<b>Depreciation</b>		
<b>As of Jan. 1</b>	<b>17,507</b>	<b>14,243</b>
Scheduled additions	402	461
Transfers	- 3,666	- 3
<b>As of Dec. 31</b>	<b>14,243</b>	<b>14,701</b>
<b>Book value on Dec. 31</b>	<b>17,860</b>	<b>17,643</b>

### 36 | Goodwill

Goodwill results from the acquisition of businesses. The figures for each business unit have developed as follows:

#### Development of goodwill in 2018

<i>Figures in thousands of euros</i>	Photofinishing	Retail	Commercial Online Printing	Total
<b>Acquisition and production costs</b>				
<b>As of Jan. 1</b>	5,996	366	19,477	<b>25,839</b>
Changes to the scope of consolidation	31,198	—	2,680	33,879
<b>As of Dec. 31</b>	<b>37,194</b>	<b>366</b>	<b>22,157</b>	<b>59,718</b>

#### Development of goodwill in 2017

<i>Figures in thousands of euros</i>	Photofinishing	Retail	Commercial Online Printing	Total
<b>As of Jan. 1</b>	5,996	366	19,477	<b>25,839</b>
<b>As of Dec. 31</b>	<b>5,996</b>	<b>366</b>	<b>19,477</b>	<b>25,839</b>

For the CEWE Group, key items of goodwill have been assigned to the following business units as of the balance sheet date:

#### Business unit

<i>Figures in thousands of euros</i>	Goodwill
Commercial Online Printing SAXOPRINT	17,809
Commercial Online Printing LASERLINE	2,680
Commercial Online Printing viaprinto	1,668
Photofinishing Cheerz	31,198
Photofinishing Diginet	2,874
Photofinishing DeinDesign	2,515

Within the scope of the impairment test, the recoverable amount is determined by calculating the value in use. Cash flow forecasts are used for this purpose which are based on the approved business planning figures. Cash flows are extrapolated beyond a period of five years on the basis of the growth rates indicated below.

In the following, the long-term growth rate and discount rate is indicated for the value-in-use calculation for each cash-generating unit with significant goodwill. The recoverable amount in case of valuation adjustments is also indicated.

#### 2018

<i>Figures as %</i>	SAXOPRINT	LASERLINE	viaprinto	Cheerz	Diginet	DeinDesign
Long-term growth rate	1.0	1.0	1.0	0.75	0.75	0.75
Pre-tax interest rate	8.4	8.4	8.4	10.2	8.9	8.9

#### 2017

<i>Figures as %</i>	SAXOPRINT	viaprinto	Diginet	DeinDesign
Long-term growth rate	1.0	1.0	0.75	0.75
Pre-tax interest rate	11.4	11.4	8.9	8.0

The range of discount rates before taxes in the respective business units is as follows:

#### Business units 2018

	Goodwill <i>Figures in thousands of euros</i>	Range of discount rate <i>Figures as %</i>
Photofinishing	37,194	9.0 - 13.2
Retail	366	9.7 - 11.3
Commercial Online Printing	22,157	8.4
<b>Total</b>	<b>59,718</b>	<b>8.4 - 13.2</b>

#### Business units 2017

	Goodwill <i>Figures in thousands of euros</i>	Range of discount rate <i>Figures as %</i>
Photofinishing	5,996	7.2 - 11.0
Retail	366	8.1 - 9.6
Commercial Online Printing	19,477	11.4
<b>Total</b>	<b>25,839</b>	<b>7.2 - 11.4</b>

The estimates made are considered appropriate in relation to the expected useful life of specific assets, assumptions regarding the macroeconomic environment and developments in the industries in which CEWE is active and the estimated present values of future cash flows. Nonetheless, revised assumptions or changed circumstances may necessitate corrections which may lead to additional valuation adjustments or, in case of a reversal in the envisaged trends, reversals in value if this does not involve goodwill.

Within the scope of a sensitivity analysis for cash-generating units or groups of cash-generating units to which goodwill has been assigned, a 10% reduction in EBIT margins for the perpetual annuity and a one percentage point increase in the discount rate have been assumed. On this basis, no impairment requirement applies for the cash-generating units or for any group of cash-generating units.

### 37 | Intangible assets

Software and similar industrial property rights comprise purchased ERP software, various office products for workstations and newly and subsequently capitalised items for proprietary intangible assets, for internal use and to support the market in the areas of production, distribution and Commercial Online Printing. Within the scope of the Group's proprietary software, own work has been capitalised at a value of 695 thousand euros (previous year: 577 thousand euros).

On the basis of impairment tests, non-scheduled amortisation in the amount of 56 thousand euros has been recognised on intangible assets (previous year: 3,530 thousand euros).

For intangible assets, the Group had commitments in the amount of 367 thousand euros (previous year: 107 thousand euros).

CEWE currently has customer bases, customer lists and trademark rights in its three business units Photofinishing, Retail and Commercial Online Printing. The other customer bases, customer lists and trademark rights derive from previous purchases of smaller competitors. In CEWE's opinion, while these items are important for the development of the company's business they are not decisive in any single instance.

Non-capitalised research & development expenses for intangible assets amount to 14,937 thousand euros (previous year: 14,025 thousand euros). They mainly comprise personnel expenses and other operating expenses.

#### Development of intangible assets in 2018

<i>Figures in thousands of euros</i>	Purchased software	Proprietary intangible assets	Customer base, customer lists and trademark rights	Advance payments made	Total
<b>Acquisition and production costs</b>					
<b>As of Jan. 1</b>	<b>58,530</b>	<b>22,678</b>	<b>30,024</b>	<b>984</b>	<b>112,216</b>
Changes to the scope of consolidation	1,691	38	15,249	198	17,176
Currency translation adjustments	-81	—	-102	—	-183
Additions	3,676	695	134	1,368	5,873
Disposals	-475	-120	-1,482	-42	-2,119
Transfers	776	197	—	-940	33
<b>As of Dec. 31</b>	<b>64,117</b>	<b>23,488</b>	<b>43,823</b>	<b>1,568</b>	<b>132,996</b>
<b>Depreciation</b>					
<b>As of Jan. 1</b>	<b>49,463</b>	<b>21,002</b>	<b>27,664</b>	<b>—</b>	<b>98,129</b>
Currency translation adjustments	-75	—	-82	—	-157
Scheduled additions	4,743	581	3,226	—	8,550
Non-scheduled additions	—	56	—	—	56
Disposals	-469	-120	-1,482	—	-2,071
<b>As of Dec. 31</b>	<b>53,662</b>	<b>21,519</b>	<b>29,326</b>	<b>—</b>	<b>104,507</b>
<b>Book value on Dec. 31</b>	<b>10,455</b>	<b>1,969</b>	<b>14,497</b>	<b>1,568</b>	<b>28,489</b>

#### Development of intangible assets in 2017

<i>Figures in thousands of euros</i>	Purchased software	Proprietary intangible assets	Customer base, customer lists and trademark rights	Advance payments made	Total
<b>Acquisition and production costs</b>					
<b>As of Jan. 1</b>	<b>54,661</b>	<b>21,878</b>	<b>29,930</b>	<b>822</b>	<b>107,291</b>
Currency translation adjustments	-142	—	17	—	-125
Additions	3,646	577	77	1,172	5,472
Disposals	-243	-181	—	-2	-426
Transfers	608	404	—	-1,008	4
<b>As of Dec. 31</b>	<b>58,530</b>	<b>22,678</b>	<b>30,024</b>	<b>984</b>	<b>112,216</b>
<b>Depreciation</b>					
<b>As of Jan. 1</b>	<b>43,317</b>	<b>20,414</b>	<b>24,320</b>	<b>—</b>	<b>88,051</b>
Currency translation adjustments	-132	—	27	—	-105
Scheduled additions	4,742	754	1,565	—	7,061
Non-scheduled additions	1,778	—	1,752	—	3,530
Disposals	-242	-166	—	—	-408
<b>As of Dec. 31</b>	<b>49,463</b>	<b>21,002</b>	<b>27,664</b>	<b>—</b>	<b>98,129</b>
<b>Book value on Dec. 31</b>	<b>9,067</b>	<b>1,676</b>	<b>2,360</b>	<b>984</b>	<b>14,087</b>

**38 | Financial assets**

The Group's financial assets include interests in other equity investments in the amount of 6,568 thousand euros (previous year: 6,491 thousand euros). This includes the equity investments in the funds Capnamic United Venture Fund I GmbH & Co. KG and High-Tech Gründerfonds II GmbH & Co. KG. Other loans in the amount of 287 thousand euros (previous year: 338 thousand euros) mainly comprise the repurchase value of the company's reinsurance policy.

**Development of non-current financial assets in 2018**

<i>Figures in thousands of euros</i>	Non-current interests in affiliates	Non-current equity investments	Non-current other loans	Total
<b>Acquisition and production costs</b>				
As of Jan. 1	43	7,005	338	7,386
Changes to the scope of consolidation	—	1	—	1
Additions	—	1,570	-51	1,519
Disposals	—	-1,494	—	-1,494
As of Dec. 31	43	7,082	287	7,412
<b>Depreciation</b>				
As of Jan. 1	18	539	—	557
As of Dec. 31	18	539	—	557
Book value on Dec. 31	25	6,543	287	6,855

**Development of non-current financial assets in 2017**

<i>Figures in thousands of euros</i>	Non-current interests in affiliates	Non-current equity investments	Non-current other loans	Total
<b>Acquisition and production costs</b>				
As of Jan. 1	43	6,366	323	6,732
Additions	—	639	15	654
As of Dec. 31	43	7,005	338	7,386
<b>Depreciation</b>				
As of Jan. 1	18	539	—	557
As of Dec. 31	18	539	—	557
Book value on Dec. 31	25	6,466	338	6,829

**39 | Non-current receivables and assets**

Non-current financial assets comprise, in particular, deposits and collateral. Non-current other receivables and assets exclusively relate to prepaid expenses and accrued income.

**40 | Deferred tax assets****Deferred tax assets in 2018 - composition and development**

<i>Figures in thousands of euros</i>	From temporary differences	From tax loss carry-forwards	Total
<b>As of Jan. 1</b>	<b>6,449</b>	<b>1,393</b>	<b>7,842</b>
Amount added	520	4,515	5,035
Reversals	-205	-383	-588
<b>As of Dec. 31</b>	<b>6,764</b>	<b>5,525</b>	<b>12,289</b>

**Deferred tax assets in 2017 - composition and development**

<i>Figures in thousands of euros</i>	From temporary differences	From tax loss carry-forwards	Total
<b>As of Jan. 1</b>	<b>6,095</b>	<b>677</b>	<b>6,772</b>
Amount added	955	716	1,671
Reversals	-601	0	-601
<b>As of Dec. 31</b>	<b>6,449</b>	<b>1,393</b>	<b>7,842</b>

Capitalised tax assets mainly comprise valuation differences for pensions and other accruals as well as effects on earnings resulting from consolidation. Deferred taxes resulting from existing tax loss carry-forwards are only capitalised where the earnings expectations of the respective Group company enable the use of a loss with a sufficient degree of probability and within a sufficiently close period of time. In the year under review, deferred taxes in the amount of 5,489 thousand euros (previous year: 916 thousand euros) were capitalised on loss carry-forwards. Please see the comments on income taxes for further details (see item C 32).

**41 | Non-current assets held for sale**

The Nuremberg property held for sale was sold in the past financial year. Ownership of this property was transferred on August 1, 2018. The disposal gain amounts to 1.2 million euros and has been reported under other operating income.

**42 | Inventories****Inventories**

<i>Figures in thousands of euros</i>	Dec. 31, 2017	Dec. 31, 2018
Raw materials and supplies	21,058	22,489
Unfinished goods, work in progress	924	1,024
Finished goods and merchandise	28,325	25,505
Advance payments made	7	9
<b>Total</b>	<b>50,314</b>	<b>49,027</b>

The valuation adjustment (revaluation) on inventories amounts to -8 thousand euros (previous year: 40 thousand euros).

Depreciation of finished and unfinished goods and merchandise is included in the cost of materials item of the profit and loss account. In the past financial year, inventories of CEWE Norge AS, Opegård, Norway, with a book value of 271 thousand euros (previous year: 274 thousand euros) were pledged as collateral for rent deposits.

### 43 | Current trade receivables

#### Current trade receivables

<i>Figures in thousands of euros</i>	Dec. 31, 2017	Dec. 31, 2018
Trade receivables not impaired	83,900	89,448
thereof amount covered by insurance	37,568	43,565
Gross amount of impaired receivables	4,107	6,611
Valuation adjustments	3,460	3,176
<b>Total</b>	<b>84,547</b>	<b>92,883</b>

Directly trade-related receivables are all current in nature and are due from external third parties. Trade receivables underwent the following valuation adjustments in the course of the year:

#### Valuation adjustment on trade receivables

<i>Figures in thousands of euros</i>	Dec. 31, 2017	Dec. 31, 2018
<b>As of Jan. 1</b>	<b>2,265</b>	<b>3,460</b>
Currency translation adjustments	13	2
Amount added	2,288	1,912
Reversals	-237	-932
Use	-869	-1,266
<b>As of Dec. 31</b>	<b>3,460</b>	<b>3,176</b>

Additions to valuation adjustments are shown in the profit and loss account under the other operating expenses item, while reversals are shown within the scope of other operating income. Direct losses on trade receivables are also shown in the other operating expenses item; in the past financial year, they amounted to 713 thousand euros (previous year: 1,598 thousand euros).

CEWE applies the simplified approach according to IFRS 9 in order to measure the expected credit losses; accordingly, the credit losses envisaged over the course of the period are taken into consideration for all trade receivables. In order to measure the expected credit losses, trade receivables are aggregated on the basis of common credit risk characteristics and the number of days overdue. The expected loss rates are based on the payment profiles for turnover over a period of 36 months prior to December 31, 2018 and the related historical losses in this period. The historical loss rates are restated in order to reflect current and prospective information which affects customers' capacity to settle claims. In the past financial year, customer receivables of CEWE Norge AS, Oppegård, Norway, with a book value of 101 thousand euros (previous year: 102 thousand euros) were pledged. They will be finally written off once the write-off rules under IFRS 9 are fulfilled.

### 44 | Current receivables from income tax refunds

This mainly comprises refund claims for tax prepayments made in the current year for the year under review.

### 45 | Current financial assets

Current financial assets include the following items:

#### Current financial assets

<i>Figures in thousands of euros</i>	Dec. 31, 2017	Dec. 31, 2018
Creditors with debit accounts	488	925
Loans to customers	1	1
Receivables from employees	90	157
Other current financial receivables and assets	1,813	2,280
<b>Total</b>	<b>2,392</b>	<b>3,363</b>

**46 | Other current receivables and assets**

Other current receivables and assets comprise the following items:

**Kurzfristige übrige Forderungen und Vermögenswerte**

<i>Figures in thousands of euros</i>	Dec. 31, 2017	Dec. 31, 2018
Current prepaid expenses	3,015	3,999
Tax refund claims (not IAS 12)	2,614	5,450
Current receivables from insurance firms	2	8
<b>Total</b>	<b>5,631</b>	<b>9,457</b>

**47 | Cash and cash equivalents**

This item comprises bank balances – all of which are due in the short term – and cash on hand. Euro balances held by various credit institutes attracted interest at a rate of 0.0 % (previous year: 0.0 %). Foreign-currency balances (2018: 9,737 thousand euros, previous year: 12,106 thousand euros) attracted interest at the specifically agreed rates; they have been measured at the exchange rate as of the balance sheet date.

**48 | Subscribed capital**

The CEWE Group's subscribed capital and capital reserve relate to CEWE Stiftung & Co. KGaA, Oldenburg, and are recognised as if held by this company.

The company's share capital continues to amount to 19,240,052.00 euros and has been divided up into 7,400,020 bearer shares.

Each bearer share of CEWE Stiftung & Co. KGaA confers one vote. The total number of voting rights is 7,400,020.

The company's shares outstanding developed as follows:

**Im Umlauf befindliche Anteile**

<i>in units</i>	Development in the financial year 2017	Development in the financial year 2018
<b>As of Jan. 1</b>	<b>7,143,432</b>	<b>7,159,980</b>
Sales of treasury shares	16,548	23,344
<b>As of Dec. 31</b>	<b>7,159,980</b>	<b>7,183,324</b>

**49 | Authorised capital**

With the consent of the Supervisory Board, in the period to May 30, 2022 the general partner is authorised to increase the company's share capital one or more times by issuing new no-par value bearer shares in return for cash and/or non-cash contributions, by a total amount not exceeding 3,848 thousand euros (authorised capital 2017). In principle, the shareholders must be granted a subscription right. The new shares may be purchased by one or more credit institutions, subject to an obligation to offer them to their shareholders for purchase. With the consent of the Supervisory Board, the general partner will decide on the rights embodied in the share certificates and the terms for issuance of shares. This includes an authorisation to issue ordinary shares and/or non-voting preferred shares, the details of which will be determined by the general partner with the consent of the Supervisory Board, particularly the amount of the advance dividend in case of preferred shares. Even if the capital increase is implemented in several steps, preferred shares may be issued in a later step which have priority over, or else equal status with, those issued during a previous step. The Supervisory Board is entitled to adjust the wording of the company's articles of association in accordance with the volume of the capital increase through authorised capital or upon expiry of the authorisation period.



## 50 | Stock option plans

### Stock option plans since 2014

Since 2014, the Board of Management has continued to launch a new stock option plan every year (SOP 2014, SOP 2015, SOP 2016, SOP 2017). These plans are based on the resolution passed by the general meeting on June 4, 2014 and have complied with the terms indicated in this resolution. The company's Supervisory Board has passed resolutions granting the necessary consent.

All of these plans have the same structure. Each of these stock option plans has a term of five years. Upon expiry of a four-term waiting period (lockup period), the options may be exercised in the fifth year of the term. Their exercise is contingent upon achievement of the performance target, i. e. if the closing auction prices of the CEWE share in Deutsche Börse AG's Xetra trading system have at least reached (if not exceeded) the underlying price plus the applicable performance premium on ten consecutive stock exchange trading days.

The options are only exercisable and shares resulting from the option deal are only subsequently saleable within six four-week exercise periods. These exercise periods will begin as of publication of the earnings for the past financial year, as of the balance sheet press conference, as of the annual general meeting and as of the date of publication of the quarterly figures. The CEWE Group's Compliance Officer monitors compliance with these time limits.

These options were offered to a defined group of top-level managers and experts within CEWE Stiftung & Co. KGaA as well as other Group companies in Germany and other countries, at a premium of 0.50 euros per option. The number of options offered is limited. A maximum of 1,200 options are available for a member of the Board of Management, while for other executives and experts a lower number of options are available, depending on their management level and their proximity to the company's success.

The terms of the current stock option plans are as follows:

### Structure of stock option plans

		Number of participants	Number of rights issued	Start of waiting period	End of waiting period	End of exercise period	Underlying price in euros / option	Performance premium	Performance target in euros / option
SOP 2017	Board of Management *	7	8,400	January 1, 2018	December 31, 2021	December 31, 2022	74.00	125 %	92.50
	Other executives	178	83,600						
	<b>Total</b>	<b>185</b>	<b>92,000</b>						
SOP 2016	Board of Management *	8	9,600	January 1, 2017	December 31, 2020	December 31, 2021	74.00	125 %	92.50
	Other executives	208	97,100						
	<b>Total</b>	<b>216</b>	<b>106,700</b>						
SOP 2015	Board of Management *	9	10,800	January 1, 2016	December 31, 2019	December 31, 2020	52.00	120 %	62.40
	Other executives	188	92,920						
	<b>Total</b>	<b>197</b>	<b>103,720</b>						
SOP 2014	Board of Management *	9	10,800	January 1, 2015	December 31, 2018	December 31, 2019	53.00	120 %	63.60
	Other executives	220	102,150						
	<b>Total</b>	<b>229</b>	<b>112,950</b>						

\* Board of Management of Neumüller CEWE COLOR Stiftung

The stock option plans must be assessed in accordance with IFRS 2.10 ff. The fair value must be accrued during the waiting period (lockup period) pro rata temporis as other personnel expenses and reserves must be entered for this in equity.

The values for the current plans are as follows:

#### Stock option plans - fair value and accrued expenses

		Fair value in euros/option	Options awarded	Fair value in euros	Income premium (0.50 euros/option)	Accrued personnel expenses 2016	Accrued personnel expenses 2017	Accrued personnel expenses 2018	Accrued personnel expenses 2019
SOP 2017	Board of Management	20.20	8,400	169,680	4,200				
	Other executives	20.17	83,600	1,686,212	41,800				
	<b>Total</b>		<b>92,000</b>	<b>1,855,892</b>	<b>46,000</b>	<b>0</b>	<b>0</b>	<b>463,968</b>	<b>463,968</b>
SOP 2016	Board of Management	18.06	9,600	173,376	4,800				
	Other executives	18.03	97,100	1,750,713	48,550				
	<b>Total</b>		<b>106,700</b>	<b>1,924,089</b>	<b>53,350</b>	<b>0</b>	<b>481,020</b>	<b>481,020</b>	<b>481,020</b>
SOP 2015	Board of Management	9.16	10,800	98,928	5,400				
	Other executives	9.14	92,920	849,289	46,460				
	<b>Total</b>		<b>103,720</b>	<b>948,217</b>	<b>51,860</b>	<b>237,060</b>	<b>237,060</b>	<b>237,060</b>	<b>237,060</b>
SOP 2014	Board of Management	7.10	10,800	76,680	5,400				
	Other executives	7.09	102,150	724,244	51,075				
	<b>Total</b>		<b>112,950</b>	<b>800,924</b>	<b>56,475</b>	<b>199,656</b>	<b>199,656</b>	<b>201,956</b>	<b>0</b>
<b>Total</b>				<b>207,685</b>	<b>436,716</b>	<b>917,736</b>	<b>1,384,004</b>	<b>1,182,048</b>	

Supervisory Board members or members of other executive bodies of CEWE Stiftung & Co. KGaA tasked with the company's supervision were awarded stock options as of the issue dates as follows:

#### Stock option plans

	Number of stock options in units
2017	600
2016	600
2015	600
2014	1,350

The number of stock options issued within the scope of the current plans is as follows:

#### Stock option plans

Figures in thousands of euros	2014	2015	2016	2017	2018
Outstanding as of January 1	200,000	132,750	214,570	319,020	408,320
Expired over the course of the year	7,500	2,100	2,250	2,700	21,670
Exercised over the course of the year	172,700	19,800	0	0	0
Confirmed over the course of the year	112,950	103,720	106,700	92,000	0
<b>Outstanding as of December 31</b>	<b>132,750</b>	<b>214,570</b>	<b>319,020</b>	<b>408,320</b>	<b>386,650</b>

## 51 | Capital reserve

This shows the premium which resulted from the issuance of the 600,002 bearer shares (following the 1:10 share split implemented in 1999 for 6,000,020 bearer shares) in excess of the nominal value of the shares (29,175 thousand euros), the amount allocated from the capital reduction (1,560 thousand euros), the allocation within the scope of the conversion of the atypical silent partner shares (27,868 thousand euros) which were reduced by 2,375 thousand euros through the final statement for this conversion during the financial year 2007, the premium which resulted from the exercise of the share purchase right of CEWE Stiftung & Co. KGaA (415 thousand euros) and the profit from the sale of treasury shares (12,689 thousand euros). Please see the consolidated statement of changes in equity for further details.

The capital reserve includes the fair value of the stock options issued for the stock plans which have been added to the capital reserve pro rata between the issue date and the maturity of the stock option plans, plus the withheld premiums. It also includes the effects of the issuance of staff shares.

## 52 | Treasury shares at acquisition cost

### Treasury shares

	Total	Buyback	Sale/ issue	Total	Sale/ issue	Total	Sale/ issue	Total
Buyback period	Effective date Dec. 31, 2015	Jan. 1, 2015 to Dec. 31, 2016	Effective date Dec. 31, 2016	May 18, 2016 to Jul. 8, 2017	Jan. 1, 2016 to Dec. 31, 2017	Effective date Dec. 31, 2017	Jan. 1, 2017 to Dec. 31, 2018	Effective date Dec. 31, 2018
Number of treasury shares held	243,998	21,500	-8,910	256,588	-16,548	240,040	-23,344	216,696
Interest in share capital on reporting date (in thousands of euros)	635	58	-19	673	-49	624	-61	564
Interest in share capital on reporting date (as %)	3.30%	0.30%	-0.10%	3.50%	-0.26%	3.2%	-0.32%	2.93%
Average purchase price per share (in euros)	30.55	61.40	32.77	33.06	32.75	33.08	32.73	33.11
Total value of shares bought back (in thousands of euros)	7,454	1,320	-292	8,482	-542	7,940	-764	7,176

Treasury shares are shown in a separate line within equity as a “contra equity position”. They are measured at their original acquisition costs and incidental acquisition costs and thus reduce the company’s equity (cost method).

On the basis of the authorisation resolution passed by the general meeting on May 28, 2008, CEWE KGaA launched a share buyback programme on June 16, 2008.

The authorisation to purchase treasury shares was renewed by the resolution passed by the general meeting on May 31, 2017 and is now valid until May 30, 2022. The authorisation to purchase treasury shares which was resolved by the general meeting on June 4, 2014 expired once this new authorisation became effective.

In the financial year 2011, within the scope of the company’s employee shares programme a total of 10,890 no-par value shares were sold to employees and a further 248,787 no-par value shares were bought back in the period to October 28, 2011, pursuant to the general meeting’s authorisation resolution of June 2, 2010. This means that the company gained a total of 237,897 new treasury shares in 2011.

In the financial year 2012, a total of 15,489 no-par value shares were sold to employees as part of the company’s employee shares programme. The necessary shares were provided out of the portfolio of CEWE KGaA.

In the financial year 2013, a total of 16,796 no-par value shares were sold to employees as part of the company’s employee shares programme. The necessary shares were provided out of the portfolio of CEWE KGaA.

In the financial year 2014, a total of 10,654 no-par value shares were sold to employees as part of the company’s employee programme. The necessary shares were provided out of the portfolio of CEWE KGaA. A total of 26,065 treasury shares were required in 2014 to exercise the Stock Option Plan.

In the financial year 2015, a total of 11,087 no-par value shares were sold to employees as part of the company’s employee programme. The necessary shares were provided out of the portfolio of CEWE KGaA. A total of 3,800 treasury shares were required in 2014 for the exercise of the Stock Option Plan.

Moreover, in 2016 the Board of Management resolved to offer the employees of the German subsidiaries of CEWE KGaA shares in the company at a reduced price, as staff shares. A total of 8,410 shares were required for this purpose. The necessary shares were provided out of the portfolio of CEWE KGaA. A total of 21,500 treasury shares were repurchased in 2016 within the scope of the share buyback programme.

In the financial year 2017, a total of 16,548 no-par value shares were sold to employees as part of the company's employee shares programme. The necessary shares were provided out of the portfolio of CEWE KGaA.

In the financial year 2018, 5,586 no-par value shares were used for the acquisition of Cheerz (see section A 3) and a total of 17,758 no-par value shares were sold to employees as part of the company's employee shares programme. The necessary shares were provided out of the portfolio of CEWE KGaA.

CEWE KGaA's key portfolio of treasury shares under German company law as of December 31, 2018 amounted to 103,944 shares (previous year: 127,288 shares). The 112,752 shares held by CEWE COLOR Versorgungskasse e. V., Wiesbaden, are not considered treasury shares under German company law. In accordance with IAS 19, they must be included in the consolidated financial statements. The deduction for treasury shares under IAS 32 thus comprises 216,696 no-par value shares – at a total value of 7,176 thousand euros (previous year: 7,940 thousand euros).

CEWE's treasury shares developed as follows:

#### Development of treasury shares

in units	CEWE Stiftung & Co. KGaA		CEWE COLOR Versorgungskasse e. V.		CEWE Group	
	2017	2018	2017	2018	2017	2018
<b>As of Jan. 1</b>	<b>143,836</b>	<b>127,288</b>	<b>112,752</b>	<b>112,752</b>	<b>256,588</b>	<b>240,040</b>
Sales of treasury shares	- 16,548	- 23,344	–	–	- 16,548	- 23,344
<b>As of Dec. 31</b>	<b>127,288</b>	<b>103,944</b>	<b>112,752</b>	<b>112,752</b>	<b>240,040</b>	<b>216,696</b>

#### 53 | Retained earnings and unappropriated profits

Unappropriated profits correspond to the item "Generated Group equity" and comprise the respective earnings after taxes net of the dividend paid for 2017. The unappropriated profits of CEWE KGaA under commercial law are key for determination of the distribution. As of December 31, 2018, following the allocation to the retained earnings under § 58 (2) of the German Stock Corporation Act the unappropriated profits of CEWE KGaA amount to 36,054 thousand euros (previous year: 29,494 thousand euros). Payout freezes apply for the company's treasury shares (2018: 103,944 no-par value shares; previous year: 127,288 no-par value shares). In 2018, dividends were paid for a total amount of 13,289 thousand euros (previous year: 12,890 thousand euros). This corresponds to a distribution of 1.85 euros (previous year: 1.80 euros) per no-par value share conferring a dividend entitlement.

For the components of other retained earnings, please see the consolidated statement of changes in equity. The compensating item from currency translation relates to all of the foreign-currency differences resulting from translation of the financial statements of the Group's foreign enterprises. In the past financial year and in the previous year, income taxes not affecting net income exclusively related to the currency differences recognised without affecting net income that resulted from non-current loans between Group companies – which are included in the compensating item from currency translation – and also deferred taxes in relation to the actuarial result.

## 54 | Non-current accruals for pensions

### Non-current pension accruals

<i>Figures in thousands of euros</i>	Development in the financial year 2017	Development in the financial year 2018
<b>As of Jan. 1</b>	<b>25,464</b>	<b>27,163</b>
Currency translation adjustments	1	0
Use	-760	-1,028
Amount added	2,468	3,033
Reversals	-10	-18
<b>As of Dec. 31</b>	<b>27,163</b>	<b>29,150</b>

CEWE has various types of company pension scheme commitments to its current and former employees and to their surviving dependants in Germany and France. The company's pension scheme is based on a defined-benefit system and also, to a marginal extent, on a defined-contribution system. Employees are also able to participate in schemes for the conversion of salary entitlements into pension entitlements. Accruals are measured on the basis of the projected unit credit method.

In the case of the defined-benefit scheme, the company or an external pension provider grants the beneficiaries a defined-benefit commitment; unlike in the case of defined contributions, the expenses incurred by the company are not determined in advance. In Germany, the company's commitments to the Board of Management are structured as final salary plans; in addition, several executives have been granted fixed-benefit commitments. In France, capital commitments in accordance with the employee's period of service are granted which are covered by reinsurance policies. Expenses for these commitments are apportioned across the service period of the employees, on the basis of actuarial calculations, and must be broken down into the current service cost and interest expense (the balance of interest on the obligation and income from the cover funds) in accordance with IAS 19 rev. 2011. On the respective balance sheet date (December 31 of each year), the interest rate is determined on the basis of current capital market data as well as assumptions regarding long-term trends, in accordance with the principle of

the best possible estimate. CEWE has several defined-benefit plans. As a rule, it has provided aggregated details for these plans, since there are no significant deviations in terms of their respective risk exposure. Through its plans in Germany and France, the Group is generally exposed to the following actuarial risks: investment risk, interest rate risk, longevity risk and salary risk.

**Investment risk:** the present value of the defined-benefit obligation under the plan is calculated by means of a discount rate which is determined on the basis of the yields provided by high-quality, fixed-interest corporate bonds. If the income from the plan assets is less than this interest rate, this will result in shortage of cover for the plan.

**Interest rate risk:** a decrease in the discount rate will result in an increase in the Group's liability under the plan.

**Longevity risk:** the present value of the defined-benefit obligation under the plan is determined on the basis of the best possible estimate of the probability of death of the beneficiary employees, both during the employment relationship and thereafter. An increase in the life expectancy of beneficiary employees will result in an increase in the liability under the plan.

**Salary risk:** the present value of the defined-benefit obligation under the plan is determined on the basis of the future salaries of beneficiary employees. An increase in the salaries of beneficiary employees will thus result in an increase in the liability under the plan.

No other benefits for these employees are envisaged upon termination of their employment relationships.

In Germany, the company does not have any plan assets within the meaning of IAS 19 rev. 2011 to cover these benefits. In France, the realisable pension benefit is partly covered through reinsurance policies (the risks in terms of assets and liabilities are thus directly linked).

On the other hand, in case of defined contributions firmly defined contributions (e. g. in relation to the applicable level of income) are confirmed and paid. The employer does not have any other constructive obligation beyond payment of the contributions. In case of defined contributions, it is not necessary to establish accruals in the balance sheet. Only the contribution payable by the company is shown in the profit and loss account as expense.

The key parameters for defined-benefit pensions are presented below.

#### Development of obligations

<i>Figures in thousands of euros</i>	2017	2018
Present value of vested pension entitlements at start of financial year	25,686	27,311
Current service cost	1,530	1,684
Interest expense	423	477
Actuarial losses (+)	510	857
Payment of benefits	-838	-1,045
<b>Present value of vested pension entitlements at end of financial year</b>	<b>27,311</b>	<b>29,284</b>
of which directly confirmed (excl. plan assets)	25,703	27,707
of which funded with plan assets	1,608	1,576

In summary, these assets developed as follows:

#### Development of plan assets

<i>Figures in thousands of euros</i>	2017	2018
Fair value of plan assets at start of financial year	222	148
Expected income from plan assets	2	2
Actuarial profits (+)	3	2
Payment of benefits	-79	-18
<b>Fair value of plan assets at end of financial year</b>	<b>148</b>	<b>134</b>

Overall, the Group's financing status is as follows:

#### Financing status

<i>Figures in thousands of euros</i>	2017	2018
Present value of vested pension entitlements at end of financial year	27,311	29,284
Fair value of plan assets at end of financial year	-148	-134
<b>Balance sheet value at end of financial year</b>	<b>27,163</b>	<b>29,150</b>
Restatement of present value of vested pension entitlements (DBO) on basis of past experience	918	113
Restatement of fair value of plan assets on basis of past experience	-3	-2

The total expenses recognised in the profit and loss account for defined-benefit pension plans (expenses less income) are as follows:

#### Net pension expense

<i>Figures in thousands of euros</i>	2017	2018
Current service cost	1,530	1,684
Interest expense	423	477
Expected income from plan assets	-2	-2
<b>Total</b>	<b>1,951</b>	<b>2,159</b>

In the financial year 2018, actuarial losses in the amount of 857 thousand euros resulted (previous year: actuarial losses in the amount of 510 thousand euros), which have been apportioned to other comprehensive income. The actuarial losses in 2018 are largely (with a share of 814 thousand euros) attributable to the "Heubeck 2018G" mortality tables newly introduced in Germany. The assumptions for actuarial measurement of the present value of the vested pension entitlements and the net pension expenses reflect circumstances in the country in which the pension plan has been established.

The calculations are based on current, actuarially determined biometric probabilities. Assumptions regarding future fluctuations on the basis of age and years of service are also included, as are probabilities within the Group of employees reaching retirement and salary and pension trends.

The following weighted measurement assumptions have resulted in relation to the present value of the vested pension entitlements:

#### Weighted assumptions for calculation of the present value of vested pension entitlements

<i>Figures as %</i>	Dec. 31, 2017	Dec. 31, 2018
Interest rate	1.80	1.80
Salary trend/ development of vested rights	2.50	2.50
Pension trend	2.00	2.00
Fluctuation	1.50	1.50

The valid probabilities within the respective countries have been assumed as the level of biometric probability. The date of the earliest possible receipt of benefits has been assumed as the date of retirement.

The plan assets for the Group's French obligations consist of reinsurance contracts. The Group's investment strategy and the probable level of income thus reflect the stipulations in these contracts as well as statutory provisions. In 2019, contributions to the French plan are expected to amount to 0 thousand euros. The actual income from the plan assets totalled 4 thousand euros (previous year: 5 thousand euros).

**Present value of obligations and fair value of plan assets**

<i>Figures in thousands of euros</i>	2015	2016	2017	2018
Present value of obligations	23,198	25,686	27,311	29,284
Fair value of plan assets*	258	222	148	134
<b>Shortfall</b>	<b>22,940</b>	<b>25,464</b>	<b>27,163</b>	<b>29,150</b>

\* Excl. the financial instruments of CEWE COLOR Versorgungskasse e. V., Wiesbaden

**Restatements made on basis of past experience**

<i>Figures in thousands of euros</i>	2015	2016	2017	2018
Plan liabilities	116	-458	918	113
Plan assets	-3	-3	-3	-2

**Sensitivity analysis**

Assuming that the other assumptions remain constant, changes in one of the key actuarial assumptions of which there was a reasonable possibility as of the reporting date would have influenced the defined-benefit obligation in terms of the following amounts.

The following tables provide information on the levels of sensitivity regarding the key measurement parameters (effects on the scope of the commitment) and the expected pension benefits over the next ten financial years.

**Sensitivity analysis**

<i>Figures as %</i>	Changes	Increase	Decrease
Discount rate	1.0	-14.1	18.2
Future salary increases	0.5	1.8	-1.8
Future pension increases	0.5	5.7	-5.2

Over the next ten financial years, the following payments of pension benefits are expected:

**Payment of pension benefits**

<i>Figures in thousands of euros</i>	Amount
2019	1,177
2020	1,148
2021	1,113
2022	1,252
2023	1,145
2024-2028	5,849

In the financial year 2018, the company incurred expenses for defined contributions in the amount of 3,460 thousand euros (previous year: 3,265 thousand euros). Contributions were paid to statutory or government defined-contribution plans in the amount of 11,787 thousand euros (previous year: 10,107 thousand euros). CEWE does not have any legal or constructive obligation for payment of these future benefits.

A similar volume of expenses is expected in 2019.



**55 | Non-current deferred tax liabilities****Non-current deferred tax liabilities**

<i>Figures in thousands of euros</i>	Development in the financial year 2017	Development in the financial year 2018
<b>As of Jan. 1</b>	<b>2,918</b>	<b>1,540</b>
Use	- 471	- 906
Amount added	178	2,332
Reversals	- 1,085	- 21
<b>As of Dec. 31</b>	<b>1,540</b>	<b>2,945</b>

The changes in deferred taxes mainly relate to the change in temporary differences. Deferred taxes have largely been deferred for periods of between one and five years.

**56 | Non-current interest-bearing financial liabilities**

The credit facilities negotiated in the financial year 2018 were agreed with a total of ten private banks and publicly owned banks. The loans taken up have a term of between one and seven years (previous year: between one and four years). At the end of the year, the total credit line of the CEWE Group amounted to 180 million euros (previous year: 94.6 million euros). After deducting the total loan volume drawn down (3.8 million euros, previous year: 1.6 million euros) and allowing for the company's existing liquidity (28.1 million euros, previous year: 38.8 million euros), its liquidity potential totalled 204.3 million euros (previous year: 131.8 million euros). As well as drawn-down fixed-rate loans (3.8 million euros, previous year: 1.6 million euros), the company has long-term revolving credit lines which have been granted for up to seven years as well as continuously renewed one-year lines whose overall purpose is financing of the company's liquidity requirements, which fluctuate strongly over the course of a given year due to seasonal factors. In principle, no restrictions apply in relation to the use of credit lines. This ensures that CEWE will be able to fulfil its payment obligations.

All long-term credit commitments are subject to normal bank agreements. No financial covenants have been agreed. No significant collateral was provided. The interest terms for current account loans are based on EONIA as the base interest rate plus a normal margin in Germany; the interest terms for almost all of the other financing arrangements are based on the one- to three-month EURIBOR as the base interest rate plus a normal margin in Germany. For further details, please see the comments on current interest-bearing financial liabilities (item D 61) and the comments in the combined management report (page 94).

**57 | Non-current financial liabilities**

Non-current financial liabilities comprise liabilities to affiliates' residual old shareholders.

**58 | Non-current financial liabilities**

Non-current other liabilities mainly comprise accruals and deferrals resulting from investments.

**59 | Current tax liabilities**

This position includes provision for income tax obligations. This item developed as follows:

**Current tax liabilities in 2018**

<i>Figures in thousands of euros</i>	<b>Income taxes</b>
<b>As of Jan. 1</b>	<b>5,944</b>
Currency translation adjustments	5
Use	-1,135
Amount added	3,440
Reversals	-33
<b>As of Dec. 31</b>	<b>8,221</b>

**Current tax liabilities in 2017**

<i>Figures in thousands of euros</i>	<b>Income taxes</b>
<b>As of Jan. 1</b>	<b>11,254</b>
Currency translation adjustments	-44
Use	-9,276
Amount added	4,063
Reversals	-53
<b>As of Dec. 31</b>	<b>5,944</b>

**60 | Current other accruals**

Provision for additional other liabilities relates to current legal disputes and other obligations.

**Current other accruals in 2018**

<i>Figures in thousands of euros</i>	Supervisory Board remuneration	Auditing of annual financial statements incl. internal expenses for annual financial statements	Guarantee and ex gratia payments	Archiving costs	Demography agreement	Expenses for members of the Board of Trustees	Provisions for contingent losses	Tax returns	Legal expenses	Additional other liabilities	Total
<b>Balance as of Jan. 1, after restatements</b>	<b>543</b>	<b>511</b>	<b>370</b>	<b>314</b>	<b>76</b>	<b>302</b>	<b>15</b>	<b>80</b>	<b>22</b>	<b>1,297</b>	<b>3,530</b>
Changes to the scope of consolidation	–	–	–	–	–	–	–	–	–	55	55
Currency translation adjustments	–	3	–	–	–	–	–	–	–	–2	1
Use	-512	-378	-67	–	-35	-287	-5	-20	-5	-678	-1,987
Amount added	584	497	36	–	361	322	–	23	4	858	2,685
Reversals	-32	-83	-300	-102	-41	-15	-10	–	-10	-218	-811
<b>As of Dec. 31</b>	<b>583</b>	<b>550</b>	<b>39</b>	<b>212</b>	<b>361</b>	<b>322</b>	<b>–</b>	<b>83</b>	<b>11</b>	<b>1,312</b>	<b>3,473</b>

**Current other accruals in 2017**

<i>Figures in thousands of euros</i>	Supervisory Board remuneration	Auditing of annual financial statements incl. internal expenses for annual financial statements	Guarantee and ex gratia payments	Archiving costs	Demography agreement	Expenses for members of the Board of Trustees	Provisions for contingent losses	Tax returns	Legal expenses	Additional other liabilities	Total
<b>Balance as of Jan. 1, after restatements</b>	<b>530</b>	<b>429</b>	<b>741</b>	<b>339</b>	<b>74</b>	<b>302</b>	<b>191</b>	<b>77</b>	<b>8</b>	<b>793</b>	<b>3,484</b>
Currency translation adjustments	–	-5	–	–	–	–	–	–	–	-1	-6
Use	-467	-397	–	–	-28	-266	–	-31	-1	-534	-1,724
Amount added	543	504	370	3	76	302	–	35	16	1,182	3,031
Reversals	-63	-20	-741	-28	-46	-36	-176	-1	-1	-143	-1,255
<b>As of Dec. 31</b>	<b>543</b>	<b>511</b>	<b>370</b>	<b>314</b>	<b>76</b>	<b>302</b>	<b>15</b>	<b>80</b>	<b>22</b>	<b>1,297</b>	<b>3,530</b>

**61 | Current interest-bearing financial liabilities****Current interest-bearing financial liabilities**

<i>Figures in thousands of euros</i>	Dec. 31, 2017	Dec. 31, 2018
Loans from banks	1,550	0
Bank current accounts	31	2,665
<b>Total</b>	<b>1,581</b>	<b>2,665</b>

**Reconciliation acc. to IAS 7**

<i>Figures in thousands of euros</i>	2018			
	As of Jan. 1	Cash flow	Non-cash As of acquisition	As of Dec. 31
Non-current liabilities	0	62	1,086	1,148
Current liabilities	2,927	256	9,640	12,823
Total liabilities from financing activities	2,927	318	10,726	13,971

**Reconciliation acc. to IAS 7**

<i>Figures in thousands of euros</i>	2017			
	As of Jan. 1	Cash flow	Non-cash Change to fair value	As of Dec. 31
Outstanding as of January 1	1,667	921	339	2,927
Exercisable as of December 31	1,667	921	339	2,927

**62 | Current trade payables**

Trade payables amount to 112,664 thousand euros (previous year: 95,850 thousand euros).

**63 | Current financial liabilities**

Current financial liabilities include, in particular, the key date valuation of put options.

**Current financial liabilities**

<i>Figures in thousands of euros</i>	Dec. 31, 2017	Dec. 31, 2018
Put option	1,000	9,812
Earn-out component	342	342
Liabilities from accrued interest expenses	4	4
<b>Total</b>	<b>1,346</b>	<b>10,158</b>

**64 | Current other liabilities****Current other liabilities**

<i>Figures in thousands of euros</i>	Dec. 31, 2017	Dec. 31, 2018
Liabilities for wages and salaries	16,474	16,966
Tax liabilities	22,197	23,009
Social security liabilities	2,328	3,140
Deferred liabilities	125	415
Other liabilities	2,328	1,901
<b>Total</b>	<b>43,452</b>	<b>45,431</b>

**65 | Financial risk management**

The Group is exposed to financial risks within the scope of its operating activities. In particular, these risks comprise liquidity, currency, interest rate and credit risks. The Group's management manages and limits these risks. They are monitored by means of the Group-wide risk management system.

Liquidity risk is the risk of the Group being unable to fulfil its financial obligations. This risk is dealt with by means of liquidity planning and cash management, through continuous monitoring and management of cash inflows and outflows. The main sources of liquidity are operating business and external financing. Cash outflows are mainly used for financing of working capital and investments.

As of December 31, 2018, the CEWE Group had the following lines of credit:

#### Lines of credit in 2018

<i>Figures in millions of euros</i>	Germany	Other countries	Total as of Dec. 31
Remaining term of up to 1 year	90.00	0.00	90.00
Remaining term of more than 1 year	90.00	0.00	90.00
<b>Total</b>	<b>180.00</b>	<b>0.00</b>	<b>180.00</b>

#### Lines of credit in 2017

<i>Figures in millions of euros</i>	Germany	Other countries	Total as of Dec. 31
Remaining term of up to 1 year	38.00	0.00	38.00
Remaining term of more than 1 year	56.60	0.00	56.60
<b>Total</b>	<b>94.60</b>	<b>0.00</b>	<b>94.60</b>

Of these credit lines, as of the reporting date 176.2 million euros (previous year: 93.0 million euros) have not been drawn down. As well as cash and cash equivalents in the amount of 28.1 million euros (previous year: 38.8 million euros), this amount is available for coverage of future liquidity requirements.

An overview of the maturities of the undiscounted cash flows for the Group's financial liabilities and its liabilities resulting from derivative financial instruments – including the related interest payments – shows the expected cash outflows as of the balance sheet date December 31, 2018:

#### Cash flows from financial liabilities in 2018

<i>Figures in millions of euros</i>	Dec. 31, 2015 Book value	Up to 1 year	More than 1 year, up to 5 years	Total
Amounts owed to credit institutions	3,813	2,687	1,191	3,878
Trade payables	112,664	112,664	0	112,664
Other financial instruments	43,113	43,113	0	43,113
<b>Total</b>	<b>159,590</b>	<b>158,459</b>	<b>1,191</b>	<b>159,650</b>

#### Cash flows from financial liabilities in 2017

<i>Figures in millions of euros</i>	Dec. 31, 2016 Book value	Up to 1 year	More than 1 year, up to 5 years	Total
Amounts owed to credit institutions	1,581	1,597	0	1,597
Trade payables	95,850	95,850	0	95,850
Other financial instruments	40,978	40,999	-26	40,973
<b>Total</b>	<b>138,409</b>	<b>138,446</b>	<b>-26</b>	<b>138,420</b>

Due to the international orientation of the CEWE Group, cash flows arise in various currencies. Currency risks result from turnover billed in a currency other than that of the related costs, the foreign-currency assets and liabilities shown in the balance sheet whose fair value may be negatively influenced by a change in exchange rates and from pending foreign-currency transactions whose future cash flows may have a negative effect due to exchange rate changes. The risk management system continuously monitors the risk positions resulting from currency risks. To limit these risks, outside the scope of deliveries and services where possible the Group reduces the volume of euro-denominated transactions for companies in non-Eurozone countries. Following a detailed review process, the company enters into hedging transactions with its house banks on a case-by-case basis for regular transactions outside the Eurozone.

The key market risk in the foreign-currency segment relates to currency positions which were open as of the reporting date. The Group's Swiss, Czech and British companies have significant foreign-currency items. For the purpose of the sensitivity analysis, the corresponding foreign-currency items are measured at hypothetical exchange rates. If these three foreign currencies were to depreciate against the euro by 20 %, the following opportunities (positive values) or risks (negative values) would result:

#### Currency sensitivity

<i>Figures in thousands of euros</i>	2017	2018
Financial assets	-3,097	-3,662
Financial liabilities	2,726	3,055

If these three foreign currencies were to appreciate against the euro by 20 %, the following opportunities (positive values) or risks (negative values) would result:

#### Currency sensitivity

<i>Figures in thousands of euros</i>	2017	2018
Financial assets	4,646	5,493
Financial liabilities	-4,090	-4,582

The CEWE Group does not have any particularly significant exposure to interest rate risks in relation to third parties. Interest-rate-sensitive assets comprise loans to customers and employees as well as current balances held by credit institutions. CEWE does not have any interest-rate-sensitive financial liabilities as of the balance sheet date. No significant risk positions have resulted on account of the current interest rate trend. The goal of CEWE's interest rate hedging strategy is the regular conclusion of new medium- to long-term credit agreements with fixed interest rates. If the interest rates for variable interest-rate financial assets and financial liabilities were in each case to fall by 10 %, the following opportunities (positive values) or risks (negative values) would result:

#### Interest rate sensitivity

<i>Figures in thousands of euros</i>	2017	2018
Interest income	-3.8	-2.5
Interest expense	1.6	2.9

If the interest rates for variable interest-rate financial assets and financial liabilities were in each case to increase by 10 %, the following opportunities (positive values) or risks (negative values) would result:

#### Interest rate sensitivity

<i>Figures in thousands of euros</i>	2017	2018
Interest income	3.8	2.5
Interest expense	-1.6	-2.9

The Group entered into the following hedging transactions:

#### Derivatives transactions

Figures in thousands of euros	Nominal volume		Remaining term >1 year		Fair value	
	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018
<b>Interest rate swap</b>	3,225	<b>3,225</b>	925	<b>0</b>	-26	<b>-7</b>

The nominal volume permits inferences regarding the level of use of derivatives but does not reflect the Group's risk exposure resulting from its use of derivatives. Interest rate risks for derivatives have been measured on the basis of the value-at-risk method, in line with the international bank standard. The maximum loss potential which may result from a change in market prices is calculated on the basis of historical fluctuations in value, with a confidence level of 99% and a holding period of one day. Due to the lack of hedging relationships, derivatives have been measured at fair value in profit or loss, in accordance with the requirements of IFRS 13. The fair value of the interest rate swaps is shown in the table. According to the measurement model indicated in IFRS 13, the interest rate swaps are assignable to hierarchy Level 3, i. e. no quoted prices are used for measurement purposes, but rather measurement parameters which are either directly observable for the respective liabilities or can be indirectly derived from other prices. Financial instruments are initially measured at cost. The Group does not have any financial assets available for sale. Financial liabilities measured at fair value in profit and loss comprise

derivative financial instruments. In the financial year 2018 financial assets measured at amortised cost resulted in net income/ losses of 2,185 thousand euros (previous year: 2,901 thousand euros). Net income/ losses resulting from the financial instruments held comprise, in particular, valuation adjustments, income from written-down receivables and the results of the fair value measurement. Dividend income and interest are not included. Net income/ losses resulting from financial liabilities measured at amortised cost amount to 1,082 thousand euros in the financial year 2018 (previous year: 789 thousand euros).

The hedging transactions for the current period and for the prior period were not used for hedging of the acquisition costs or another book value for non-financial assets or non-financial liabilities. Derivative transactions will result in liquidity outflows in the amount of 6 thousand euros (previous year: 16 thousand euros) within a period of one year and outflows of 0 thousand euros (previous year: 6 thousand euros) within a period of two to three years. Interest income associated with financial instruments not measured in profit and loss at fair value amounts to 608 thousand euros (previous year: 170 thousand euros), while corresponding interest expenses amount to 521 thousand euros (previous year: 451 thousand euros). Impairment of financial instruments measured at amortised cost amounted to 713 thousand euros in the past financial year (previous year: 1,598 thousand euros); this was recognised due to depreciation of receivables.

The reconciliation of the balance sheet items with these types of financial instruments as of December 31, 2018 is as follows:

## Breakdown of financial instruments - Dec. 31, 2018

	Measured at amortised cost	Measured at fair value			Non-financial assets / liabilities	Book value in the balance sheet
	Book value	On basis of publicly quoted market prices (Level 1) Book value	On basis of observable market data (Level 2) Book value	On basis of individual non-observable input parameters (Level 3) Book value	Book value	
<i>Figures in thousands of euros</i>						
<b>Non-current assets</b>						
Financial assets				6,855		6,855
FVTOCI equity instruments				6,568		6,568
FVTPL				287		287
Non-current financial assets	1,253					1,253
AC	1,253					1,253
<b>Current assets</b>						
Trade receivables	92,883					92,883
AC	92,883					92,883
Current financial assets	3,363					3,363
AC	3,363					3,363
Cash and cash equivalents	28,061					28,061
<b>Non-current liabilities</b>						
Non-current interest-bearing financial liabilities	1,148					1,148
AC	1,148					1,148
Non-current financial liabilities	1,552					1,552
AC	1,552					1,552
<b>Current liabilities</b>						
Current interest-bearing financial liabilities	2,665					2,665
AC	2,665					2,665
Current trade payables	112,664					112,664
AC	112,664					112,664
Current financial liabilities	10,158					10,158
AC	10,158					10,158
Current other liabilities						45,431
Non-financial liabilities					45,424	45,424
Derivatives excl. hedge accounting				7		7

AC: Measured at amortised cost  
FVTOCI: at fair value through other comprehensive income  
FVTPL: at fair value through profit or loss



## Breakdown of financial instruments - Dec. 31, 2016

Figures in thousands of euros	Measured at amortised cost		Measured at fair value			Non-financial assets/liabilities	Book value in the balance sheet
	Book value	For information purposes: fair value	On basis of publicly quoted market prices (Level 1)	On basis of observable market data (Level 2)	On basis of individual non-observable input parameters (Level 3)	Book value	
			Book value	Book value	Book value		
<b>Non-current assets</b>							
Financial assets	6,829						6,829
Investments held to maturity	6,490						6,490
Reinsurance policy					338		338
Non-current financial assets	394						394
Loans and receivables	394	394					394
<b>Current assets</b>							
Trade receivables	84,547						84,547
Loans and receivables	84,547	84,547					84,547
Current financial assets	2,392						2,392
Loans and receivables	2,392	2,392					2,392
Cash and cash equivalents	38,772						38,772
<b>Non-current liabilities</b>							
Non-current financial liabilities	137						137
Measured at amortised cost	137	137					137
<b>Current liabilities</b>							
Current interest-bearing financial liabilities	1,581						1,581
Measured at amortised cost	1,581	1,581					1,581
Current trade payables	95,850						95,850
Measured at amortised cost	95,850	95,850					95,850
Current financial liabilities	1,346						1,346
Measured at amortised cost	1,346	1,346					1,346
Current other liabilities *							43,452
Non-financial liabilities						45,405	45,405
Derivatives excl. hedge accounting					26		26

\* Previous-year figures have been restated

Financial assets not measured in accordance with IFRS 9 comprise reinsurance policies. They are recognised at their actuarial present value. The book values of the other financial assets, trade receivables and cash and cash equivalents and the book values of current account liabilities, trade payables and other current financial liabilities each serve as a reasonable approximation of the respective fair values. This is mainly due to the short terms of these instruments. Risk-related valuation adjustments are considered for the calculation of book values. The Group does not have any financial receivables or liabilities held for trading purposes.

CEWE measures fixed-interest and variable-interest receivables with a remaining term of more than one year on the basis of various parameters, e.g. the interest rate and the borrower's credit rating. On the basis of this measurement, any necessary valuation adjustments are included in the calculation of the book value. A fixed-interest agreement applies for current and non-current interest-bearing financial liabilities (with the exception of current account liabilities), so that here too the book value corresponds to the fair value.

Book values are determined by means of normal bank methods.

Credit risk is the risk of a counterparty failing to fulfil its obligations, resulting in a bad debt loss. Within the scope of the Group's receivables management system, as a component of its risk management system, receivables at the level of the individual companies are subject to comprehensive monthly analysis and are notified to the Group's central management, at the level of its headquarters, as part of its del credere reporting. Loan security agreements are concluded for medium-size and major customers. If the Group does not have any insurance cover or if a deductible is applicable, individual valuation adjustments are recognised on receivables in case of objective indications that it is overwhelmingly probable that this

receivable is uncollectable, either in whole or in part. The general default risk is dealt with by means of individual valuation adjustments on the basis of past experience. On December 31, 2018, the maximum credit risk resulting from debtors' potential insolvency in relation to loans and receivables amounted to 97,499 thousand euros (previous year: 87,333 thousand euros) and has the following makeup:

#### Credit risk

<i>Figures in thousands of euros</i>	Dec. 31, 2017	Dec. 31, 2018
Non-current financial assets	394	1,253
Trade receivables and other current receivables	86,939	96,246
<b>Total</b>	<b>87,333</b>	<b>97,499</b>

Impaired loans and receivables developed as follows:

<i>Figures in thousands of euros</i>	Dec. 31, 2017	Dec. 31, 2018
Gross value	4,107	6,611
Valuation adjustment	- 3,460	- 3,176
<b>Total</b>	<b>647</b>	<b>3,435</b>

A further amount of 5,539 thousand euros (previous year: 4,830 thousand euros) was already overdue but had not undergone a valuation adjustment. The age structure for the Group's overdue receivables is as follows:

<i>Figures in thousands of euros</i>	Dec. 31, 2017	Dec. 31, 2018
Up to 30 days	3,194	4,631
Between 30 and 90 days	1,315	772
More than 90 days	321	136
<b>Total</b>	<b>4,830</b>	<b>5,539</b>

These items are very closely monitored within the scope of the Group's receivables management system. On the basis of an assessment of the individual risks, partial valuation adjustments in the amounts indicated above are sufficient. Non-impaired financial assets are considered to be recoverable. Default risks are reduced by means of continuous monitoring of customers' credit ratings and payment behaviour, in close coordination with the company's market-oriented departments, and are covered by means of insurance, where possible. Moreover, in case of irregularities in customer relationships the volume of business is managed on the basis of individual decisions. Impairment of consumer receivables is minimised by means of a professional debt collection management system as well as risk avoidance and information-gathering parameters. These automatic system settings and the additional qualitative information serves as information which is used for calculation of individual valuation allowances.

The key equity items are presented below. Net interest-bearing financial liabilities have resulted from netting of gross interest-bearing financial liabilities against the Group's cash and cash equivalents as of the balance sheet date.

<i>Figures in thousands of euros</i>	Dec. 31, 2017	Dec. 31, 2018
Total assets	406,072	472,235
Equity	225,012	254,200
Equity ratio (as %)	55.4%	53.8%
Non-current interest-bearing financial liabilities	0	1,148
Current interest-bearing financial liabilities	1,581	2,665
Cash and cash equivalents	38,772	28,061
Net interest-bearing financial liabilities	-37,191	-24,248

The primary goal of the CEWE Group's capital management system is to ensure that the Group remains capable of repaying its debts and maintains its financial resources. As well as safeguarding the long-term liquidity supply, the interest rate risk has been limited and a flexible credit structure has once again been maintained, to cover the seasonal nature of the Group's business performance over the course of the year. No collateral was provided. For further information, please see the comments in the risk report on pages 102 ff.

No capital requirements are prescribed in the articles of association of CEWE KGaA. In regard to authorised capital and the obligation to sell or issue shares in connection with stock option plans, please see the relevant passages in these notes (D 49, D 50, D 51, D 52).

## E. Other disclosures

### 66 | Anteilsbesitz

CEWE's proportionate interests in all of its subsidiaries included in the consolidated financial statements are shown in the following table:

#### Shareholdings

as %	Dec. 31, 2017 Capital	Dec. 31, 2018 Capital
1. CEWE Beteiligungs GmbH, Oldenburg	100.00	100.00
2. CEWE S. A. S., Paris, France <sup>1</sup>	100.00	100.00
3. CEWE Belgium NV, Mechelen, Belgium <sup>1</sup>	100.00	100.00
4. CEWE Nederland B. V., Nunspeet, Netherlands <sup>1</sup>	100.00	100.00
5. CEWE Magyarország Kft., Budapest, Hungary <sup>1</sup>	100.00	100.00
6. CeWe Color a. s., Prague, Czech Republic <sup>1</sup>	100.00	100.00
7. CEWE a. s., Bratislava, Slovak Republic <sup>1</sup>	100.00	100.00
8. CEWE AG, Dübendorf, Switzerland <sup>1</sup>	100.00	100.00
9. CEWE Danmark Aps, Åbyhøj, Denmark <sup>1</sup>	100.00	100.00
10. Fotojoker Sp. z o. o., Kozle, Poland <sup>1,9</sup>	100.00	0.00
11. CEWE Sp. z o. o., Kozle, Poland <sup>1</sup>	100.00	100.00
12. CEWE NORGE AS, Oslo, Norway <sup>1</sup>	100.00	100.00
13. CEWE-PRINT NORDIC A/S, Åbyhøj, Denmark <sup>2</sup>	100.00	100.00
14. CEWE Sverige AB, Gothenburg, Sweden <sup>3</sup>	100.00	100.00
15. CEWE Limited, Warwick, United Kingdom <sup>1</sup>	100.00	100.00
16. Dignet GmbH & Co. KG, Cologne	100.00	100.00
17. Bilder-planet.de GmbH, Cologne <sup>4,8</sup>	100.00	100.00
18. Dignet Management GmbH, Cologne	100.00	100.00
19. Wöltje GmbH & Co. KG, Oldenburg <sup>5</sup>	100.00	100.00
20. Wöltje Verwaltungs-GmbH, Oldenburg <sup>5</sup>	100.00	100.00
21. DIRON Wirtschaftsinformatik Beteiligungs-GmbH, Münster	100.00	100.00
22. CeWe Color Inc., Delaware, USA <sup>1</sup>	100.00	100.00
23. cewe-print GmbH, Oldenburg	100.00	100.00
24. Saxoprint GmbH, Dresden	100.00	100.00
25. Saxoprint Ltd., London, United Kingdom <sup>6</sup>	100.00	100.00
26. Saxoprint AG, Zurich, Switzerland <sup>6</sup>	100.00	100.00
27. Saxoprint EURL, Paris, France <sup>6</sup>	100.00	100.00
28. CEWE Print S. r. l., Milan, Italy <sup>6</sup>	100.00	100.00
29. LASERLINE GmbH (to August 7, 2018: Sell2You GmbH), Berlin <sup>6</sup>	100.00	100.00
30. CEWE Baski Servis ve Ticaret Limited Sirketi, Istanbul, Turkey <sup>1</sup>	100.00	100.00
31. DeinDesign GmbH, Bad Kreuznach	86.33	93.16
32. futalis GmbH, Leipzig	81.64	81.64
33. Stardust Media and Communications, SAS, Paris, France <sup>1</sup>	0.00	79.91
34. PCBAF SAS, Paris, France <sup>7</sup>	0.00	100.00
35. CEWE Fotovertriebsesellschaft mbH, Vienna, Austria <sup>1,10</sup>	0,00	100,00

### 67 | Events of particular significance after the balance sheet date

There were no events of particular significance occurring after the balance sheet date.

### 68 | Comments on the cash flow statement

The cash flow statement shows how the Group's cash and cash equivalents have developed during the financial years 2018 and 2017. In accordance with IAS 7, this statement distinguishes between cash flow from operating activities, cash flow from investing activities and cash flow from financing activities. Cash and cash equivalents shown comprise the balance sheet items bank balances with a remaining term of up to three months and cash in hand including fixed deposit balances. This corresponds to the cash and cash equivalents item presented in the balance sheet.

<sup>1</sup> Interest held through CEWE Beteiligungsgesellschaft mbH, Oldenburg

<sup>2</sup> Interest held through CEWE Danmark Aps, Åbyhøj, Denmark

<sup>3</sup> Interest held through CEWE Norge AS, Oslo, Norway

<sup>4</sup> Interest held through Dignet GmbH & Co. KG, Cologne

<sup>5</sup> Interest held through CEWE AG, Dübendorf, Switzerland

<sup>6</sup> Interest held through Saxoprint GmbH, Dresden

<sup>7</sup> Interest held through Stardust Media and Communications SAS, Paris, France

<sup>8</sup> Not included in the consolidated financial statements.

<sup>9</sup> Merged with CEWE Sp. z o. o. on December 31, 2018

<sup>10</sup> Established in 2018

The inflows and outflows resulting from the change in financial liabilities are attributable to repayments, reclassifications due to maturity periods and loans taken up as follows:

#### Change in financial liabilities in 2018

<i>Figures in thousands of euros</i>	Current interest-bearing financial liabilities	Non-current interest-bearing financial liabilities	Gross financial liabilities
<b>As of Jan. 1</b>	<b>1,581</b>	<b>0</b>	<b>1,581</b>
Loans taken out	2,183	62	2,245
Initial consolidation	451	1,086	1,537
Repayments	-1,550	0	-1,550
<b>As of Dec. 31</b>	<b>2,665</b>	<b>1,148</b>	<b>3,813</b>

#### Change in financial liabilities in 2017

<i>Figures in thousands of euros</i>	Current interest-bearing financial liabilities	Non-current interest-bearing financial liabilities	Gross financial liabilities
<b>As of Jan. 1</b>	<b>210</b>	<b>0</b>	<b>210</b>
Loans taken out	0	3,100	3,100
Repayments	-179	-1,550	-1,729
Reclassifications	1,550	-1,550	0
<b>As of Dec. 31</b>	<b>1,581</b>	<b>0</b>	<b>1,581</b>

### 69 | Other financial obligations

Passive leases and tenancies exist which constitute operating lease arrangements in terms of their economic content, so that the leasing assets are attributable to the lessor rather than CEWE Stiftung & Co. KGaA, Oldenburg. This mainly comprises contracts for the use of production and office space, motor vehicles and also a few agreements for office equipment and IT hardware. The rents paid in the financial year amount to 13,163 thousand euros (previous year: 15,415 thousand euros). These contracts have terms of between one and 29 years.

#### Lease payments

<i>Figures in thousands of euros</i>	Dec. 31, 2017	Dec. 31, 2018
<b>Total future minimum lease payments</b>	<b>89,987</b>	<b>61,888</b>
Due within a period of one year	12,725	9,057
Due within a period of between two and five years	48,277	25,621
Due after more than five years	28,985	27,210

Assets leased within the scope of operating leases have a total book value of 17,643 thousand euros (previous year: 17,860 thousand euros). The lease agreements do not include any clauses (e. g. extension, purchase or price adjustment options) which would give rise to an assumption of financial leasing for the lessee. Total future minimum lease income as the lessor under non-terminable operating lease agreements is as follows:

#### Lease income

<i>Figures in thousands of euros</i>	Dec. 31, 2017	Dec. 31, 2018
<b>Total future minimum lease income</b>	<b>20,459</b>	<b>21,452</b>
Due within a period of one year	2,047	2,021
Due within a period of between two and five years	6,688	7,894
Due after more than five years	11,724	11,537

This involves the leasing of commercial space as well as equipment leased to customers. The rent instalments collected in the financial year amount to 2,010 thousand euros (previous year: 2,186 thousand euros). They are shown under the item “Additional other operating income”. Any leasing components in existing contracts are registered and reported within the scope of a systematic contract management system.

### 70 | Segment reporting by business unit

As of these financial statements, the Group has four business units subject to mandatory reporting. Three of them are the Group’s strategic business units. They are the Photofinishing, Commercial Online Printing and Retail business units. The Group’s strategic business units offer various products and services and require different technology, investment and marketing strategies. For each strategic business unit, the Group’s Board of Management reviews internal management reports at least once every quarter. The accounting and measurement methods used for the business units subject to mandatory reporting are those outlined in section B. In accordance with the internal reporting, revenues are reported according to consolidation effects.

Turnover corresponds to the breakdown by geographical region shown in section C 25.

These turnover categories are Photofinishing revenue, Retail revenue and revenue from Commercial Online Printing. A breakdown of these categories is provided in the segment reporting by business unit.

In the past financial year and in the previous year, turnover with one key customer was in excess of 10 %. Revenues generated with this customer are largely attributable to the Photofinishing business unit.

The breakdown of intangible assets and property, plant and equipment is as follows for the following geographical regions:

<i>Figures in thousands of euros</i>	2017	2018
Germany	148,634	166,065
Other countries	13,566	22,666
<b>Total</b>	<b>162,200</b>	<b>188,731</b>

### 71 | Other comments

Contingent liabilities resulted from the grant of suretyships and guarantees for third parties, possible litigation risks and other issues and amounted to 960 thousand euros (previous year: 1,431 thousand euros). The risk of a claim under these contingent liabilities is seen as either slight or not very probable. The assessment of the respective amounts and the probability of realisation are continuously monitored. The Group does not have any contingent assets.

The following total remuneration has been paid to the active members of the Board of Management which handles management duties and to the Supervisory Board for the performance of their duties:

**Remuneration received**

<i>Figures in thousands of euros</i>	2017	2018
<b>Fixed gross remuneration</b>		
Fixed remuneration	1,620	1,698
Fringe benefits	128	110
<b>Total fixed gross remuneration</b>	<b>1,748</b>	<b>1,808</b>
<b>Variable remuneration</b>		
One-year variable remuneration	554	588
Multi-year variable remuneration		
Bonus bank	165	88
Other items		
<b>Total variable remuneration</b>	<b>718</b>	<b>676</b>
Benefits upon termination of the employment relationship (pension expenses)	1,465	1,580
<b>Total remuneration paid to Board of Management</b>	<b>3,931</b>	<b>4,064</b>
Remuneration paid to Supervisory Board	615	658
<b>Total remuneration paid to Board of Management and Supervisory Board</b>	<b>4,547</b>	<b>4,722</b>

The table shows the inflow of cash in the past financial year and the previous year as a result of fixed remuneration, fringe benefits and one-year and multi-year variable remuneration as well as pension expenses. Remuneration resulting from the bonus bank relates to claims which have fallen due, plus the contractually stipulated amount of interest. The current service cost has been calculated in accordance with IAS 19; it does not represent an inflow in the narrow sense of the term but has been included to clarify the total remuneration provided.

The remuneration paid to the members of the Supervisory Board for their service on this body is stipulated in the articles of association and comprises fixed and variable components. This remuneration is exclusively granted on a short-term basis.

Other than the remuneration outlined above, no further remuneration or claims have been granted in the past financial year or the previous year but not yet reported in consolidated financial statements.

Disclosures regarding the remuneration of the individual members of the Board of Management and the Supervisory Board are provided in the remuneration report, as a component of the combined management report (pages 126 ff.).

None of the active or retired members of the Board of Management has received third-party payments in relation to their service; the same applies for the members of the Supervisory Board. Loans or advance payments have not been granted in any case. Nor has the company entered into any contingent liabilities for the benefit of the members of the Board of Management or the Supervisory Board.

Members of the Supervisory Board have not provided advisory and mediation services or other personal services either in the year under review or in the previous year.

Remuneration was paid to retired members of the Board of Management in the amount of 418 thousand euros thousand euros (previous year: 1,398 thousand euros). Pensions paid to former members of the Board of Management of Neumüller CEWE COLOR Stiftung, as the general partner of CEWE Stiftung & Co. KGaA, and the old CEWE COLOR Holding AG amount to 912 thousand euros (previous year: 637 thousand euros). Pension accruals established for these persons amount to 17,730 thousand euros (previous year: 17,769 thousand euros). CEWE does not have any obligations in relation to this group of persons for which it has failed to establish accruals.

The members of the Board of Management and the Board of Trustees of Neumüller CEWE COLOR Stiftung and the Supervisory Board, the heirs of Senator h. c. Heinz Neumüller, Oldenburg, and the affiliates of the heirs are defined as related parties of the CEWE Group. Close family members and related parties of this group of persons are also related parties of the CEWE Group.

The Group entered into transactions with other related parties in 2018. Key transactions relate to individual commercial tenancies concluded between the Group and affiliates of the heirs of Senator h. c. Heinz Neumüller, Oldenburg. The volume of services purchased amounted to 627 thousand euros (previous year: 2,540 thousand euros). A redemption amount of 4.5 million euros was paid for buildings associated with this lease. All transactions have been entered into on normal market terms, in line with the arm's length principle.

**72 | Subsidiaries' use of exemptions**

The following subsidiaries fully included in these consolidated financial statements make use of the exemption from the disclosure requirements under § 325 HGB and the exemption from the obligation to prepare a management report and notes in accordance with § 264b HGB:

- Dignet GmbH & Co. KG, Cologne
- Wöltje GmbH & Co. KG, Oldenburg

A profit and loss transfer agreement has been concluded between CEWE Stiftung & Co. KGaA and cewe-print GmbH, Oldenburg. cewe-print GmbH, Oldenburg, has been fully included in these consolidated financial statements and makes use of the exemption from the disclosure requirements under § 325 HGB as well as the simplified reporting options, in accordance with § 264 (3) HGB.

**73 | Executive bodies of the company**

Supervisory Board, including seats on supervisory boards and similar or foreign executive bodies of CEWE Stiftung & Co. KGaA

**Otto Korte, Oldenburg (Chairman)**

Lawyer/tax adviser/tax law specialist and partner of the law firm Hühne Klotz & Partner mbB, Oldenburg

- Chairman of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg
- Member of the Board of Trustees of Neumüller CEWE COLOR Stiftung, Oldenburg
- Chairman of the board of the foundation Stiftung Wirtschaftsakademie Ost-Friesland, Leer

**Paolo Dell'Antonio, Düsseldorf**

Spokesman of the board of management of Wilh. Werhahn KG, Neuss

- Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg
- Member of the shareholders' committee of Bitburger Holding GmbH and Bitburger Braugruppe GmbH, Bitburg<sup>3</sup>
- Spokesman of the board of management of Wilh. Werhahn KG, Neuss (since May 2018)
- Spokesman of the board of management of Werhahn Industrieholding SE, Neuss (since June 21, 2018)<sup>2</sup>
- Member of the board of management of Wilh. Werhahn KG, Neuss (to April 2018)

- Member of the board of management of Werhahn Industrieholding SE, Neuss (to June 20, 2018)<sup>2</sup>
- Member of the supervisory board of Bankhaus Werhahn GmbH, Neuss<sup>2, 3</sup>
- Chairman of the supervisory board of Bank11 für Privatkunden und Handel GmbH, Neuss<sup>2, 3</sup>
- Chairman of the board of directors of abcfinance GmbH, Cologne<sup>2, 3</sup>
- Chairman of the supervisory board of abcbank GmbH, Cologne<sup>2, 3</sup>
- Chairman of the supervisory board of Zwilling J. A. Henckels AG, Solingen<sup>2, 3</sup>
- Member of the supervisory board of Basalt-Actien-Gesellschaft, Linz<sup>2, 3</sup>
- Member of the supervisory board of Yareto GmbH, Neuss<sup>2, 3</sup>
- Member of the advisory board of Rathscheck Schiefer und Dachsysteme, Mayen<sup>1</sup>
- Chairman of the advisory board of ZWILLING Beauty Group GmbH, Düsseldorf<sup>1</sup>
- Chairman of the advisory board of United Salon Technologies GmbH, Solingen<sup>1</sup>

**Patricia Geibel-Conrad, Leonberg (since June 6, 2018)**

Accountant/tax adviser

- Member of the Supervisory Board and Chair of the Audit Committee of CEWE Stiftung & Co. KGaA, Oldenburg
- Member of the supervisory board and the audit committee of HOCHTIEF Aktiengesellschaft, Essen<sup>3</sup>
- Member of the supervisory board and chair of the audit committee of DEUTZ AG, Cologne<sup>3</sup>

**Professor Dr Christiane Hipp, Berlin**

Vice president for research and the next generation of scientific talent, professor (Brandenburg University of Technology Cottbus-Senftenberg)

- Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg
- Member of the sustainability advisory board of Krombacher GmbH & Co. KG, Kreuztal

**Corinna Linner, Baldham (to June 6, 2018)**

Auditor and economist

- Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg
- Member of the supervisory board of Donner & Reuschel AG, Hamburg<sup>3</sup>
- Member of the supervisory board of Wüstenrot & Württembergische AG, Stuttgart<sup>3</sup>

<sup>1</sup> voluntary bodies

<sup>2</sup> Group mandate

<sup>3</sup> Member of similar German and foreign executive bodies of business enterprises



**Professor Dr Michael Paetsch, Willich (to June 6, 2018)**

Professor of international marketing at Pforzheim University

- Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg

**Dr Birgit Vemmer, Bielefeld (since June 6, 2018)**

Management consultant and coach

- Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg
- Member of the supervisory board of Porta Zentral GmbH, Porta Westfalica (to December 2018)
- Member of the supervisory board of Porta Holding GmbH & Co. KG, Porta Westfalica (to December 2018)

**Dr Hans-Henning Wiegmann, Schlangenbad**

Business graduate

- Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg

**Vera Ackermann, Hude (to June 6, 2018)**

Former trade union secretary, IG BCE

- Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg

**Petra Adolph, Hanover (since June 6, 2018)**

Trade union secretary, IG BCE

- Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg
- Member of the supervisory board of K+S Aktiengesellschaft, Kassel<sup>1</sup>

**Dr Christina Debus, Berne (to June 6, 2018)**

Head of Quality Management, CEWE Stiftung & Co. KGaA, Oldenburg

- Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg

**Angelika Esser, Mönchengladbach (to June 6, 2018)**

Laboratory assistant, chairwoman of the works council (released from duties) of CEWE Stiftung & Co. KGaA, Mönchengladbach

- Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg

**Marion Gerdes, Berne (since June 6, 2018)**

Head of Personnel, CEWE Stiftung & Co. KGaA, Oldenburg

- Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg

**Insa Lukaßen, Oldenburg (since June 6, 2018)**

Head of Mail-Order Shipping, CEWE Stiftung & Co. KGaA, Oldenburg

- Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg

**Philipp Martens, Hanover (to June 6, 2018)**

Trade union secretary, IG BCE

- Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg

**Alexander Oyen, Bremen (since June 6, 2018)**

Head of the Oldenburg branch of the Mining, Chemicals and Energy trade union (IG BCE)

- Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg

**Markus Schwarz, Oldenburg (Deputy Chairman) (since June 6, 2018)**

Member of the works council (released from duties) of CEWE Stiftung & Co. KGaA, Oldenburg

- Deputy Chairman of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg (since June 6, 2018)

**Thorsten Sommer, Wardenburg (to June 6, 2018)**

Head of department / employee, member of the works council (released from duties) of CEWE Stiftung & Co. KGaA, Oldenburg

- Deputy Chairman of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg (to June 6, 2018)

**Elwira Wall, Hatten (since June 6, 2018)**

Project manager, document management system (DMS), data protection, CEWE Stiftung & Co. KGaA, Oldenburg

- Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg

**General partner of CEWE Stiftung & Co. KGaA:**

- Neumüller CEWE COLOR Stiftung

<sup>1</sup> Member of similar German and foreign executive bodies of business enterprises

## Board of Management

### **Dr Christian Friege, Oldenburg**

Chairman of the Board of Management of Neumüller CEWE COLOR Stiftung, Oldenburg  
Responsible for National and International Distribution

- Member of the advisory board of enportal GmbH, Hamburg

### **Patrick Berkhouwer, Bremen**

Member of the Board of Management of Neumüller CEWE COLOR Stiftung, Oldenburg  
Responsible for Foreign Markets and Expansion

### **Dr Reiner Fageth, Oldenburg**

Member of the Board of Management of Neumüller CEWE COLOR Stiftung, Oldenburg  
Responsible for Technology, IT and Research & Development

- Member of the supervisory board of CEWE COLOR Inc., Delaware, USA<sup>1,2</sup>
- Member of the advisory board of ELA Container GmbH, Haren (Ems)

### **Carsten Heitkamp, Oldenburg**

Member of the Board of Management of Neumüller CEWE COLOR Stiftung, Oldenburg  
Responsible for the German Plants, SAXOPRINT, Personnel, Logistics, Purchasing and Materials Management

### **Dr Olaf Holzkämper, Oldenburg**

Member of the Board of Management of Neumüller CEWE COLOR Stiftung, Oldenburg  
Responsible for Finance & Controlling, Business Development, Investor Relations, Legal and On-Site Finishing

### **Thomas Mehls, Oldenburg**

Member of the Board of Management of Neumüller CEWE COLOR Stiftung, Oldenburg  
Responsible for National and International Marketing, Online Photo Service, CEWE-PRINT.de, viaprinto, New Business Acquisition and Sustainability

- Member of the supervisory board of Baskets Oldenburg GmbH & Co. KG, Oldenburg

### **Frank Zweigle, Oldenburg**

Member of the Board of Management of Neumüller CEWE COLOR Stiftung, Oldenburg  
Responsible for the Administrative Activities of Neumüller CEWE COLOR Stiftung

Please also see the comments in the remuneration report on pages 126 ff.

<sup>1</sup> Group mandate

<sup>2</sup> Member of similar German and foreign executive bodies of business enterprises

**74 | Release and publication of the consolidated financial statements  
as of December 31, 2018**

The consolidated financial statements as of December 31, 2018 prepared by the Board of Management of the general partner, Neumüller CEWE COLOR Stiftung, and the combined management report of the CEWE Group are released for publication upon their signing by the Board of Management.

**75 | Declaration regarding the German Corporate Governance Code**

The Board of Management and the Supervisory Board have submitted the declaration of conformity with the German Corporate Governance Code required under § 161 AktG and have made this declaration available to the shareholders on the company's website, [www.cewe.de](http://www.cewe.de).

Oldenburg, March 21, 2019

CEWE Stiftung & Co. KGaA

For the general partner Neumüller CEWE COLOR Stiftung, Oldenburg

- The Board of Management -

## RESPONSIBILITY STATEMENT

### Declaration in accordance with §§ 297 (2) clause 4 and 315 (1) clause 6 HGB (responsibility statement)

We hereby declare that, to the best of our knowledge, the consolidated financial statements provide a true and fair view of the Group's net assets, financial position and results of operations in accordance with the applied principles of orderly reporting in consolidated financial statements and that the notes to the consolidated financial statements provide the necessary disclosures and specific information accurately describing the Group's position.

We also confirm that, to the best of our knowledge, the combined management report includes a fair review of the development and performance of the business and the position of the Group and thus describes the key risks and opportunities associated with the Group's expected development in the new financial year.

Oldenburg, March 21, 2019

CEWE Stiftung & Co. KGaA  
For the general partner Neumüller CEWE COLOR Stiftung  
- The Board of Management -



Dr Christian Friege  
(Chairman of the Board of Management)



Patrick Berkhouwer



Dr Reiner Fageth



Carsten Heitkamp



Dr Olaf Holzkämper



Thomas Mehls



Frank Zweigle

## AUDIT OPINION OF THE INDEPENDENT AUDITOR CEWE STIFTUNG & CO. KGAA, OLDENBURG

### Report on the audit of the consolidated financial statements and the combined management report

#### AUDIT OPINIONS

We have audited the consolidated financial statements of CEWE Stiftung & Co. KGaA, Oldenburg, and its subsidiaries (the Group), which comprise the consolidated profit and loss account and the consolidated statement of comprehensive income for the financial year from January 1, 2018 to December 31, 2018, the consolidated balance sheet as of December 31, 2018, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from January 1, 2018 to December 31, 2018 and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report (report on the position of the company and the Group) of CEWE Stiftung & Co. KGaA for the financial year from January 1, 2018 to December 31, 2018. In accordance with the German legal requirements, we have not audited the contents of those parts of the combined management report listed under "Other information".

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and
- appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the contents of the parts of the combined management report listed under "Other information".

Pursuant to § 322 (3) clause 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and the combined management report.

**Basis for the audit opinions**

We conducted our audit of the consolidated financial statements and the combined management report in accordance with § 317 HGB and the EU Audit Regulation (no. 537/2014) and in compliance with the German generally accepted standards for auditing of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer e. V. – IDW).

Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and the Combined Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial law and the German professional code of conduct, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and the combined management report.

**Key audit matters in the audit of the consolidated financial statements**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from January 1, 2018 to December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

We have identified the following specific issues as key audit matters:

1. Realisation of turnover in the Photofinishing segment
2. Balance-sheet reporting of the purchase of the shares in the “Cheerz Group”

## 1. Realisation of turnover in the photofinishing segment

### Specific issue

In its consolidated financial statements as of December 31, 2018, the company has reported revenues in its Photofinishing segment in the amount of EUR 499.0 million (76.4% of total revenues).

Due to the highly automated procedure through which these revenues are realised, the very large volume of data processed and the variety of IT systems due to the diverse product range, in our view particularly stringent requirements apply for the IT systems in terms of correct recognition of and accrual accounting for revenues. In view of this situation, the IT systems were particularly significant for us within the scope of our audit, in relation to the realisation of turnover in the Photofinishing segment.

The disclosures made by CEWE Stiftung & Co. KGaA concerning revenues in the Photofinishing segment may be found in section "C 25" of the notes to the consolidated financial statements.

### Audit response

To address the risk associated with the realisation of turnover in the Photofinishing segment, we have performed uniform audit procedures for all of the segments. We have assessed implementation of the Group rules on the realisation of turnover in the IT systems in terms of whether the software in question is suitable to appropriately map the business transactions. As well as a basic audit, our audit approach includes function-based testing of relevant check mechanisms as well as ad hoc and analytical audit procedures. In particular, we have evaluated whether the IT control system has been appropriately designed for the IT systems used throughout the Group for invoicing and their interfaces in relation to the relevant general ledger. To review the effectiveness of this IT control system, we have implemented control tests for the control activities implemented within the scope of these processes. We have consulted internal specialists in relation to these audit activities. We have also established on a sample basis that the accrual accounting for revenues has been correctly implemented.

## 2. Balance-sheet reporting of the purchase of the shares in the "Cheerz Group"

### Specific issue

In the financial year 2018, through a notarised purchase agreement of February 8, 2018 the Group purchased approx. 79.91% of the shares in Stardust Media and Communications SAS, Paris, and its wholly owned subsidiaries PCBAF SAS, Paris, and SARL ADL Labo Photo, Paris ("Cheerz Group"). For the remaining 20.09% of the shares, reciprocal call and put options have been agreed which may be exercised for the first time in 2019. The exercise price for these will be calculated on the basis of the future results of operations of Stardust Media and Communications SAS, Paris.

The purchase price was 36.1 million euros and was settled in cash and through the issue and transfer of treasury shares. The contingent purchase price payment for the exercise of the call/put option was measured at fair value as of the date of the acquisition and included in the cost of acquisition in the amount of 9.4 million euros. Due to the call and put options agreed, the "Cheerz Group" has been fully included in the scope of consolidation, without reporting of non-controlling interests.

As a rule, the assets and liabilities acquired are reported at fair value as of the date of acquisition. Including net assets in the amount of 2.9 million euros which are attributable to the acquired company and which include other intangible assets in the amount of 13.1 million euros that were capitalised within the scope of the purchase price allocation, goodwill has resulted in the amount of 31.2 million euros.

Due to the significant overall impact of the acquisition of this company, in volume terms, on the net assets, financial position and results of operations of the CEWE Group, the complexity of the balance-sheet assessment of the call and put options as well as the discretion regarding measurement of the acquired assets and liabilities, this acquisition was a key audit matter within the scope of our audit.

The details provided by the CEWE Group regarding these acquisitions may be found in section A3, on pages 170 to 171 of the notes to the consolidated financial statements.

#### Audit response

We initially reviewed the contractual arrangements, and established an understanding of them, within the scope of our audit of the balance-sheet reporting of this acquisition. We assessed whether the date of the acquisition has been appropriately taken into consideration in these consolidated financial statements. We then evaluated the effects of the agreement for the call and put options in relation to the reporting of non-controlling interests and the accounting for the related contingent purchase price payments. In our assessment of the measurement of these contingent future payments as a component of the cost of acquisition, we developed an understanding of the system and the process for the underlying planning for these payments and examined the plausibility of the assumptions made, including the expected growth rates, while taking into consideration industry-specific market expectations.

We also assessed the measurement of the acquired assets and liabilities at fair value as of the date of acquisition. Insofar as recognised fair values were determined on the basis of measurement models, we assessed the appropriateness and the correct application of these models as well as the plausibility of the assumptions made regarding the underlying parameters, in particular concerning future cash flows, interest rates and growth rates. We also examined the completeness and the accuracy of the notes which are required according to IFRS 3.

#### Other information

The company's legal representatives are responsible for the other information. This other information comprises:

- the separately published summarised non-financial declaration which is referred to in the "Sustainability" section of the combined management report;
- the management declaration which is included in the combined management report;
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report;
- the corporate governance report pursuant to no. 3.10 of the German Corporate Governance Code; and

- the confirmation pursuant to § 297 (2) clause 4 HGB regarding the consolidated financial statements and the confirmation pursuant to § 315 (1) clause 5 HGB regarding the combined management report.

Our audit opinions on the consolidated financial statements and the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in so doing, to consider whether this other information

- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

In the event that we conclude on the basis of our activities that this other information includes a material misstatement, we are obliged to report this fact. We have nothing to report in this respect.

#### Responsibility of the company's legal representatives and the supervisory board for the consolidated financial statements and the combined management report

The company's legal representatives are responsible for the preparation of the consolidated financial statements which comply with the IFRS as adopted by the EU as well as the German supplementary statutory regulations applicable under § 315e (1) HGB in all significant respects and for ensuring that the consolidated financial statements provide a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these regulations. In addition the company's legal representatives are responsible for such internal controls as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, the company's legal representatives are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going-concern basis of accounting, unless there is an intention to liquidate the Group or to discontinue its business operations or there is no realistic alternative in this respect.

Furthermore, the company's legal representatives are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the company's legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and the combined management report.

### **Auditor's responsibility for the audit of the consolidated financial statements and the combined management report**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German generally accepted standards for auditing of financial statements promulgated by the Institute of Public Auditors in Germany will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements and the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the company's legal representatives and the reasonableness of estimates made by the company's legal representatives and related disclosures.

- Draw conclusions regarding the appropriateness of the company's legal representatives' use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and the consolidated management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner such that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in compliance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group, to express audit opinions on the consolidated financial statements and the combined management report. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the company's legal representatives in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions applied by the company's legal representatives as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the underlying assumptions. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with the persons charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the persons charged with governance with a statement that we have complied with the relevant independence requirements, and discuss with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

Of the matters discussed with the persons charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure of a specific matter.

### ***Other legal and regulatory requirements***

#### **Further information pursuant to article 10 of the eu audit regulation**

We were appointed as the auditor by the general meeting held on June 6, 2018. We were engaged by the Supervisory Board on June 6, 2018. We have audited the consolidated financial statements of CEWE Stiftung & Co. KGaA without interruption since the financial year 2014.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

#### **Auditor responsible**

The German public auditor responsible for this audit is Mr Tobias Härle.

Hamburg, March 21, 2019

BDO AG  
Wirtschaftsprüfungsgesellschaft

Glaser  
Auditor

Härle  
Auditor

## THE CEWE GROUP – STRUCTURE AND EXECUTIVE BODIES

### Neumüller CEWE COLOR Stiftung

#### Board of Trustees

- Dr Rolf Hollander, Oldenburg (Chairman)
- Otto Korte, Oldenburg (Deputy Chairman)
- Dr Martin Enderle, Munich (to December 31, 2018)
- Helmut Hartig, Oldenburg
- Dr Kay Hafner, Essen (since January 1, 2019)
- Dr Peter Nagel, Bad Kreuznach (to December 31, 2018)
- Matthias Peters, Hamburg
- Katharina Le Thierry, Munich (since January 1, 2019)

#### Board of Management

- Dr Christian Friege, Oldenburg (Chairman)
- Patrick Berkhouwer, Bremen
- Dr Reiner Fageth, Oldenburg
- Carsten Heitkamp, Oldenburg
- Dr Olaf Holzkämper, Oldenburg
- Thomas Mehls, Oldenburg
- Frank Zweigle, Oldenburg

### CEWE Stiftung & Co. KGaA

#### Supervisory Board

- Otto Korte, Oldenburg (Chairman)  
Lawyer / tax adviser / tax law specialist and partner  
of the law firm Hühne Klotz & Partner, Oldenburg
- Paolo Dell' Antonio, Düsseldorf  
Chairman of the board of management of Wilh. Werhahn KG, Neuss
- Patricia Geibel-Conrad, Leonberg (since June 6, 2018)  
Accountant / tax consultant, management consultant
- Professor Dr Christiane Hipp, Cottbus  
Vice president for research and the next generation of scientific talent, professor  
(Brandenburg University of Technology Cottbus-Senftenberg)
- Corinna Linner, Baldham (to June 6, 2018)  
Accountant and economist
- Professor Dr Michael Paetsch, Willich (to June 6, 2018)  
Professor of international marketing at Pforzheim University
- Dr Birgit Vemmer, Bielefeld (since June 6, 2018)  
Management consultant and coach
- Dr Hans-Henning Wiegmann, Schlagenbad  
Business graduate
- Vera Ackermann, Hude (to June 6, 2018)  
Former trade union secretary, IG BCE

- Petra Adolph, Hanover (since June 6, 2018)  
Secretary of the Mining, Chemicals and Energy trade union (IG BCE)
- Dr Christina Debus, Berne (to June 6, 2018)  
Head of Quality Management, CEWE Stiftung & Co. KGaA, Oldenburg
- Angelika Eßer, Mönchengladbach (to June 6, 2018)  
Laboratory assistant, chairwoman of the works council (released from duties)  
of CEWE Stiftung & Co. KGaA, Mönchengladbach
- Marion Gerdes, Berne (since June 6, 2018)  
Head of Personnel, CEWE Stiftung & Co. KGaA, Oldenburg
- Insa Lukaßen, Oldenburg (since June 6, 2018)  
Head of Mail-Order Shipping, CEWE Stiftung & Co. KGaA, Oldenburg
- Philipp Martens, Hanover (to June 6, 2018)  
Trade union secretary, IG BCE
- Alexander Oyen, Oldenburg (since June 6, 2018)  
Head of the Oldenburg branch of the Mining,  
Chemicals and Energy trade union (IG BCE)
- Markus Schwarz, Oldenburg (Deputy Chairman since June 6, 2018)  
Member of the works council (released from duties)  
of CEWE Stiftung & Co. KGaA, Oldenburg
- Thorsten Sommer, Wardenburg (Deputy Chairman to June 6, 2018)  
Head of department/ employee, member of the works council (released from duties)  
of CEWE Stiftung & Co. KGaA, Oldenburg
- Elwira Wall, Hatten (since June 6, 2018)  
Project manager, document management system (DMS), data protection,  
CEWE Stiftung & Co. KGaA, Oldenburg

**General partner of CEWE Stiftung & Co. KGaA**

- Neumüller CEWE COLOR Stiftung, Oldenburg

# 04

## FURTHER INFORMATION

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*In 2017, 90 % of smartphone users already used their phone's camera/video function. This trend means that **the number of images is on the rise**, with a significant increase in the level of interest and enthusiasm for photos.*

Selfies of CEWE employees taken at their workplace.

## FINANCIAL STATEMENTS OF CEWE STIFTUNG & CO. KGaA

### Profit and loss account of CEWE Stiftung & Co. KGaA

for the financial year 2018 (in accordance with the German Commercial Code)

<i>Figures in thousands of euros</i>	2017	2018
Revenues	331,370	338,323
Increase / decrease in finished and unfinished goods	2	54
Other own work capitalised	165	102
Other operating income	7,264	10,953
Cost of materials		
Expenses for raw materials and supplies and for purchased merchandise	- 70,554	- 69,094
Expenses for purchased services	- 20,808	- 19,143
	<b>- 91,362</b>	<b>- 88,237</b>
Personnel expenses		
Wages and salaries	- 74,232	- 76,386
Social security contributions and expenses for pensions and support	- 15,461	- 16,417
	<b>- 89,693</b>	<b>- 92,803</b>
Depreciation		
Amortisation of intangible assets, depreciation of property, plant and equipment	- 19,019	- 20,038
Other operating expenses	- 100,315	- 101,985
Income from equity investments	7,451	7,653
Income from loans of financial assets	464	835
Other interest and similar income	786	1,040
Amortisation of financial assets	- 1,564	0
Interest and similar expenses	- 1,746	- 2,244
Income from profit transfer	443	583
<b>Profit / loss on ordinary activities</b>	<b>44,246</b>	<b>54,236</b>
<b>Earnings before income taxes</b>	<b>44,246</b>	<b>54,236</b>
Income taxes	- 14,930	- 18,222
Other taxes	26	- 89
<b>Net income for the year</b>	<b>29,342</b>	<b>35,925</b>
<b>Remaining profit carried forward from previous year</b>	<b>152</b>	<b>129</b>
<b>Unappropriated profits</b>	<b>29,494</b>	<b>36,054</b>



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**Balance sheet of CEWE Stiftung & Co. KGaA**

as of December 31, 2018 (in accordance with the German Commercial Code)

**ASSETS**

<i>Figures in thousands of euros</i>	2017	2018
<b>Fixed assets</b>		
Intangible assets		
Concessions, industrial property rights acquired for a consideration and similar rights and assets and related licences	6,759	6,470
Goodwill	13	11
	265	401
	<b>7,037</b>	<b>6,882</b>
Property, plant and equipment		
Land, leasehold rights and buildings, incl. buildings on third-party land	30,167	35,208
Technical equipment and machinery	41,733	43,885
Other equipment, furniture and fixtures	8,056	7,564
Advance payments and assets under construction	4,371	601
	<b>84,327</b>	<b>87,258</b>
Financial assets		
Interests in affiliates	83,110	83,487
Loans to affiliates	52,236	62,884
Equity investments	6,444	5,729
Other loans	258	205
	<b>142,048</b>	<b>152,305</b>
<b>Current assets</b>		
Inventories		
Raw materials and supplies	14,024	13,003
Unfinished goods, work in progress	136	136
Finished goods and merchandise	251	421
	<b>14,411</b>	<b>13,560</b>
Receivables and other assets		
Trade receivables	58,722	58,692
Receivables from affiliates	83,759	132,289
Other assets	4,952	7,696
	<b>147,433</b>	<b>198,677</b>
Cash on hand and cash in banks	26,312	10,589
Deferred expenses and accrued income	2,103	2,385
	<b>423,671</b>	<b>471,656</b>

**EQUITY AND LIABILITIES**

<i>Figures in thousands of euros</i>	2017	2018
Equity		
Subscribed capital	19,240	19,240
Nominal value of treasury shares	- 331	- 270
<b>Issued capital</b>	<b>18,909</b>	<b>18,970</b>
Capital reserve	74,415	76,679
Retained earnings		
Statutory reserve	1,534	1,534
Other retained earnings	133,895	150,499
	<b>135,429</b>	<b>152,033</b>
Unappropriated profits	29,494	36,054
	<b>258,247</b>	<b>283,736</b>
<b>Special item for investment subsidies</b>	<b>98</b>	<b>238</b>
<b>Accruals</b>		
Accruals for pensions and similar obligations	13,935	16,504
Tax accruals	1,269	5,834
Other accruals	29,898	27,224
	<b>45,102</b>	<b>49,562</b>
<b>Liabilities</b>		
Amounts owed to credit institutions	1,561	2,046
Payments received on account of orders	414	514
Trade payables	33,664	35,109
Amounts owed to affiliates	68,834	83,250
Other liabilities	15,468	16,983
	<b>119,941</b>	<b>137,902</b>
Deferred income and accrued expenses	283	218
	<b>423,671</b>	<b>471,656</b>

## MULTI-YEAR OVERVIEW

### Consolidated profit and loss account for the year

<i>Figures in millions of euros</i>	2011	2012	2013	2014	2015*	2016*	2017*	2018
Revenues	469.0	507.2	536.2	523.8	554.2	593.1	599.4	653.3
Increase / decrease in finished and unfinished goods	0.0	0.1	0.3	0.2	0.4	-0.5	0.1	-0.1
Other own work capitalised	0.9	1.1	1.0	0.9	0.9	0.8	0.9	1.1
Other operating income	23.1	29.7	24.6	21.4	19.6	20.8	23.2	25.1
Cost of materials	-173.6	-185.6	-190.0	-162.7	-162.2	-168.6	-168.4	-178.7
<b>Gross profit</b>	<b>319.5</b>	<b>352.4</b>	<b>372.2</b>	<b>383.6</b>	<b>412.8</b>	<b>445.6</b>	<b>455.1</b>	<b>500.7</b>
Personnel expenses	-108.5	-122.4	-129.9	-135.9	-143.7	-153.4	-160.3	-178.1
Other operating expenses	-148.1	-164.7	-175.4	-181.7	-194.0	-201.9	-205.5	-228.6
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>62.9</b>	<b>65.3</b>	<b>66.8</b>	<b>66.0</b>	<b>75.1</b>	<b>90.3</b>	<b>89.3</b>	<b>93.9</b>
Amortisation of intangible assets, depreciation of property, plant and equipment	-33.5	-37.0	-37.9	-33.5	-38.7	-43.3	-40.1	-40.2
<b>Earnings before interest and taxes (EBIT)*</b>	<b>29.4</b>	<b>28.3</b>	<b>28.9</b>	<b>32.6</b>	<b>36.4</b>	<b>47.0</b>	<b>49.2</b>	<b>53.7</b>
Financial income	—	—	0.3	0.4	0.4	0.9	0.5	0.7
Financial expenses	—	—	-2.2	-1.4	-0.9	-1.7	-0.8	-1.1
Financial result	-1.0	-2.2	-1.9	-1.0	-0.5	-0.9	-0.4	-0.4
<b>Earnings before taxes (EBT)</b>	<b>28.4</b>	<b>26.1</b>	<b>27.1</b>	<b>31.5</b>	<b>35.9</b>	<b>46.2</b>	<b>48.9</b>	<b>53.3</b>
Income taxes	-9.8	-7.3	-4.8	-10.1	-14.1	-16.6	-16.0	-17.0
<b>Earnings after taxes</b>	<b>18.6</b>	<b>18.8</b>	<b>22.3</b>	<b>21.4</b>	<b>21.8</b>	<b>29.6</b>	<b>32.8</b>	<b>36.3</b>

\* The reference figures have been restated (cf. comments in section A).

### Cash flow for the year

<i>Figures in millions of euros</i>	2011	2012	2013	2014	2015	2016	2017	2018
Cash flow from operating activities	61.4	51.4	48.3	71.2	59.6	93.0	72.4	78.7
Cash flow from investing activities	-31.0	-45.8	-35.1	-43.1	-55.2	-46.6	-70.2	-76.2
Free cash flow	30.4	5.5	13.1	28.1	4.4	46.4	2.2	2.5
Cash flow from financing activities	-22.7	-23.2	-12.3	-14.5	-10.3	-19.8	-11.7	-13.4
Change in cash and cash equivalents	7.7	-17.7	0.8	13.6	-5.9	26.7	-9.5	-10.9

## Consolidated profit and loss account for the fourth quarter

<i>Figures in millions of euros</i>	Q4 2011	Q4 2012	Q4 2013	Q4 2014	Q4 2015*	Q4 2016*	Q4 2017*	Q4 2018
Revenues	161.0	178.2	191.2	194.8	215.8	228.5	234.5	261.6
Increase/ decrease in finished and unfinished goods	0.0	-0.1	0.2	0.0	0.2	0.0	0.3	0.0
Other own work capitalised	-0.1	0.4	0.4	0.3	0.2	0.3	0.2	0.6
Other operating income	9.3	10.3	7.8	9.0	6.1	7.0	9.2	7.2
Cost of materials	-54.4	-59.5	-56.0	-52.4	-55.2	-55.7	-57.1	-60.8
<b>Gross profit</b>	<b>115.8</b>	<b>129.3</b>	<b>143.6</b>	<b>151.7</b>	<b>167.1</b>	<b>180.2</b>	<b>187.2</b>	<b>208.5</b>
Personnel expenses	-30.4	-34.2	-36.6	-40.3	-42.6	-45.5	-47.7	-53.0
Other operating expenses	-51.3	-56.8	-61.5	-65.1	-70.7	-75.8	-79.5	-87.6
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>34.1</b>	<b>38.4</b>	<b>45.4</b>	<b>46.3</b>	<b>53.8</b>	<b>58.8</b>	<b>60.0</b>	<b>67.9</b>
Amortisation of intangible assets, depreciation of property, plant and equipment	-8.5	-9.4	-11.8	-9.0	-13.0	-15.9	-13.9	-10.4
<b>Earnings before interest and taxes (EBIT)</b>	<b>25.6</b>	<b>29.0</b>	<b>33.6</b>	<b>37.3</b>	<b>40.8</b>	<b>42.9</b>	<b>46.1</b>	<b>57.5</b>
Financial income	—	—	0.1	0.1	0.4	0.1	0.0	0.0
Financial expenses	—	—	-0.9	-0.3	-0.4	-1.3	-0.6	-0.2
Financial result	-0.2	-0.4	-0.7	-0.2	0.0	-1.3	-0.6	-0.1
<b>Earnings before taxes (EBT)</b>	<b>25.4</b>	<b>28.5</b>	<b>32.9</b>	<b>37.2</b>	<b>40.8</b>	<b>41.7</b>	<b>45.5</b>	<b>57.3</b>
Income taxes	-7.2	-6.4	-5.1	-11.3	-15.4	-16.9	-14.8	-18.1
<b>Earnings after taxes</b>	<b>18.1</b>	<b>22.1</b>	<b>27.7</b>	<b>25.9</b>	<b>25.3</b>	<b>24.8</b>	<b>30.7</b>	<b>39.2</b>

\* The reference figures have been restated (cf. comments in section A).

## Cash flow in the fourth quarter

<i>Figures in millions of euros</i>	Q4 2011	Q4 2012	Q4 2013	Q4 2014	Q4 2015	Q4 2016	Q4 2017	Q4 2018
Cash flow from operating activities	37.7	48.5	41.1	48.3	49.1	59.6	67.6	77.3
Cash flow from investing activities	-22.0	-10.8	-10.7	-16.2	-11.2	-15.7	-13.3	-10.1
Free cash flow	15.7	37.7	30.4	32.1	37.9	44.0	54.3	67.2
Cash flow from financing activities	-3.9	-31.2	-24.1	-16.3	-26.4	-10.8	-29.2	-52.1
Change in cash and cash equivalents	11.7	6.4	6.3	15.8	11.5	33.2	25.1	15.0

## MULTI-YEAR OVERVIEW

### Group balance sheet

#### ASSETS

<i>Figures in millions of euros</i>	2011	2012	2013	2014	2015	2016	2017	2018
Property, plant and equipment	79.2	101.2	98.6	102.5	108.6	124.5	148.1	160.2
Investment properties	4.8	4.5	4.3	5.0	5.1	4.9	17.9	17.6
Goodwill	9.1	28.5	25.4	25.4	32.7	25.8	25.8	59.7
Intangible assets	13.0	21.8	20.0	19.3	23.6	19.2	14.1	28.5
Financial assets	0.2	0.3	1.2	3.3	4.3	6.2	6.8	6.9
Non-current receivables from income tax refunds	2.6	2.1	1.6	1.1	0.5	0.0	0.0	0.0
Non-current financial assets	0.3	0.4	1.5	2.9	1.6	0.5	0.4	1.3
Non-current other receivables and assets	0.3	0.2	0.2	0.2	0.4	0.6	0.6	0.3
Deferred tax assets	5.4	8.4	9.4	8.1	7.3	6.8	7.8	12.3
<b>Non-current assets</b>	<b>114.9</b>	<b>167.5</b>	<b>162.0</b>	<b>167.8</b>	<b>184.1</b>	<b>188.6</b>	<b>221.5</b>	<b>286.7</b>
Inventories	48.0	62.7	59.1	48.9	50.7	49.4	50.3	49.0
Current trade receivables	77.9	72.2	88.8	84.3	90.4	84.2	84.5	92.9
Current receivables from income tax refunds	1.0	1.6	2.1	1.8	1.1	1.3	1.5	2.7
Current financial assets	13.5	3.2	3.0	3.0	2.5	3.0	2.4	3.4
Additional other current receivables and assets	4.1	4.7	3.8	4.9	5.7	5.5	5.6	9.5
Cash and cash equivalents	30.8	13.4	14.0	27.7	21.7	48.6	38.8	28.1
	<b>175.2</b>	<b>157.7</b>	<b>170.8</b>	<b>170.5</b>	<b>172.1</b>	<b>191.9</b>	<b>183.1</b>	<b>185.5</b>
Assets held for sale	0.2	0.2	1.0	1.3	1.2	0.5	1.4	0.0
<b>Current assets</b>	<b>175.4</b>	<b>157.9</b>	<b>171.8</b>	<b>171.9</b>	<b>173.3</b>	<b>192.4</b>	<b>184.5</b>	<b>185.5</b>
	<b>290.3</b>	<b>325.4</b>	<b>333.9</b>	<b>339.7</b>	<b>357.3</b>	<b>381.0</b>	<b>406.1</b>	<b>472.2</b>

**EQUITY AND LIABILITIES**

<i>Figures in millions of euros</i>	2011	2012	2013	2014	2015*	2016*	2017*	2018
Subscribed capital	19.2	19.2	19.2	19.2	19.2	19.2	19.2	19.2
Capital reserve	56.2	56.2	56.6	69.3	70.2	71.2	73.1	75.3
Treasury shares at acquisition cost	-24.4	-23.9	-23.4	-8.5	-7.5	-8.5	-7.9	-7.2
Retained earnings and unappropriated profits	69.3	80.7	90.3	93.6	104.3	121.5	140.6	166.8
<b>Equity</b>	<b>120.2</b>	<b>132.2</b>	<b>142.8</b>	<b>173.6</b>	<b>186.3</b>	<b>203.4</b>	<b>225.0</b>	<b>254.2</b>
Non-current special items for investment grants	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-current accruals for pensions	12.6	17.4	17.9	21.9	22.9	25.5	27.2	29.2
Non-current deferred tax liabilities	0.6	4.1	3.3	2.8	4.1	2.9	1.5	2.9
Non-current other accruals	0.8	0.5	0.4	0.2	0.2	0.0	0.0	0.0
Non-current interest-bearing financial liabilities	16.7	23.5	4.2	2.7	1.8	0.0	0.0	1.1
Non-current financial liabilities	0.0	4.2	3.0	0.0	0.0	0.2	0.1	1.6
Non-current other liabilities	0.3	0.3	0.2	0.2	0.5	0.5	0.5	0.6
<b>Non-current liabilities</b>	<b>31.3</b>	<b>50.0</b>	<b>29.0</b>	<b>27.8</b>	<b>29.5</b>	<b>29.1</b>	<b>29.4</b>	<b>35.4</b>
Current special items for investment grants	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current tax liabilities	5.6	3.0	4.2	4.5	7.7	12.6	5.9	8.2
Current other accruals	4.7	2.6	4.2	3.3	2.9	3.5	3.5	3.5
Current interest-bearing financial liabilities	7.4	8.0	26.1	1.6	4.9	0.2	1.6	2.7
Current trade payables	98.3	102.2	101.1	96.1	90.9	96.1	95.9	112.7
Current financial liabilities	1.1	4.5	3.9	3.6	0.3	1.5	1.3	10.2
Current other liabilities	21.6	22.9	22.7	29.2	34.8	34.6	43.5	45.4
<b>Current liabilities</b>	<b>138.7</b>	<b>143.2</b>	<b>162.1</b>	<b>138.2</b>	<b>141.6</b>	<b>148.4</b>	<b>151.7</b>	<b>182.6</b>
	<b>290.3</b>	<b>325.4</b>	<b>333.9</b>	<b>339.7</b>	<b>357.3</b>	<b>381.0</b>	<b>406.1</b>	<b>472.2</b>

\* The reference figures have been restated (cf. comments in section A).

## MULTI-YEAR OVERVIEW

### Key indicators

#### Volumes and employees

		2011	2012	2013	2014	2015	2016	2017	2018
Digital photos	<i>in millions of units</i>	2,246.1	2,298.9	2,252.9	2,203.9	2,164.1	2,176.2	2,128.1	2,185.0
Photos from film	<i>in millions of units</i>	251.3	162.3	114.4	88.6	70.7	56.0	47.0	41.1
Total volume of photos	<i>in millions of units</i>	2,497	2,461	2,367	2,293	2,235	2,232	2,175	2,226
CEWE PHOTOBOOKS	<i>in millions of units</i>	5.1	5.6	5.8	5.9	6.0	6.2	6.0	6.2
Employees (average)	<i>converted to full-time equivalent</i>	2,823	3,305	3,228	3,219	3,420	3,496	3,589	3,900
Employees (as of the reporting date)	<i>converted to full-time equivalent</i>	3,400	3,895	3,781	3,675	3,698	3,967	4,103	4,199

#### Income

		2011	2012	2013	2014	2015*	2016*	2017*	2018
Turnover	<i>in millions of euros</i>	469.0	507.2	536.2	523.8	554.2	593.1	599.4	653.3
EBITDA	<i>in millions of euros</i>	63.6	66.1	66.8	66.0	75.1	90.3	89.3	93.9
EBITDA margin	<i>as % of turnover</i>	13.6%	13.0%	12.5%	12.6%	13.6%	15.2%	14.9%	14.4%
EBIT	<i>in millions of euros</i>	30.1	29.1	29.7	32.6	36.4	47.0	49.2	53.7
EBIT margin	<i>as % of turnover</i>	6.4%	5.7%	5.5%	6.2%	6.6%	7.9%	8.2%	8.2%
Restructuring expenses	<i>in millions of euros</i>	0.0	0.0	3.3	0.0	1.0	0.2	0.0	0.0
EBIT prior to restructuring	<i>in millions of euros</i>	30.1	29.1	33.0	32.6	37.4	47.2	49.2	53.7
EBT	<i>in millions of euros</i>	29.2	26.9	27.8	31.5	35.9	46.2	48.9	53.3
Earnings after taxes	<i>in millions of euros</i>	18.6	18.8	22.3	21.4	21.8	29.6	32.8	36.3

\* The reference figures have been restated (cf. comments in section A).



**Capital**

		2011	2012	2013	2014	2015*	2016*	2017*	2018
Total assets	<i>in millions of euros</i>	290.3	325.4	333.9	339.7	357.3	381.0	406.1	472.2
Capital employed (CE)	<i>in millions of euros</i>	159.1	190.3	197.9	203.0	220.7	232.8	256.0	292.3
Equity	<i>in millions of euros</i>	120.2	132.2	142.8	173.6	186.3	203.4	225.0	254.2
Equity ratio	<i>as % of the balance sheet total</i>	41.4%	40.6%	42.8%	51.1%	52.1%	53.4%	55.4%	53.8%
Net financial liabilities	<i>in millions of euros</i>	-6.7	18.1	16.3	-23.5	-15.0	-48.3	-37.2	-24.2
ROCE (previous 12 months)	<i>as % of average capital employed</i>	19.3%	14.5%	15.0%	16.8%	17.2%	21.4%	20.3%	17.9%

\* The reference figures have been restated (cf. comments in section A).


**Share**


		2011	2012	2013	2014	2015*	2016*	2017*	2018
Number of shares (nominal value: 2.60 euros)	<i>in units</i>	7,380,020	7,380,020	7,380,020	7,380,020	7,400,020	7,400,020	7,400,020	7,400,020
Earnings per share (diluted)	<i>in euros</i>	2.84	2.87	3.36	3.07	3.05	4.12	4.54	5.01
Year-end price	<i>in euros</i>	31.39	31.04	42.75	51.51	54.61	84.57	88.05	62.10
Dividend per share	<i>in euros</i>	1.40	1.45	1.50	1.55	1.60	1.80	1.85	1.95**
Dividend yield on year-end price	<i>as %</i>	4.46%	4.67%	3.51%	3.01%	2.93%	2.10%	2.10%	3.14%

\* The reference figures have been restated (cf. comments in section A).

\*\* Dividend proposal to be presented by the Board of Management and the Supervisory Board to the general meeting on June 5, 2019

## PRODUCTION PLANTS AND DISTRIBUTION OFFICES

 Page 5  
General map with all locations

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## FINANCIAL DIARY

(dates currently scheduled)

<b>Apr. 3, 2019</b>	Bankhaus Lampe Deutschlandkonferenz 2019, Baden-Baden
<b>May 13, 2019</b>	Publication of the Interim Report Q1 2019
<b>May 13, 2019</b>	Press release for the Interim Report Q1 2019
<b>Jun. 5, 2019</b>	General Meeting 2019, Weser-Ems-Halle, Oldenburg
<b>Aug. 13, 2019</b>	Publication of the Interim Report Q2 2019
<b>Aug. 13, 2019</b>	Press release on the Interim Report Q2 2019
<b>Sep. 24, 2019</b>	Berenberg & Goldman Sachs German Corporate Conference 2019, Munich
<b>Sep. 25, 2019</b>	Baader Investment Conference 2019, Munich
<b>Nov. 12, 2019</b>	Publication of the Interim Report Q3 2019
<b>Nov. 12, 2019</b>	Press release for the Interim Report Q3 2019
<b>Nov. 25, 2019</b>	German Equity Forum 2019, Frankfurt

## IMPRINT

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

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