

Annual Report 2013



ANNUAL REPORT 2013

“Apart from being the established market leader in the industrial photofinishing of analogue photos, we succeeded, with the commitment of our employees, in also becoming the market leader in a completely new market for digital photo products. The most striking evidence for this successful transformation is the market leading CEWE PHOTOBOOK. With the addition of CEWE CALENDARS, CEWE CARDS AND CEWE MURAL, we now have even more brand-name products on the market and we intend to extend our position even further. Additionally, we have put our newly acquired printing expertise to use and, as a result, online printing has become a new business segment with excellent future prospects for CEWE.”

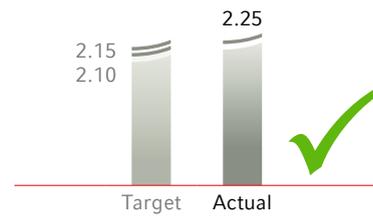
Dr. Rolf Hollander, Chairman of the Neumüller CEWE COLOR Stiftung



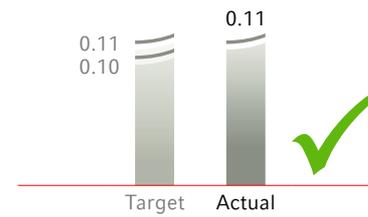
HIGHLIGHTS 2013

2012 Targets Achieved

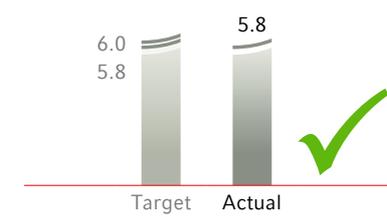
Digital prints *in billion units*



Prints from film *in billion units*



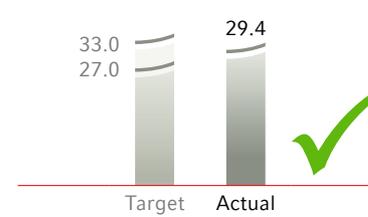
CEWE PHOTOBOOKS *in million units*



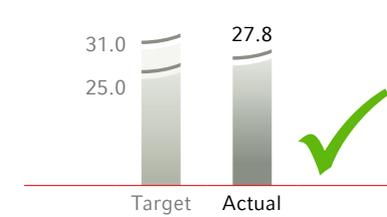
Turnover *in million euros*



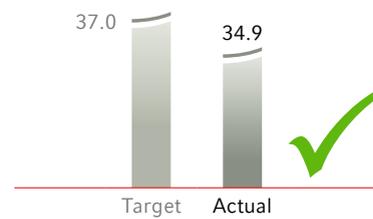
EBIT *in million euros*



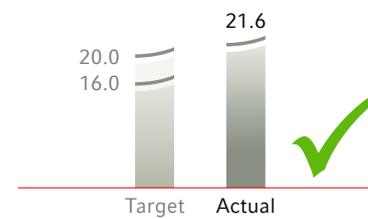
EBT *in million euros*



Investments *in million euros*



Earnings after taxes *in million euros*



Earnings per share *in euros/share*



Photofinishing sales

- ▶ The total photo volume of 2.37 billion photos surpassed expectations
- ▶ 5.8 million copies of the CEWE EPHOTOBOOK with continual quality enhancements
- ▶ New brands CEWE KALENDER, CEWE CARDS and CEWE MURALS continues to grow considerably
- ▶ Over 95 % of all photos were digital
- ▶ 65 % of all photos were picked up in retail stores

Photofinishing results

- ▶ 367.7 million Euros in photofinishing earnings exceeds the earnings target for 2013
- ▶ Turnover in fourth quarter increased significantly by 9.0 % to 145.3 million Euros
- ▶ Larger proportion of the CEWE brand products strengthened the photofinishing earnings
- ▶ Earnings per photo grew by +6.4 % to 15.53 Euro (cents).
- ▶ Excellent Christmas season resulted in 35.9 million Euros in sales
- ▶ EBIT in the fourth quarter (Q4 2012: 28.9 million Euros):
- ▶ Fourth quarter grew by 7.0 million Euros and delivered 91 % of the year's total EBIT from photofinishing before restructuring
- ▶ Year's total EBIT from photofinishing surpassed expectations: 36.3 million Euros before the non-recurring restructuring costs, thus actually 39.5 million Euros
- ▶ Photofinishing margins increase for the entire 2013-year to 9.9 %, adjusted after the non-recurring restructuring costs to 10.8 %

Online printing results

- ▶ Turnover continued to grow in 2013 with an increase of +39.2 %: 59.8 million Euros (43.0 million Euros in the previous year)
- ▶ Met the turnover expectations for 2013
- ▶ Non-recurring goodwill amortisation from the original Viaprinto plans
- ▶ Planned marketing investment boost impacted the EBIT

Retail results

- ▶ Retail sales resulted in 101.0 million Euros in revenue for the 2013-year, 3.8 % less than the previous year
- ▶ Difficult retail photo climate in Norway and Poland is the significant cause for the decline in total sales
- ▶ Ordinary fourth quarter results with improved EBIT positively contributed to the group earnings

Consolidated profit and loss statement

- ▶ All targets for 2013 were achieved
- ▶ Turnover of 528.6 million Euros, EBIT of 29.4 million Euros
- ▶ Operational EBIT before restructuring costs was 32.6 million Euros
- ▶ Fourth quarter once again exceeded the year's EBIT by 100 %: 33.5 million Euros
- ▶ Group's EBIT margin before restructuring costs increased from 5.7 % (2012) to 6.2 % (2013)
- ▶ Tax ratio dropped by 22.3 % due to the non-recurrent effect caused by the change in legal form
- ▶ Earnings per share increased to 3.29 Euros (undiluted)

Balance sheet

- ▶ Solid financing: equity ratio of 42.4 % (+2.1 percentage points)
- ▶ Non-current asset intensity continues to decline
- ▶ Operational net working capital allows tied-up capital to grow

Cash Flow

- ▶ Higher year-end earnings allow for the development of working capital
- ▶ Development of working capital dominates Cash Flow from operational activities and thus Free-Cash Flow
- ▶ Cash flow from investments before the last year's acquisition is back to a normal level

Return on capital

- ▶ Average Capital Employed dropped to 191.2 million Euros
- ▶ The development of earnings from the photofinishing business sector allows the ROCE to increase from 14.9 % to 15.4 %.

CEWE – Europe's Online Print and Photo Service

CEWE supplies both the over-the-counter trade and the Internet trade with photos and digital products.

CEWE is the service partner for first-class brands on the European photographic market. In 2013, the company developed and produced 2.4 billion photos in 5.8 million CEWE PHOTOBOOKS and photo gift items. The competitive advantages of CEWE's photofinishing include: Europe's leading brand "CEWE PHOTOBOOK", its user friendly ordering applications (PC, Mac and mobile-iOS, Android und Windows), its high level of competence in digital printing, the benefits of scale of their efficient industrial production and logistics system, broad distribution via the Internet and more than 34,000 retailers as well as over

20,000 CEWE INSTANT PHOTO stations.

In addition to photo processing, CEWE also sells its own products and photographic hardware, such as cameras, in different countries.

With the brands CEWE-PRINT, Saxoprint und viaprinto.de, CEWE is becoming an ever-important online printing service provider and customer favourite through the Internet sale of flyers, posters, brochures and business cards, etc.



CEWE at a Glance

- 11 production plants
- 24 european countries
- more than 50 successful years in Europe
- 3,200 employees
- over 34,000 retailers
- 5.8 million CEWE FOTOBÜCHER
- 2.4 billion digital prints
- over 20,00 CEWE INSTANT PHOTO Stations
- 26,747 tonnes printed-paper





“The good long-term development of the CEWE stock gives me a feeling of safety; both as an employee because it means that my employer is doing well – and also as shareholder because I’ve contributed directly to the success of the company.”

Bernd Kiefer, Technical Management, CEWE shareholder

<u>TO THE SHAREHOLDERS</u>	8	<u>INFORMATION CONCERNING TAKEOVERS</u>	123
Letter to the Shareholders	8	Information pursuant to § 315 para. 4 of the German Commercial Code (HGB)	123
Report of the Supervisory Board	13		
Interview with Dr. Rolf Hollander	17		
CEWE Share	23		
<u>STICHTUNG OF THE GROUP</u>	28	<u>ERKLÄRUNG ZUR UNTERNEHMENSFÜHRUNG</u>	137
Business Model	28	Corporate Governance Report	137
Organisation and Management System	30	Disclosure over Related Party Transactions	141
Targets and Strategies	34		
Corporate Functions	37		
<u>ECONOMIC REPORT</u>	58	<u>BOARD OF MANAGEMENT AND MANAGING DIRECTORS</u>	142
Markets	58	<u>CONSOLIDATED FINANCIAL STATEMENTS</u>	144
Results	65	Consolidated Profit and Loss Account	146
Sustainability	94	Consolidated Statement of Comprehensive Income	147
		Consolidated Balance Sheet	148
<u>SUPPLEMENTARY REPORT</u>	104	Consolidated Statement of Changes in Equity	150
Special Events Following the End of the Financial Year	104	Consolidated Cash Flow Statement	152
		Segment Reporting	154
<u>FORECAST, OPPORTUNITIES AND RISK REPORT</u>	104	Notes with Auditor's Opinion	155
Risk Report	104	Confirmation of the Balance Sheet	212
Opportunities Report	109	Auditor's Report	213
Forecast Report	110	CEWE Group – Structure and Corporate Bodies	214
<u>INTERNAL CONTROLLING AND RISK MANAGEMENT SYSTEM</u>	114	<u>FURTHER INFORMATION</u>	217
Corporate Governance Report	114	Income Statement of CEWE Stiftung & Co. KGaA	218
Compliance	119	Multi-Year Overview	222
Risk Management System	120	Production plants and distribution branches	228
		Financial Diary	229
		Imprint	229
		Glossary	230

„CEWE PHOTOBOOK is essentially the train that is pulling CEWE CARDS, CEWE CALENDAR und CEWE MURALS.“



Dr. Rolf Hollander, Chairman of the Neumüller CEWE COLOR Stiftung

Dear Shareholders,

It is with great pleasure that we are able to report that your company has developed positively during the 2013 business year. The highlight was – just as it's been for years – the Christmas season:

A gleam was brought to the eyes of ...

- ... grandparents who received a CEWE PHOTOBOOK documenting their grandchild's development.
- ... children, whose parents gave them a book containing the most important moments of the past year.
- ... newly married couples, whose wedding day will forever be remembered with a CEWE PHOTOBOOK.
- ... aunts and uncles who were gifted calendars with photos of their nieces and nephews.
- ... adventure travellers who can relive their relaxing and exciting moments through a CEWE PHOTOBOOK, and also;
- ... hobby photographers, who can finally use the quiet time prior to Christmas to combine their finest shots in an illustrated book.

Your company makes people happy

In addition to the gifts mentioned above, we can list many other fantastic products that we produced at Christmas time. The colleagues working in postproduction controlling have made sure that only quality products leave our plants during the high season. They are "astonished by just how much love and detail has gone into these great products". We are certain that recipients of our customers' gifts were very pleased, as it is difficult to find another gift that is so personal and thoughtful.

The CEWE shareholders can also enjoy the Christmas Season: Target met!

Year after year, the fourth quarter is proving to be an increasingly important quarter due to the numerous photo gifts and the many copies of CEWE PHOTOBOOKs sold. During the first three quarters, our operational result was approximately 4.1 million Euros. Thus, we were able to report to you with resounding conviction that, "Your company is on track to meet its target for 2013". The target for 2013 was an operational result between 27 and 33 million Euros. And with 29.4 million Euros, we have achieved just that. This figure reflects total earnings of 32.6 million Euros minus the restructuring costs for the Dresden subsidiary. As announced, turnover once again increased during the fourth quarter: from 4.3 million Euros to 33.5 million Euros. And we didn't just meet our operational result, we met every single other target as well: we produced a total of 2.37

billion pictures (which was more than the expected goal of 2.20- 2.26 billion photos). This is due in part to the high number of digital prints at 2.25 billion (Target: 2.1 to 2.15 billion), which is in contrast to the 0.11 million photos from film sold (Target: 0.1 – 0.11 million). And above all, the growing figure of CEWE PHOTOBOOKS is responsible for the increase in value per photo – which is approximately 200,000 photos for 5.8 million (Target: 5.8–6.0 million.). Earnings (528.6 million Euros), EBIT (29.4 million Euros) und EBT (27.8 million Euros) not only exceed those of the previous year, but are also within the target range. We expected our earnings after tax to be between 16 and 20 million. At 21.6 million Euros, they definitely exceeded our expectations. Our earnings per share (3.29 Euros) surpassed our original targets (2.44 to 3.06 Euros). The high earnings after tax are also a result of your decision to covert CEWE into a KGaA at the 2013 general meeting.

The CEWE-Team has done a great job on all fronts

As we wrote to you, such results are not accidental, but rather “the operational result of a considerable amount of work”. The colleagues in all departments really performed fantastically, both in preparing for the season and also in coping with the work load that goes along with it. A very heartfelt thank you to the entire CEWE team: A great performance!

After the game everything remains as before the game: The seasonal shift starts all over again

The seasonal shift doesn't end there, but rather keeps on going. More and more consumers are coming to understand just how valuable and personalized our CEWE photoproducts can be as gifts. Dear Shareholders, please don't be surprised to see the following sales trend in 2014: First quarter earnings that are on par with those from the first quarter of 2013, a clear decline in earnings during the second and third quarter and a sharp increase in sales in the fourth quarter.

CEWE has gone mobile!

We have a lot planned for 2014 and we don't intend on stopping. The innovations are carrying us forward. The sentence “CEWE has gone mobile!” has two meanings for us: That we are flexible and anticipate market trends through new products. CEWE has also already processed a significant number of photos from mobile phones. And these figures will only continue to rise. For many consumers, mobile phones have been replacing digital cameras. We have been preparing ourselves for this for quite some time and have made it very easy for the “mobile generation” to order photos and individual photo product or to integrate videos. Customers are not just using our flagship App, CEWE PHOTOWORLD, but rather a total of 7 CEWE Apps. And we have of course optimised our hosted website for the use of mobile phones – and not to mention for all operating systems.

CEWE Product Innovation at Photokina

On the product side, we have also been making strides. Just as it does every two years, the main trade show catering to the photography sector, the Photokina will be returning again in 2014. Your company will obviously be one of the largest exhibitors. It is always a nice occasion for us to show our products to the public just in time for the Christmas season. To this end, the innovation processes have already begun. Let yourself be surprised. We are looking forward to seeing you from 16–21 September 2014 at our exhibition booth.

CEWE Family Reunion at the General Meeting

At last year's general meeting we presented our large product range accompanied by experts who were there to answer your questions. As a result, the event had quite a unique atmosphere and many of you have expressed just how much you enjoyed this new format. We would, therefore, like to continue in this direction. On 4 July 2014, we are looking forward to welcoming you to the Weser-Ems-Hall in our house in Oldenburg. Our local retail company Wöltje, which is practically the birthplace of CEWE, will be standing by with some special "HV offers" for you.

Online Printing on an Excellent Path

Particularly important: Our growth area, online printing, is also on a very good path. Our sales of 59.841 million Euros reflect a growth of 16.8 million Euros (+39.2 %) and have reached our target of "approximately 60 million Euros". In light of this growth rate and following an interim phase in 2014, we are on course to earning more than 70 million Euros in earnings. As communicated, with a further interim phase in 2015 and then again in 2016, there is a great possibility that we will crack our target figure of 100 million Euros.

Dear Shareholders, get ready for another successful year with CEWE. The entire CEWE team is working towards achieving this goal. We are looking forward to greeting you in person at our general meeting or at Photokina.

Oldenburg, 3 March 2014





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

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

This past year was eventful. At the general meeting held on 5 June 2013 and almost ten years after going public, it was voted upon by large majority that the CEWE COLOR Holding AG would be converted to the CEWE Stiftung & Co. KGaA. This change was entered into the commercial register on 1 October 2013. Along with the change in legal form, your company streamlined its corporate structure, with die CEWE Stiftung & Co. KGaA now operating simultaneously as a holding company and an operational management group.

The supervisory board – still in the old structure – closely monitored the planning and the implementation of the legal proceedings and welcomed the fact that, in consideration of co-determination and other reasons of the parties interested in the CEWE Group, a modern and increasingly popular legal form has been created for the shareholders from this point forward.

In the expired financial year, the supervisory board again dealt extensively with the situation and business perspectives of the company and its affiliates and performed the duties imposed on it by the law, Articles of Association, rules of procedure and tasks assigned by German Corporate Governance Code without limitations.

During the reporting period, the supervisory board held five meetings, including three during the first half of the calendar year and two during the second half. All members of the board participated in at least three of the meetings.

Following the meetings, the supervisory board held internal meetings to go over the submissions and reports of the board of management and consulted, when necessary, with external advisors on topics such as IT security.

Composition of the supervisory board

Dr. Christian Jacobs resigned at the end of February 2013. The supervisory board thanks Dr. Jacobs for his willingness to serve the company as a shareholder during turbulent times, as well as for his role on the board.

Dr. Hans-Henning Wiegmann, who was already appointed as a member at the district court of Oldenburg in accordance with § 104 of the German Stock Corporation Act, was chosen as the newest member of the supervisory committee at the general meeting held on 5 June 2013.

Afterwards the supervisory board composition looked as follows:

Otto Korte (Chairman)

Prof. Dr. Dr. h. c. Hans-Jürgen Appelrath (Deputy Chairman)

Prof. Dr. Christiane Hipp

Corinna Linner

Prof. Dr. Michael Paetsch

Dr. Hans-Henning Wiegmann

The transfer of the executed, operational transactions of the CEWE GROUP, which took place following the change in legal form from the CEWE COLOR AG & Co. OHG to the CEWE Stiftung & Co. KGaA, led to a change in the co-determination. The supervisory board shall hereinafter be composed of twelve members, six of whom are employee representatives. The remaining six members will be chosen at the general meeting. The former appointing rights are no longer applicable.

In anticipation of the new composition of the Supervisory Board, it was decided at the general meeting held on 5 June 2013 that the current supervisory board members were to elect shareholder representatives effective 1 October 2013. Pursuant to the order of 29 October 2013, the district court of Oldenburg appointed 6 employee representatives, as until this point, then the co-determined board had no employee representatives due to the yet to be implemented status proceedings.

For the first time on 6 November 2013, the supervisory board's composition looked as follows:

Frau Vera Ackermann, Hude*
 Herr Prof. Dr. Dr. h. c. Hans-Jürgen Appelrath, Oldenburg
 Herr Michael Bühl, Münstertal*
 Frau Angelika Esser, Mönchengladbach*
 Frau Prof. Dr. Christiane Hipp, Berlin
 Herr Otto Korte, Oldenburg
 Frau Corinna Linner, Baldham
 Prof. Dr. Michael Paetsch, Willich
 Herr Udo Preuss, Aichach*
 Herr Thorsten Sommer, Wardenburg*
 Herr Stefan Soltmann, Hannover*
 Herr Dr. Hans-Henning Wiegmann, Schlangenbad.

* *Employee representative*

At this meeting, Mr. Otto Korte was confirmed as the chairman of the board and Ms. Vera Ackermann was appointed as his deputy.

During the 2013 fiscal year, the board of management of the CEWE COLOR Holding AG or the der Neumüller CeWe Color Stiftung, which since the change in legal form acted as the liable business partner of the CEWE Stiftung & Co. KGaA, performed its functions with an unchanged composition of members. Mr. Felix Thalmann und Dr. Michael Fries left the board of management following the expiration of their contracts.

Supervisory board meetings

In 2013, the Supervisory Board held five meetings on the following dates: 14 February 2013, 26 March 2013 (Interim Meeting), 5 June 2013, 5 September 2013 and 6 November 2013. The interim meeting that took place on 26 March 2013 was also an audit committee meeting.

The supervisory board regularly held internal meetings usually after having a meeting with the board of management.

Priorities – Supervisory board issues

In each meeting, the Supervisory Board dealt with the Group's individual business segments as well as those concerning the foreign subsidiaries.

The integration of the online printing sector was another focus of interest, as it made its first full-year contribution to revenues and continued to grow strongly.

Furthermore, the board of management regularly reported on the further development measures for the company regarding online printing.

The supervisory board is finally convinced that an adequate early risk detection system will be maintained. The board sought the advice of an external advisor as well as an auditor appointed by the company regarding risk assessment and management and is convinced of its effectiveness.

Committees

The supervisory board was relatively small with just six people until the change in legal form took place. Therefore, it also performed the duties of the audit committee, nomination committee as well as employee committee in their entirety.

At the meeting held on 6 November 2013, the supervisory board established an audit committee in accordance with its newly adopted

rules of procedure. Mrs. Corinna Linner was elected as chairman and Mr. Thorsten Sommer was elected as a member. In accordance with the rules of procedure, other members include Mr. Otto Korte and Mrs. Vera Ackermann.

Furthermore, at the meeting held on the 6 November 2013, the supervisory board formed a nominations committee, which in addition to the chairman of the supervisory board comprised Dr. Appelrath und Dr. Wiegmann.

The committees did not meet during the reporting period.

Corporate governance

The members of the supervisory board worked intensively with the German Corporate Governance Code and also on the changes. The board of management and the supervisory board issued an updated declaration in accordance with § 161 of the German Stock Corporation Act, which was permanently posted on the companies' website on 1 February 2014. On pages 114 ff. as well as in the Corporate Governance Report, the Board of Management also provides a business report for the Supervisory Board regarding CEWE's corporate governance. The report includes the declaration on corporate governance in accordance to § 289 of the German Commercial Code, which the supervisory board discussed and approved at the meeting, held on 13 February 2014.

Ombudsmen

The ombudsman, who is in contact with the supervisory board, has nothing to report.

Quarterly reports

Prior to publishing these figures and quarterly report statements, the supervisory board discussed these figures with the board of management, sometimes via teleconference.

Conflicts of interest

Conflicts of interest for members of the board of management or the supervisory boards are to be communicated to the supervisory board and at the general meeting without hesitation. No such conflicts of interest were communicated.

Efficiency audit

Given the new revamp of the supervisory board's composition, the board has decided to renew their efficiency testing in early fall 2014, as this will be the first opportunity to collect data regarding the collaboration.

Annual and consolidated financial statements

CEWE Stiftung & Co. KGaA's financial statements and the management report were compiled in accordance with the guidelines stipulated in the German Commercial Code. Pursuant to § 315a of the German Commercial Code, the financial statements and group management report must be in accordance with the "International Financial Reporting Standards" (IFRS).

The supervisory board has commissioned a limited liability company of auditors and consultants, the Commercial Treuhand Gesellschaft, with the auditing of the annual and consolidated financial statements for the 2013 business year. The auditor verified CEWE Stiftung & Co. KGaA's financial statements, as well as the management reports and provided each with an unqualified auditor's certificate.

In its meeting on 18 March 2014, the auditing committee ensured that, on basis of the audit reports and report from the board of management, both certifications together with the respective management report were in compliance with the reporting framework and that the image created by these reports gave a true and fair view of the assets and financial and profit situation of the respective group. The auditor was there to participate in the negotiations regarding the annual financial statement and respective management reports and to report on all the findings of his audit, in particular on all weak-

 Page 126 | Compensation Report

 Page 114 | Corporate Governance
Page 120 | Risk Management System

nesses identified in the internal controlling and risk management systems in relation to the financial reporting process. The chairman of the auditing committee informed the supervisory board of these negotiations.

The supervisory board also cross-verified the annual financial statement, management report and recommendation regarding the appropriation of net earnings, as well as the consolidated financial statement and group management report for the 2013 business year. Complete documents were provided on time. Representatives of the auditor also attended the supervisory board's interim meeting on 19 March 2014 provided additional information as required. Further questions from the supervisory board members led to an in-depth discussion regarding the results.

The supervisory board ensured that the proposal from the business partner regarding the appropriation of retained earnings on assets and the financial and profit situation were appropriate and was approved in the presence and agreement of the auditor.

After preliminary review by the auditing committee, the supervisory board reviewed and approved the annual financial statement and consolidated financial statement of the CEWE Stiftung & Co. KGaA, as well as the respective management reports. No objections were raised. The general meeting is responsible for approving the annual financial statement of the CEWE Stiftung & Co. KGaA. At the interim meeting on 18 March 2014, the supervisory board aligned itself with the proposal of the liable business partner to assess the annual financial statement of the CEWE Stiftung & Co. KGaA and approved the general partner's proposal regarding the appropriation of net earnings, which is to set aside a dividend of 1.50 Euro.

Report on affiliated companies

Subject to a review by the supervisory board, the liable business partner issued a report regarding business relationships with affiliated companies (Report on affiliated companies) for the reporting

year in accordance with § 312 of the German Stock Corporation Act. The auditor, who issued the following audit certificate, also reviewed the report on affiliated companies:

"After our conscientious audit and assessment, we confirm that:

1. the statements of fact in the report are correct
2. none of the company's performances resulting from the legal transactions specified in the report were inappropriately high".

The audit report from the report on affiliated companies was made available to all members of the supervisory board. These documents were provided to the auditing committee at the meeting of 18 March 2014, as well as at the interim meeting of 19 March 2014. Following a detailed discussion with the auditor and board of management regarding the final results, the supervisory board raised no objections against the statement made by the liable business partner at the end of the report of affiliated companies. The supervisory board agreed with and took note of the auditor's result from the audit of the report on affiliated companies.

Gratitude

On behalf of the Supervisory Board, I would like to thank the members of the Management Board, as well as the employees for their hard work and their successful dedication throughout the past business year.

Oldenburg, 19 March 2014

Supervisory Board of the CEWE Stiftung & Co. KGaA

Otto Korte, Chairman

INTERVIEW WITH DR. ROLF HOLLANDER

Chairman of the Neumüller CEWE COLOR Stiftung

Dr. Hollander, do you anxiously wonder whether or not the annual targets will be met year after year? The operating earnings were just 4.1 million Euros after the first three quarters and it wasn't until the fourth quarter, due to a surge in earnings, that operating earnings soared to 29.4 million Euros...

Why would we be worried? We have been observing this trend towards a seasonal shift for years. We prepare ourselves for it ahead of time and ensure that our capacity is strong and flexible. Our flexible production is now geared towards the peak season in the fourth quarter. To illustrate this, we generated 76.4 % more sales during the Christmas quarter than we did during the first quarter of 2013 and achieved a new quarterly record of 188.1 million Euros. At the same time, our operating earnings increased to 33.5 million Euros, which is a 15 % increase from the fourth quarter operating earnings in 2012. This is certainly something to be proud of. At a price of 3.29 Euros, our earnings per share in 2013 grew by 14.1 % in comparison to last year's share price, which was 7.5 % beyond the upper-end of our target range. One by one were we able to check off all of our markets – CEWE either met or exceeded every target. With all due modesty, I am very proud of our employees, who impressively contributed to our profit-oriented growth in 2013.

Dr. Hollander, your growth was largely due to online printing, which grew by 40 percent. Will online printing continue to be the growth driver of our business?

A resounding yes! As announced, we are well on our way to cracking the 100 million Euro mark in our newest business segment by 2016.



Offset printing with large volumes played a large part in this success, whereas that from digital printing was comparatively manageable. Disappointed?

Not at all! For us, online digital printing was the entrance ticket into the new business segment. In order to be prepared for different developments, we launched two independent campaigns on the market. In 2008, we initially discovered that our commercial customers were “misusing” our CEWE PHOTOBOK software to create product brochures or price lists, rather than wedding and vacation books. We simply needed to develop the customer potential. For ease of use, we wanted these commercial customers to be able to access our digital printing capacities directly from Word, PowerPoint or PDF format. In 2008, we acquired a company of approximately 30 software engineers in order to make this possible. Here, our strategic goal was to gain online printing competencies. And thus, with the help of the software engineers, we were able to understand the inner workings of online printing quickly and develop our first product. It was only through this newly acquired expertise that we were in a position to estimate correctly with extreme precision the high growth rate and direction of development of online offset printing. Customer feedback at viaprinto.de then showed us early on that the majority of orders from commercial customers comprised of print runs, which could be made more cost efficient with an offset printing machine, as opposed to being printed digitally. Therefore, with the acquisition of Saxoprint, we decided to establish a relevant market position in online offset printing as soon as possible. We are now active in two market positions: viaprinto primarily provides smaller runs, which for the most part are digitally printed, higher quality and bound products. At Saxoprint/CEWE PRINT, the customers primarily order larger runs, which are produced with offset printing.



Why then the amortisation of goodwill in online printing of 2.7 million Euros?

With our first acquisition which today acts as viaprinto on the market, and the purchase of Saxoprint, goodwill entered onto our balance sheet. And while the total volume of our online printing developed in line with our assumptions, the share from viaprinto got smaller and share from Saxoprint/CEWE PRINT grew larger than initially expected. Since the cash value of future earnings at viaprinto dropped, we partly amortised the goodwill. Online printing doesn't negatively affect the potential of our business segment. We don't invest in goodwill, but rather in facilities, competencies and commercial operations. Value no longer depends on the name viaprinto, but rather on Saxoprint und CEWE PRINT. And by the way: The current proportion of all goodwill on our balance sheet is a good 7%. This is a benchmark for a conservative balance sheet, which we feel quite comfortable with.

Speaking of conservative: They have been talking of "sustainability" for quite some time. At this stage, is sustainability an aspect of your financial management?

Our financial reasoning, just as it is for all other functions, has always been in line with that of most typical medium-sized companies. Therefore, sustainability, in the sense of a long-term-oriented mindset, has always mattered to us.

But with that said, you still need to take risks! You have to buy machines without knowing for sure whether or not they really will deliver the desired effect.

We are a business, thus risks are of course a part of our core business, but with a sense of proportion and balance. And, herein lies the important faction of finance: The financial sector supports the departments at CEWE that are responsible for investment planning with the necessary investment calculations and monitoring thereof. In this regard, we are

very accurate. Just as it is with most decision factors, we are quite number based. The traditional cost awareness that is typical for a medium-sized business is deeply embedded into our DNA and represents a part of our sustainability. We don't waste any money: For every Euro that leaves our house, you can be assured that we have taken into account what we are trying to achieve and are constantly asking ourselves if something can be done cheaper.

Is your medium-sized company a conservative way of thinking something that it criticized by financial investors? At 42%, you have quite the stately equity ratio. Do your shareholders ever insist upon more capital efficiency?

Both economic behaviours can lead to economic success: Those which are aligned with very high capital efficiency positioning, as well as those which – I would like to say – are typical family businesses that are more focussed on long-term performance. Alongside other differences, both of these perspectives certainly have varying return/risk characteristics. And, these differing profiles are attractive to different types of investors. We choose long-term performance. And, because we want as many of our shareholders as possible to share our perspective, we communicate our way of thinking in a very open way to any and all interested investors. This way we can avoid disappointing investors who are interested in short-term yields, while also attracting shareholders who share our long-term perspective. The high equity ratio and our liquidity reserve provide stability and security and allow us to also simultaneously pursue appealing acquisitions, such as what we have done with Saxoprint.

In all honesty, what are the shareholders saying about a distribution quota of 46 %?

Aha, now the real questions! According to the financial press, a distribution quota of “almost 40 %” is average for listed companies. However, our angle here isn’t the distribution quota, but rather creating a sustainable business model for our shareholders. And, this includes a well-balanced stability ratio and distribution quota that grows from year to year. For us, the resulting distribution ratio is just a residuum and not a control parameter. We proved this in 2009. At the time, we even distributed over 100 % in order to be able to represent the rising dividends. Our conservative prospects were also accountable for this, because we had kept our eye on the burdensome transformation from analogue to digital. Even in the analogue to digital transformation phase we paid dividends every year. And take a look at the progress that we have made since 2008: The dividends rose every year. And in 2013, dividends of 1.XX Euros per share represent yet another increase.

What can we expect from CEWE in the next few years, as well as long-term?

As previously said, we plan to continue to go down our current path for the next couple of years: Photofinishing will continue to be an important source of revenue with likely little change in revenue. This is increasingly generating value added products – especially the CEWE PHOTOBOK. Last but not least, reasonable margins can be obtained with photofinishing. The heart of our retail business resides in the field of photofinishing, which these websites – and the associated retail stores – make with photo processing and whose turnover and revenue is shown in the strategic business segment of photofinishing. Through the earnings generated in the core business segments, CEWE is able to promote online printing as a growth business.

And long-term?

We are also thinking about other business segments, beyond online printing, which can carry us forward long-term. However, it is still a little too early to be talking about this. For us, longevity and sustainability aren’t purely economic issues, but rather a holistic subject.

With your entire chemical photo developing, you must surely be a blue angel by now?

That is a misconception! We have been over the topic of chemicals for quite some time. We look forward to new achievements, such as the blue angel for the new data centre in Oldenburg, which we were awarded in 2013. There we fulfil the environmental standards in accordance with ISO 14.001 and energy management standards in accordance with ISO 5.001.

There are two remaining sustainability aspects: Social and corporate. Was there any progress in 2013?

It is certainly a remarkable achievement that our seasonal staff of 250 employees has returned to CEWE for at least two Christmas seasons. This helps all parties involved. These co-workers are happy to receive an extra fourth quarter Christmas bonus during the high season. And, since experienced staff has manufactured our products, we can continue to deliver high quality products to our consumers. For CEWE, we save on recruitment and training costs. For our permanent workforce, we would like to improve our work-life balance. On this front, we already made great strides in 2013 by introducing a flexible working time model. Leadership positions can now also be filled with part-time employees. In the summer of 2013, we implemented children summer camps for a second time – demand for which has increased significantly.

We are also enthusiastically committed to the SOS children's villages. Children are one of the biggest reasons why people take pictures. We always want to preserve memories for ourselves and for our children. As such, children, as well as the promotion of children, are a good fit for CEWE. Therefore, the customers also support this commitment.

Our employees also actively help with projects in SOS children's villages that are located near CEWE work sites. We actively support this as well. To this end, we promote the SOS children and youth services in Düsseldorf, which are located near the CEWE branch in Mönchengladbach, as well as the SOS village "Schwarzwald" that is located close to our production plant in Freiburg and "Ammersee-Lech", which isn't too far away from our München/Gemering subsidiary. Our employees also take great pleasure in being able to provide practical help.

Many thanks to Dr. Hollander for the interview



We are a factor
of success.

Any good print starts with artwork. That is why our prepress and customer service make sure that your data is checked thoroughly and that it is forwarded in top-notch quality to our modern print machines. The results are brilliant and precise!

Every print convinces with: ♦ personal support
♦ service quality ♦ latest print technology ♦ on-time delivery ♦ brilliant colours

CEWE SHARE

Stock markets profited from the expansive monetary policy in 2013

The central banks' expansive monetary policy – led by the Federal Reserve Bank, European Central Bank and Bank of Japan – significantly influenced the positive development of the stock markets in 2013, which developed in large part independently of fundamental economic data. As a result, a first market rally took place until the beginning of May 2013. However, due to the significant reduction in monthly bond purchases by the FED, this rally came to a halt until September. Once the Federal Open Market Committee foresaw a reduction in monthly bond purchases, bond yields sank even further. This event marked the starting point for a second market rally, which lasted until the end of November. Many indices reached new all-time highs over the course of the year.

CEWE share climbed considerably in 2013: +21.5 % and was, therefore, better than the DAX and SDAX

In comparison to the 2012 year-end exchange rate, the CEWE share grew 11.72 Euros, ending the 2013 year with 42.75 Euros (+37.7 %), thus clearly outperforming the DAX, which grew by +25.5 % in the same time period. The CEWE share also displayed a stronger growth than that of the SDAX, which grew by 29.4 % in 2013. After the end of the reporting period for this year's financial statement, the CEWE share has already risen to over 50 Euros in the first two months of 2014.

Key share indicators

Securities type	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 listing	March 24, 1993
Number of shares	7,400,020 units
Daily volume (average 2013)	17,469 units
Annual high 2013	42.96 euros
Annual low 2013	30.42 euros
Closing rate 2013	42.75 euros

CEWE share January 1, 2013 to March 28, 2014 in euros



Increasing trading volumes: In 2013 17,000 CEWE shares were traded daily in 2013

In 2013, the demand for CEWE shares on the German stock exchange was higher than the previous year, with an average of 17,469 CEWE shares traded per day. In 2012, an average of just 14,909 CEWE shares was traded on a daily basis. Thus, in 2013 over 4.4 million CEWE shares were traded on the German stock exchange.

 [www.cewe.de/investor-relations/CEWE Share/analysten](http://www.cewe.de/investor-relations/CEWE%20Share/analysten)

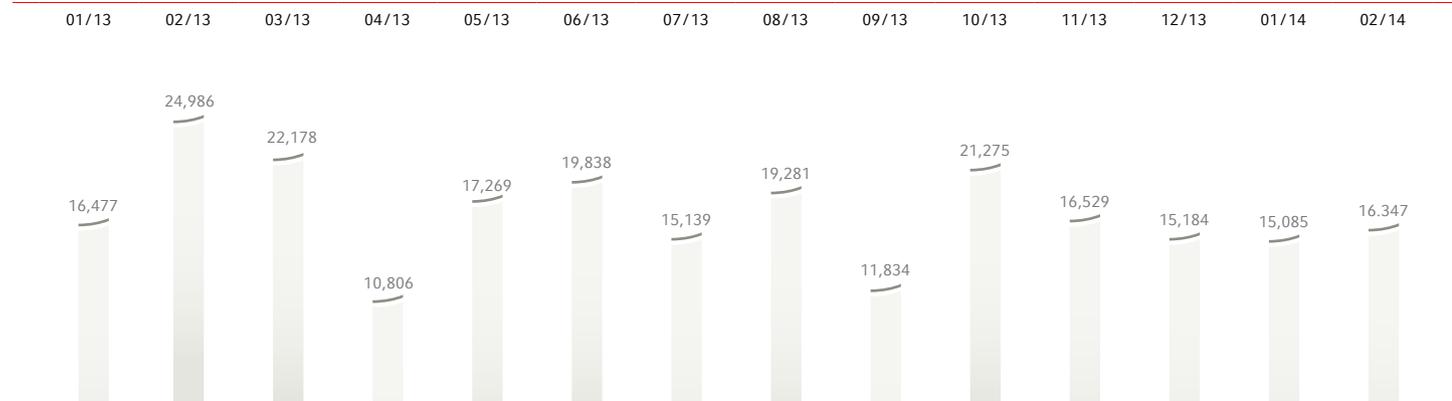
All analysts continue to view CEWE as being consistently positive

All analysts tracking CEWE are in agreement regarding their positive analysis of the shares. Four analysts give the CEWE share a “Buy” or an “Overweight” recommendation and five analysts have recommended to “Hold”. The detailed survey can be downloaded from the investor relations’ sections on the CEWE homepage.

CEWE Share – a strong member of the SDAX

In December 2013, CEWE ranked 77th (74th in the previous year) in accordance with the criteria regarding “trading volume” and 88th (89th in the previous year) in accordance with the criteria regarding market capitalisation. For this reason, the CEWE share has established itself as a major player on the SDAX Index, which is a status that is typically reserved for shares ranking 110th or better.

Average trading volume in shares per day



A stabile shareholder structure strengthens the management course

Due to the anchor investor, the community of heirs of Senator h.c. Heinz Neumüller (ACN Vermögensverwaltungsgesellschaft mbH & Co. KG, 27.4 %), CEWE has a very stable ownership structure. Additionally, the Danish capital investment company, Sparinvest, has been a vital investor and member of the group of principal shareholders for many years.

CEWE is there for its shareholders

Investor relations at CEWE have a very clear target: To keep in line with the principles of fair disclosure by informing all market participants in a timely, comprehensive and consistent manner, thus ensuring a level of transparency.

To achieve these ends, CEWE publishes all business and interim reports, as well as capital market information on the Internet at www.cewe.de.

All analysts' telephone conferences are broadcasted on the CEWE Internet site as web and audio casts directly after they take place. All significant company presentations given at conferences and other events are also published on the Internet.

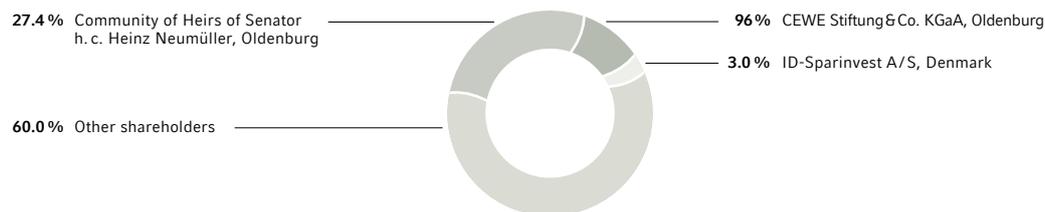
In 2013, the Board of Directors and Investor Relations Team presented the company at six capital market conferences and spent a 20 days going to and from road shows in major European financial market centres. For a current overview of the schedules events for 2014, please consult the Financial Diary on page 229 of this report.

 <http://ir.cewe.de>

 Page 229 | Financial Diary

Overview of the current analyst ratings	Analysis	Date
Berenberg Bank	Buy	Feb. 27, 14
Bankhaus Lampe	Hold	Feb. 26, 14
BHF Bank	Overweight	Feb. 26, 14
CB Seydler Bank	Hold	Feb. 26, 14
NordLB	Buy	Feb. 26, 14
Warburg Research	Buy	Feb. 26, 14
Deutsche Bank	Buy	Oct. 22, 13
Commerzbank	Buy	Nov. 1, 13
GSC Research	Buy	Nov. 1, 13

Shareholder structure (March 2014) in % (100 % refer to 7.4 million shares)



"It is a lot of fun to work at CEWE. Even more so since the CEWE PHOTOALBUM, the CEWE CALNEDARS, CEWE CARDS, and CEWE POSTERS are real brand-name products that everybody knows, which are selling faster and faster. As an employee this makes me proud of my work – and as shareholder I also see this success reflected in the satisfying development of my dividends."

Martina Rütemann, Versand, CEWE-Aktionärin



CONSOLIDATED MANAGEMENT REPORT

BASIC INFORMATION ON THE GROUP	28	INTERNAL CONTROL AND RISK	
Business model	28	MANAGEMENT SYSTEM	114
Organisation and tax regimes	30	Corporate Governance Report	114
Targets and strategies	34	Compliance	119
Corporate functions	37	Risk Management System	120
ECONOMIC REPORT	58	ACQUISITION-RELATED INFORMATION	123
Markets	58	Information required pursuant to Section 315 (4)	
Results	65	German Commercial Code (HGB)	123
Sustainability	94	COMPENSATION REPORT	126
SUPPLEMENTARY REPORT	104	CORPORATE GOVERNANCE STATEMENT	137
Events of particular importance after the end of the 2013 financial year	104	Business Management Report	137
REPORT ON EXPECTED DEVELOPMENT, OPPORTUNITIES AND RISKS	104	Related Party Disclosures	141
Risk Report	104	EXECUTIVE BOARD AND DIRECTORS	142
Report on Opportunities	109		
Report on Expected Developments	110		

BASIC INFORMATION ON THE GROUP

Business model

CEWE operates in three strategic business areas: Photofinishing, Retail and Online Printing. The Reporting segment is guided by these strategic business areas.

Photofinishing – CEWE’s traditional core business

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 produces a very high level of value addition in this field. The raw materials purchased by CEWE largely consist of paper and other products to which the photos and other content are applied. Our traditional core products are single photos, the majority of which are produced in CEWE’s labs by means of the silver-halide process, or the dry-printing done at the points-of-sale of our business partners. Individual photos can originate from analogue or digital media generated by digital camera or mobile phone. Over 95 % of photos now originate from digital sources and are applied to many different products. Over the last ten years, the CEWE PHOTOBOOK has established itself as the primary product in this regard. Furthermore, CEWE has also rigorously expanded its product range, with other significant turnover generators now including CEWE CALENDARS, CEWE CARDS and CEWE WALL DECORATIONS.

The product management of CEWE not only develops new products, but also enhances demand and sales volumes through product and market communication. Consumers can purchase CEWE’s photofinishing

products from business partners and, in some countries, directly from CEWE. CEWE directly implements the purchase order acceptance and customer communication processes connected with the vast majority of photofinishing products ordered from CEWE.

Almost 100 % of CEWE’s photofinishing business takes place in Europe.

Proprietary Retail with important functions

CEWE has multi-channel retailing operations in Poland, the Czech Republic, Slovakia, Norway and Sweden. Over-the-counter outlets and online shops (brands include e. g. Fotojoker, Fotolab, Japan Photo) fulfil important functions in those locations for CEWE. Firstly, they are a major channel for distributing CEWE photo products directly to end consumers. The corresponding net sales and revenues are shown in the Photofinishing segment. Secondly, CEWE is afforded the opportunity to directly test and further develop new marketing strategies for digital added-value products – above all the CEWE PHOTOBOOK – over the internet and in retail outlets. Thirdly, the know-how can be passed on to business partners. In this respect, the CEWE retail trade delivers significant findings and references.

Online Printing – the growth area

The inclusion of the CEWE PHOTOBOOK into the product range has advanced CEWE’s development as a digital printing enterprise. Digitally printed books are in demand from both consumers and commercial customers, who clearly appreciate the combination of

product quality, ordering convenience, price, delivery time and availability of short print editions. CEWE consequently began in 2009 to offer its www.viaprinto.de online printing service not only via its CEWE PHOTOBOOK software, but also coupled with other standard software formats. In 2012, CEWE acquired the Saxoprint Group, a specialist in online offset printing. Saxoprint's offset printing gives CEWE an attractive offer for customers wishing to order its products in larger runs (www.cewe-print.de). With its Online Printing operations, CEWE is currently active first and foremost in Germany, but local websites are already up and running in many other European countries and are generating increasing business in those locations.

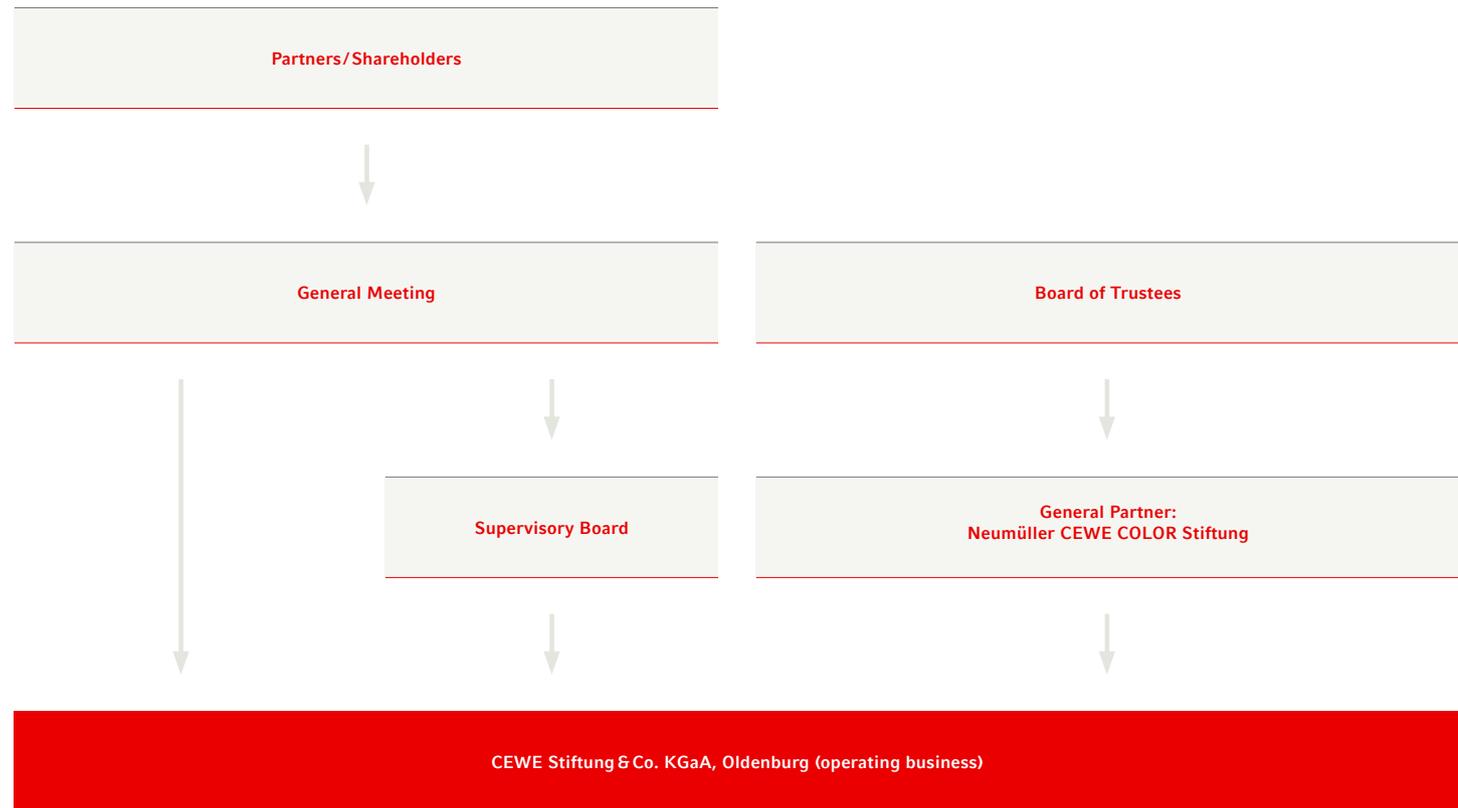
The depth of value creation in Online Printing is very similar to that in Photofinishing. In this case, however, CEWE does not supply any software for creating the print product (unlike its CEWE PHOTOBOOK software, for instance). Customers order online printing services directly from the CEWE Group companies.

Organisation and tax regimes

Organisational structure

The CEWE corporate group is structured as follows:

Page 142
Executive Board and Directors



2013: Change of legal form into a partnership limited by shares (Kommanditgesellschaft auf Aktien, or KGaA)

At the annual general meeting held on 5 June 2013, a large majority of shareholders approved the legal form change of „CEWE COLOR Holding AG“ into „CEWE Stiftung & Co. KGaA“. CEWE COLOR Holding AG was previously the financial holding company within the CEWE Group and was one of the two shareholders of CEWE COLOR AG & Co.OHG. The legal change of CEWE COLOR Holding AG into „CEWE Stiftung & Co. KGaA“ was entered in the commercial register of the Oldenburg District Court on 1 October 2013.

Since Neumüller CEWE COLOR Stiftung also relinquished its shareholder status in CEWE COLOR AG & Co. OHG as of the effective date of the new legal form, its operative business was absorbed into CEWE Stiftung & Co. KGaA. Neumüller CEWE COLOR Stiftung now occupies the role of personally liable partner and sole executive director.

Neumüller CEWE COLOR Stiftung is represented by eight executive directors.

The remaining 3,220 employees of the Group are employed by CEWE Stiftung & Co. KGaA and the subsidiary companies of the group.

The legal switch to a KGaA (partnership limited by shares) enables the group to earn an additional EUR 10 million after taxes over the long term, i. e. about EUR 3 million in the year of registration as well as a continued regular effect in the subsequent years. Moreover, CEWE's new legal form is more customary and familiar to the capital market, thereby enhancing corporate governance.

Both the previous legal form and the current KGaA (partnership limited by shares) arrangement were selected to exploit the typical strengths of capital market-oriented companies and family enterprises on behalf of the CEWE Group.

Legal structure combines the advantages of capital market and family enterprises

The company founder, Senator h. c. Heinz Neumüller, wished to permanently anchor his entrepreneurial principles within the company in order to secure its long-term existence. This objective is fulfilled by Neumüller CEWE COLOR Stiftung and the large shareholding of ACN Vermögensverwaltungsgesellschaft mbH & Co. KG (community of heirs of Senator h. c. Heinz Neumüller, largest shareholder with 27.4 %). The first-mentioned ensures the continued management of the group in the spirit of Senator h. c. Heinz Neumüller's legacy, thus supporting its character as a family enterprise. This represents the long-term orientation of corporate policy. For this reason, it also exercises the management function.

The company founder also constantly emphasized the need for innovative, yield-optimised operations by the CEWE corporate group. These entrepreneurial objectives are effectively promoted by the capital market. Safeguarding the shareholders' interests in an attractive investment requires and supports decisions from the Board, which in the present case is comprised of the Board of Management and the Supervisory Board. Here too, a consistently sound performance oriented towards sustainable value addition is the focal point of corporate development, and hence investments as well.

The combination of these two benefits is the key to an innovative company that is managed in an economically sustainable and income-oriented manner while also doing justice to its social role as employer and economic factor.

This objective became legally effective on 30 September 2013 in the structure of CEWE COLOR AG & Co. OHG with its two shareholders, CEWE COLOR Holding AG and Neumüller CEWE COLOR Stiftung. Especially in order to avoid a structural tax disadvantage, the CEWE Group has been operating since 1 October 2013 as CEWE Stiftung & Co. KGaA, with Neumüller CEWE COLOR Stiftung as the general partner.

 Page 25 | Shareholder structure

 Page 142
Executive Board and General
Management

 Page 65 | Results

CEWE operates through a total of 32 subsidiaries

CEWE Stiftung & Co. KGaA is the parent company of all CEWE group activities. Depending on local national circumstances, the Photofinishing and Online Printing businesses in the various European countries are managed either as one legal and organisational unit or via separate units. Retail is directly coupled with Photofinishing in countries where a production site is located. Elsewhere, it operates independently. In operational terms, the photo products are also distributed by the Retail companies. For strategic management purposes, however, they are included in the strategic business area of Photofinishing, as they follow a completely different growth track and have a different strategic significance than the photo hardware grouped under Retail.

Management of the CEWE Group by the Executive Board and Directors

The Executive Board and directors of Neumüller CEWE COLOR Stiftung are responsible for the overall planning and realisation of the objectives of the CEWE Group. The allocation of responsibilities is explained in the „Executive Board and Directors“ chapter.

Regular strategic work: economic forecast based on discernible trends

The long-term strategy for the CEWE Group is determined by the Executive Board and the managing directors of the Neumüller Color Stiftung. The strategy is aligned to developments in the competitive, sales market and technological fields. The switch from analogue to digital has injected a strong dynamic impulse into this environment. The Board of Management consequently meets several times during the year to revise the strategic direction and discuss the tactical and operative consequences to be implemented. External experts are also called into these discussions as and when required.

Inclusion of profit centre heads in the planning process

Based on strategic perspectives and anticipated market developments, CEWE determines planning parameters once a year and forwards them to the heads of operating sites and distribution companies. Using these as their basis, they prepare plans that focus on the following year but include a longer-term perspective with possibly several future stages. The finalised business plan with key data for the following year is then presented to the public. This plan and current indicators serve to draw up comparisons between targeted and interim actual figures as well as to project final results for the current financial year. However, due to the seasonal shift described in the „Net sales“ and „Costs and Results“ sections of the „Results“ chapter, the significance of the fourth quarter, and especially the last two months of the year, is always greater. This presents a special challenge for making projections.

Investments based on profitability calculations

Investments, which are consistently accompanied by profitability calculations, are a component of this planning.

Close monitoring through monthly target/actual comparisons

A target/actual comparison is conducted every month concerning the income statement for the strategic business areas, for each of the profit centres and for the CEWE Group as a whole. The balance sheet and the cash flow statement are drawn up quarterly. These target/actual comparisons enable the target fulfilment to be closely monitored, so that the Executive Board and directors can intervene promptly if required. At the same time, these and other operative key-performance indicators of the production sites and distribution companies are made available to all heads of these profit centres to permit internal benchmarking and exchanges of practical information. The most important financial key figures utilised by CEWE are described below in the section entitled „Targets and strategies“.

Diverse and detailed management information systems

Besides this core element comprising accounts-related comparisons, the profit centre heads, the Executive Board and directors and all relevant managers are also provided with comprehensive key-performance indicators, some of which are updated as often as daily. These include, for instance, market data from various market research institutes, sales information about quantity, price and net sales, comprehensive key figures detailing production and delivery times, costs and quality, additional controlling information concerning every enterprise function (e. g. personnel, logistics, customer service, investor relations, finances etc.), a margin calculation for product contributions and a margin calculation for trading partner contributions etc. The most important key non-financial figures used by CEWE are also described below in the section entitled „Targets and strategies“.

Uncluttered meeting structure

Group-level management activities are implemented at regular meetings as well as in the ad-hoc discussions that naturally arise. The key elements of these discussions are as follows: A weekly meeting takes place between the members of the Board of Management and the directors. A meeting is conducted once a week to examine core measures for the management of innovations. Besides the responsible board members and directors, the session is also attended by the managers and employees dealing with the aspects in question, particularly those from Marketing, Product Management, Research & Development and Production. The board members and directors meet with the profit centre heads several times a year to discuss the current situation of the company and the latest developments in competition, sales markets and the field of technology. They will also determine new corporate development measures whenever necessary.

Targets and strategies

The findings gained from market research and strategic activities are fed into the long-term CEWE forecast model and provide the CEWE management with a perspective on possible future income statements, balance sheets, cash flows and the enterprise value.

Continuous corporate transformation:

CEWE defines initiatives and implements them rigorously

On the basis of this forecast, CEWE defines initiatives to shape its future development in the interests of the enterprise and all its stakeholders. The effects of these initiatives are likewise added to the CEWE forecast model. The management then continuously works towards the implementation of these measures within the structures described above. In so doing, CEWE is permanently at work on its own transformation.

Focusing on long-term profit and enterprise value

CEWE uses these measures to focus clearly on the optimisation of the long-term corporate situation. The quarterly result and sometimes even the annual result are subordinated to the long-term vitality of the enterprise. CEWE thinks in decades.

Objective: Profitable and capital-efficient growth to increase the enterprise value

The paramount long-term objective of the CEWE Group is sustainably profitable, capital-efficient growth. In pursuit of this goal, CEWE monitors both non-financial and financial key-performance indicators, which are also published for the annual targets. No target values are published for the additional, balance sheet-related indicators. All these figures are reported to the capital market at the end of every quarter.

Non-financial key-performance indicators: The number of photos first and foremost

One non-financial key-performance indicator used by CEWE in its Photofinishing business is the total number of photos, broken down into photos from film (i. e. analogue-based photos) and digital photos. In this context, digital photos encompass all photos reproduced in the added-value products (e. g. CEWE PHOTOBOOK, CEWE CARDS, CEWE CALENDAR and CEWE WALL PHOTOS). Due to its major significance, the number is indicated as a separate key-performance indicator under CEWE PHOTOBOOK. CEWE's management analyses these figures at least once a week and sometimes daily. In the annual financial statement, CEWE reports the performance in the form of a target/actual comparison („Highlights“). This is discussed in the „Results“ chapter. The forecast contains a target value for the following year. Non-financial key-performance indicators have not played a comparatively important role to date in Online Printing and are therefore not discussed in external communications.

		Internal Reporting	External Reporting	Annual Prognosis
Non-financial key indicators	Photos from film	Week	Quarter	yes
	Digital photos			yes
	CEWE PHOTOBOOKS			yes
Financial key performance indicators	Net sales	Day	Quarter	yes
	EBIT	Month		yes
	EBT			yes
	Investments	Month/Quarter	Quarter	yes
	Earnings after tax	Quarter	Quarter	yes
	Earnings per share			yes
	ROCE	Quarter	Quarter	—
Additional indicators	Free Cash Flow			—
	Operat. W/C			—
	Equity ratio			—
	Dividends	Year	Year	—

Net sales and EBIT/EBT are also operatively monitored very closely CEWE daily monitors the net sales in all (but not consolidated) units, and the results up to the EBT are tracked monthly as significant control variables. In this context, all the accounts prepared by the affiliated companies are likewise consolidated and analysed by comparing a target with the previous year's actual figure. Deviations from target and the previous year are examined for their effect on the financial targets. They are then explained in a comment by the responsible individuals at the report preparation stage. Every month, the Executive Board discusses the detailed figures of the individual profit centres as well as the results for the strategic business fields and for the whole group. Net sales, EBIT and EBT are also indicated in the financial statement by a target/actual comparison in „Highlights“. These results are also discussed and a forecast figure is issued for the following year.

Other significant key-performance indicators: Investments and after-tax earnings

Investments are an important key-performance indicator because they have a significant (and, for the useful life of the asset, practically irreversible) effect on the capital employed and, apart from the result, also have the most important – irreversible – effect on the free cash flow. This is not the case for the additional indicator „operative working capital“, as will be explained below. At CEWE, investments are therefore very closely monitored. If they exceed the approved amount, proposed investments cannot be implemented within the larger CEWE organisational units unless the investment managers issue an extended approval. A consolidated investment report will be issued at least every quarter during the first six months. During the higher investment phase, i. e. during preparations for the year-end business, the management monitors this indicator on a monthly basis.

The earnings after tax (or the earnings per share) can fluctuate greatly, especially due to effects in deferred taxes, so that these are exactly calculated in the quarterly accounts and examined in detail, especially in connection with the annual financial statement. CEWE does not wish to reduce its earnings after tax through extreme tax optimisation, partly because it seeks to play a sustainable role in the regional and state structures within which the operating sites are located. The aim instead is to achieve the anticipated standard tax ratio.

In the business report, investments and earnings after taxes are also presented as highlights in the plan/compared and discussed in the results. An estimate for the following year is also given.

Additional indicators: ROCE, Free Cash Flow and operating Working Capital

CEWE analyses the ROCE in every financial statement to establish the return made by the capital employed within the company. CEWE COLOR has been achieving values in excess of 10 % for some years now. Since the calculations of the analysts in the research reports have for years put the applicable pre-tax capital cost factor clearly below 10 %, CEWE is without doubt creating value. In 2013 the ROCE was 15.4 % and therefore higher than in the previous year (14.9 %). In contrast, the weighted average costs of capital (WACC) in the Deutsche Bank analysis of 27 November 2013, for example, lay at 8.2 %. The long-term aim is to achieve costs of capital that are clearly in excess of the ROCE.

The Free Cash Flow is a crucial explanatory variable for the enterprise value, and for that reason it is included in the financial statement.

Alongside the investments – which are closely monitored as described above – and the EBIT, the change in the operating working capital is another significant factor for the capital employed and the Free Cash Flow. For that reason, this variable is analysed together with the ROCE and the Free Cash Flow. As described, it is not necessary to perform this frequently because the majority of unwanted effects in the Working Capital can be subsequently balanced. A delay of a few days to an incoming payment from a trading partner, for example, can easily cause the Free Cash Flow to fall by a few million Euro. Even though a development of this kind is naturally investigated, it is more or less meaningless from an operating perspective – the more so because other operating control systems flag up such delays much more immediately than the cash flow statement. Looking at the situation from the perspective of the outflow of funds, CEWE has such a strong liquidity position that the company is able to exploit a return opportunity over the short term at the cost of the liquidity. Typical examples of this are the special discounts in the „tradeshows offers“ made by machinery manufacturers. The majority of these prove rewarding – even taking the interest rate effects into consideration.

Stable balance sheet: Equity ratio as an additional indicator

The objective of CEWE is to achieve sustainable and continuous corporate performance. The analogue/digital transformation phase, in particular, was a reminder to the company of the value of a strong balance sheet. A healthy balance sheet may, for example, be indicated by sufficient cash reserves and available credit lines as well as a strong equity ratio. With an equity ratio of around 40 % or higher, CEWE views itself as solidly capitalised (2013: 42.4 %). By way of comparison, the DAX-listed companies achieved an equity ratio of 35 % in 2012. CEWE is convinced that sufficient liquidity or lines of credit as well as an extremely solid capitalization in comparison to competitors not only increases stability and resiliency in crises but also allows CEWE to make use of all available strategic options, such as attractive acquisition opportunities.

The ROCE, the Free Cash Flow, the Working Capital and the equity ratio are analysed in detail in the quarterly accounts. Given the possible shifts, as already described, in the cash flow and in the Working Capital, no exact budget parameters are stated for these additional indicators. However, because they are so important, these key figures are nevertheless discussed in the “Results” chapter.

Objective: Constant or increasing dividends

CEWE has the declared objective of offering its shareholders a stable dividend at the very least and a slightly increasing dividend if possible, provided this is permitted by the Company’s economic situation. In this respect, the dividend payout ratio is not a control variable, but rather the residuum of this dividend policy.

Corporate functions

Research and Development

Research and development has always been particularly important at CEWE. Back in the days when film was prevalent, numerous patents for production machines and devices helped us to transform our technological and innovative leadership into competitive advantages. This is a tradition we are continuing in the digital age, both in terms of the proprietary development and manufacturing of technologies for production and in software development.

CEWE's R&D area has a staff of 120 working not only on the development of order placement software for home computers, for mobile devices such as smartphones and tablets, for the CEWE photo stations in the retail outlets of our trading partners and on the order functions and web design of trading partners' websites, but also for the development of production software and for the operation of the platform for receiving data. CEWE adopts an agile philosophy towards its software development activities, aiming to launch products and software features onto the market more rapidly in better tested shape.

Mobility – the all-conquering trend

CEWE has also responded positively to the increased use of smartphones, with their ever-improving integrated cameras. By December, over 8 % of all the image files processed in our centres originated from mobile terminal devices, or about twice as many as during the previous year. Photos taken by smartphones and mobile phones are by now a common source of photo orders. Today therefore, every fourth CEWE PHOTOBOOK contains at least one image from a mobile terminal device. This trend is progressing at a high rate of growth.

CEWE identified the potential of this market at a very early stage and has developed appropriate products in response. Back in 2005, in collaboration with Nokia, CEWE introduced the first photo service for Nokia N series devices, permanently integrating this into the Symbian operating system. At photokina 2010, CEWE presented the first app for the Apple operating system iOS, together with our cewe photoalbum product. Since photokina 2012, CEWE has been supporting



photos, postcards and CEWE PHOTOBOOK orders for iOS and Android. The apps enable images to be sent to the CEWE Photo Stations for printing on-site. As taking photos with smartphones has become ever more popular, one of the maxims at photokina read: „cewe goes mobile“. Over the past year, CEWE has worked together with Nokia and Microsoft to launch an app for ordering images and posters using Windows Mobile 8.

My CEWE PHOTOWORLD mobile

This software has undergone continuous onward development since it was first introduced at photokina 2012. Improvements not only include the availability of products via the app, but, equally as important, the user-friendliness of the functionality. To this end, CEWE analysed not just consumer feedback but also the results of various user tests, with the findings flowing back into the development phase.

Nowadays, all product variants from the complete CEWE PHOTOBOOK product range (except from the CEWE PHOTOBOOK XXL) can be ordered via tablet and smartphone. To create postcards, customers can access their own address book and easily send individualised postcards to friends and relatives when on holiday – they can even design their very own stamp! For the Christmas season, CEWE has also integrated the CEWE CALENDAR and gift items in the service for mobile customers. The currently available apps have also been reviewed many times in the press. The winner: „My CEWE PHOTOWORLD mobile“.

The gift items are available for ordering by app via a link on CEWE's online platform. CEWE has therefore optimised the existing websites for mobile terminal devices. Almost one-fifth of the hits registered on websites created and hosted by CEWE come from mobile terminal devices.

COPS, CEWE's ONLINE PRINTING SYSTEM

One of the main tasks in this area was the successful transformation of product pages into a responsive design customised for the order editors, i. e. to achieve a display optimised for the particular browser and

the resolution of the device in question. At the same time, the product pages were improved yet again to provide space for the emotionality of the products and brand elements newly designed by Marketing for CEWE WALL PHOTOS, CEWE CARDS and CEWE CALENDARS.

But CEWE's websites have also made numerous new products and services available for ordering, for example tablets and smartphones, as well as a selection of motifs from over a million professional-standard images for the CEWE WALL PHOTOS (MOTIF GALLERY), now also with freely selectable print formats and a variety of designs for the CEWE CARDS and CEWE CALENDAR.

My CEWE PHOTOWORLD

Our consumers usually create CEWE PHOTOBOOKs by means of the „My CEWE PHOTOWORLD“ software, which supports Windows, Mac and Linux. CEWE additionally offers a design service that allows professionals to select the images and place these into a suitable layout. Then the consumer can implement change requests via a dialogue in the internet. Customers can also use online software to create CEWE PHOTOBOOKs.

The main element in the advanced development of the desktop software, the HPS (HOME PHOTO SERVICE), is crowd-sourcing – the term given to obtaining user feedback, requests and proposals as part of the development process. This enabled us to enhance the user prompts, such as image selection, in time for the Christmas trade. Interfaces to numerous relevant social media platforms were newly integrated. It is now possible to directly insert images in a CEWE PHOTOBOOK from facebook, flickr, Picasa or Instagram. Special layouts were even developed to allow the use of square photos from Instagram in CEWE WALL PHOTOS.

Another step towards ever greater user-friendliness is the integration of customer samples from the online platform. When creating a CEWE PHOTOBOOK with the desktop software, the user can get inspiration from samples on a particular theme created by other

customers or search for suitable design ideas. Furthermore, video tips were integrated in order to better support our customers with the development of the current project. This includes, for example, the capability to integrate a video via the QR code. The CEWE PHOTOBOOK Assistant now enables videos to be fully automatically integrated via QR code into the suggested layout. The popularity of this feature is growing enormously, so that, in addition to the 3-year storage, we now also offer 5 and 15 years too.

Strong backend further enhanced

All the applications described deliver the prepared orders to our backend. The backend is arranged across two autonomous and redundant data processing centres. From there, the orders received are distributed to the operations centres. The peak times of this year's Christmas trade saw the platform receive almost 500 orders per minute – a new record. The fast delivery of such volumes of data is due to the fact that the broadband networks and required servers were optimised or installed in good time prior to the season.

CEWE has further optimised the processes in its operations sites: Every CEWE operations site can decide, for example, if mixed orders are shipped together or separately. Naturally this is cost-neutral for the consumers, but it helped to attain outstandingly good delivery performance on the part of our operations sites during the Christmas season. We also expanded and improved the workflow for our commercial print services. For example, all the German operations sites are able to produce on behalf of viaprinto, and the Saxoprint offset orders are relayed to those locations.

CEWE Photo Stations

Alongside the order options available via CEWE's operations sites, further development was performed on CEWE's Photo Stations for placing over-the-counter orders with trading partners. In this instance, CEWE has again succeeded in improving the already good photo quality by means of intelligent profiling. Moreover, new calendar formats and wall photo formats have also been integrated into

the operations sites for ordering. In relation to CEWE Photo Stations, images from mobile terminal devices are even more significant than orders made to the operations sites – every fifth image printed on-site originates from a mobile phone or tablet!

It was for this reason that CEWE has upgraded the order options via Bluetooth, WLAN and Airprint and installed these with numerous trading partners. Apps are now available to support immediate printing, enabling the selection to be made directly from the mobile phone. The images only have to be relayed to the CEWE Photo Station; there is no longer any need to use the CEWE Photo Station itself to make the selection. An enticing app has been developed in the form of CEWE BOOTH that, just like a direct print station, allows consumers to mount four (humorous) images onto a background and then print these out.

Additional apps for mobile terminal devices

Apart from apps for the CEWE Photo Station, CEWE has even more apps to offer the consumer: e. g. CEWE DECO and CEWE SERVICE for querying the order status. The CEWE-enhanced app allows images to be greatly optimised, processed with filters and then saved in the screen resolutions. Image optimisation is performed in two modes – fully automatic and user-controlled. This aims to enhance the fun of playing around with your own images and to improve their quality and that of the printed products. Customers wanting to save in full resolution pay a one-off charge for this service. This also enables CEWE to record the experiences gained while using the in-app payment feature.

Our Research and Development department has been working on realising the mission statement heard at photokina 2012 – „CEWE goes mobile“ and is proud to say today „CEWE is mobile“!

Marketing and Sales

Marketing and Sales conceives and steers all activities within the framework of a customer-focused marketing strategy. CEWE looks to integrated multi-channel concepts for the distribution of its products.

The CEWE PHOTOBOOK brand

Since its market launch, CEWE PHOTOBOOK has developed into Europe's most popular photo album. Millions of customers trust the multiple award-winning quality of this bestseller. CEWE extended this market leadership in 2013. The critical cornerstones of the brand strategy remain the high quality of the products and the emotional charge of the brand. The continuous expansion of the range and the further development of the software play a significant role in this respect.

At CEWE, all the marketing measures from areas such as CRM, online marketing, retail and product marketing, PR and sponsoring interact with one another like a 360-degree communication process. The aim of the integrated communication strategy is the enhancement of sales. Last year witnessed the optimisation of the Customer Relationship Management (CRM) system. This will enable the photo service provider to focus even better on the needs of consumers. In 2013 CEWE will be continuing its intensive customer contacts and dialogue to allow it to respond appropriately to consumer demands.

New CEWE PHOTOBOOK versions

One of the highlights of last year was the launch of the CEWE PHOTOBOOK Premium Matt edition. This elegant-looking version is distinguished by a special structural surface finish that meets the highest standards. The photos are complemented by a setting of high-quality digital printing paper. The hardcover binder and inside pages have a matt finish that is applied by a special process. High-resolution image data achieve first-class results because the printing process employs a special HD ink. The Premium Matt effect looks impressive with its elegant feel and premium grade structure.

New CEWE brands

Another focal point of the past year was the launch of a variety of new brands – CEWE CARDS, CEWE WALL PHOTOS and CEWE CALENDARS. The range is distinguished by its large selection, highest quality and simple design, showing the means by which CEWE is rigorously pursuing its quality drive. The new CEWE brands – in common with the CEWE PHOTOBOOK – come with a satisfaction guarantee: The specially designed seal is integrated into the home page and practically all communications activities.

CEWE in the media

CEWE ran campaigns in Germany at the two seasonal highpoints – holidays and Christmas 2013 – with ads broadcast on the channels ARD, Sat.1, RTL, ProSieben and VOX. Twelve on-air weeks with 8,200 spots ensured maximum coverage and over 400 million contacts (gross). CEWE even reserved the most popular advertising slot, the so-called "best minute" before the "Tagesschau" (daily evening news). Alongside the TV advertising, the media strategy also included online campaigns, adverts in 16 airports, boarding card ads, a Boeing 773-800 painted in CEWE livery, a four-page supplement in Stern magazine and articles in special-interest magazines flanked by PR activities.

CEWE's PR strategy focuses on marketing and sales targets. Various PR instruments, such as event-based and service-related press releases, events and partnerships with selected media partners are used for the targeted placement of CEWE products in the media. Depending on the occasion and the target group, press relations are directed towards the daily and public press, to both specialist and online media.

The CEWE PHOTO WORKSHOP is one example of the sustained contact grooming of journalists important to CEWE. With this format, the photo service provider positions itself among journalists as an expert partner in the photofinishing area while simultaneously promoting the exchange of ideas and information about themes and trends in the field of photography.

 www.cewe-fotobuch.de
www.cewe.de

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

International marketing

The marketing of CEWE products in Austria and Switzerland is primarily conducted through strong trading partners. The TV spots are appropriately adapted for neighbouring German-speaking countries and are broadcast simultaneously in those regions. The CEWE campaigns are likewise adapted for the respective markets in France and the UK. Last year TV, online and PoS activities were accompanied at Christmas time by a widespread metro campaign. Other focal aspects include display advertising at seven airports in the summer season as well as the screening of ads in selected cinemas at the end of the year. In 2013, the CEWE PHOTOBOOK won the Gadget Show Award in England. This prize was prominently integrated into all communication activities.

The changing online worlds

The internet represents CEWE's most important order placement channel. The online worlds are continually changing. In this context, activities involving search engine optimisation (SEO) and search engine marketing (SEM) are becoming increasingly important. These are being constantly optimised and upgraded. The home pages of our trading partners constitute a relevant component of our sales. At these points, CEWE designs the photo section and also coordinates all online marketing measures and newsletter issues.

CEWE PHOTOWORLD presents dedicatedly created thematic areas on its sites www.cewe.de and www.cewe-fotobuch.de. This is where customers can find numerous tips, suggestions and sample products on subjects and occasions such as travel, wedding, baby, Easter and Christmas time. The webpages are continually developed and enhanced by the addition of current design trends and tips offered by CEWE experts. CEWE's complete range is displayed here, tailored for the particular occasion in question.

Customers are an active element of CEWE PHOTOWORLD. The various thematic areas include selected customer samples for the CEWE PHOTOBOOK which can be viewed and commented by other interested consumers. This generates an exchange of ideas and opinions to inspire customers in creating their own book. It also builds up a high level of brand loyalty. This forum also throws up opportunities to exchange information, ask questions and make suggestions regarding products and applications of CEWE.

CEWE uses its social media channels to deliver information via interesting and up-to-date articles about trends in photography and photo products. The photo service provider supplies valuable tips and suggestions and seeks to establish a dialogue with its customers. Competitions and new innovations from the Company complete the offer. CEWE uses social media channels such as facebook, flickr, twitter, Google+ and YouTube. The number of friends on CEWE PHOTOBOOK's facebook page almost doubled over the last year to around 35,000.

Numerous activities on all aspects of CEWE products

CEWE regularly organises photographic competitions focusing on the primary motivations and occasions behind the CEWE PHOTOBOOK. "Europe is beautiful", a major European photographic competition, was organised in 2013 for the second time. Over a period of nine months CEWE searched out the best photos in the continent. More than 8,000 participants from 35 European countries uploaded more than 44,000 photos. The winning photos are now being displayed in a travelling exhibition touring various locations in Germany. The tremendous success of the CEWE photographic competition and the continual development of Internet technologies have increased the demands on the user-friendliness of the platform onto which participants upload their photos. Given this situation, CEWE launched a new platform last year which, among other things, provides more

space for photos, facilitates optimum display on all terminal devices (“responsive design”) and delivers additional community functions. The modern layout is designed to encourage a longer visit duration, particularly on mobile terminal devices, thereby increasing the attractiveness of the CEWE photographic competition.

For years now, CEWE has been encouraging photography as a cultural objective, and it supports institutions and projects such as the Deutsche Fotomuseum in Leipzig, the Mannheim-Ludwigshafen-Heidelberg Photo Festival and Fototage in Zingst. The critical aspect for CEWE in all these activities is to be able to import its skill and experience in photofinishing. December 2013 saw the start of a wide-ranging partnership with the Deichtorhallen/Haus der Fotografie in Hamburg. As a Premium Partner, CEWE is planning numerous promotions and events in collaboration with this exhibiting institution. A perfect occasion – 2014 sees the 175th anniversary of photography.

Close working partnership with trading partners

Over recent years CEWE has given steadfast support to its trading partners at the PoS with a marketing offensive on behalf of the CEWE PHOTOBOOK. The company is rigorously continuing this support with the new brands CEWE WALL PHOTOS, CEWE CALENDARS and CEWE CARDS. Through a range of individual key visuals grouped under the brand CEWE BEST IN PRINT, CEWE quality is also made visible at a glance to end consumers at PoS. Targeted advertisements and PR activities in the trading partners’ customer magazines import additional purchasing stimuli.

CEWE in the distribution channels

CEWE looks to comprehensive multi-channel concepts in selling its products. The photo service provider utilises various distribution channels in working together with over-the-counter retail trading partners (grocery shops, chemists, electronics and photography outlets) as well as with online traders. CEWE customers have the opportunity to have their order delivered to their home by post or collect it from the nearest local branch of the selected trading partner.

CEWE in the mobile world

CEWE’s photo products can also be easily designed and ordered using mobile terminal devices via an app – whether the customer is at home on the sofa or on the go. The CEWE PHOTOWORLD app for Android and iOS, for example, is marketed across all communication channels: Newsletters, websites, online marketing, print/PoS, partnerships, PR and Customer Relationship Management. One marketing aspect originates from within the product itself – e. g. holiday snaps can be designed into photo postcards and sent with the CEWE PHOTOWORLD app. Contents pertaining to the subject of mobile photography augment CEWE’s offer in this area and this will be developed further.

IT

The operational IT, known as “business IT” in other companies, delivers IT systems to support the management and the business departments of CEWE in performing their tasks.

IT optimized further

The central IT systems were further upgraded during the 2013 financial year. The core aspect of the central IT comprises the SAP system containing the modules Financials (FI), Controlling (CO), Sales and Distribution (SD) and Consolidation (EC-CS) for Finance and Accounting, Materials Management (MM) for the Procurement/Material Management area, Customer Service (CS) for supporting the repair and maintenance of our CEWE Photo Stations as well as CRM, which we utilise to constantly optimise our target group-specific marketing and the service friendliness of the customer service.

Processes specific to photofinishing continue to be run on CEWE’s proprietary IT system “ICOS” (Integrated CEWE Organisation System). In this context, ICOS focuses particularly on the areas of pricing/delivery and Master Data Management.

The combination of standard software modified and optimised in-house as well as customised software specially developed for CEWE allows customer requirements to be fulfilled particularly quickly and flexibly, thereby offering CEWE a genuine competitive advantage.

By 2012, a new data processing centre in Oldenburg was built and put into operation and the multiple service rooms were replaced. The highly energy-efficient and CO₂-reduced data processing centre was awarded the BLAUER ENGEL (Blue Angel) environmental stamp in 2013.

The introduction of the IBM Websphere Commerce Server system as the central platform for all web shops of CEWE’s own retail companies, commenced in 2012, was continued in 2013.

PRODUCT INNOVATIONS 2013

CEWE PHOTOWORLD APP



CEWE PHOTOWORLD

Larger selection of products

With the newest version of the **CEWE PHOTOWORLD app** for Android and iOS, customers can now design and order the **CEWE PHOTOBOOK** in even more sizes. It is available in the following formats: mini, compact, panorama, square, large, large panorama and XL. The **CEWE CALENDAR** can also be created on smartphone or tablet devices. In just a few steps, personal photos are turned into a wall calendar in the A3 or A4 size. Thus, customers can easily compile their very own review of the year's events. Independent testers have already confirmed this product's high quality several times over.



An eye-catcher in the letterbox

Even unique **postcards** with personal photos and text can be created and sent worldwide via the **CEWE PHOTOWORLD app**. The individual cards are sent to CEWE digitally via the app, printed and then sent to any selected address - regardless of where the recipient is in the world. The postcards can feature an even more personal touch: an own image or any photo can be used as a motif for the stamp.



CEWE PHOTOBOOK premium matt



Even more to choose from: the CEWE PHOTOBOOK is Europe's most popular photo-book. To meet the expectations of photo lovers, this brand-name product is continually being enhanced to reflect the latest industry trends.

A bestseller of many variants

The **CEWE PHOTOBOOK** is available in over 40 different variants of up to 154 pages and can be designed in any number of ways. In addition to the premium digital print, CEWE offers designs on matt or glossy photo paper. The **CEWE PHOTOBOOK XXL panorama with lay-flat binding** does not feature a fold, enabling large photos to be perfectly spread over two pages. What's more, all photo paper variants are also available with this binding.

New finishing for sophisticated needs

With the **CEWE PHOTOBOOK premium matt**, photo lovers have the option of putting their images in the limelight on premium digital printing paper. The hardcover binding and the inside page feature a professional matt finish. Thanks to a printing process which uses special HD ink, the high-resolution images are printed in the highest quality. The premium matt effect is both an optical as well as a tactile highlight, providing a particularly elegant and non-slip surface texture.



PRODUCT INNOVATIONS 2013

CEWE CARDS



Sharing the joy: special moments are captured by camera to share later and bring joy to others. That's why **CEWE CARDS**, which has been a separate brand since 2013, provide just the right stage for modern and creative invitations, thank-you cards or birthday cards, to name just a few. A huge selection, premium quality and easy-to-create design characterise this offering.



A diverse range of greeting cards

The new **CEWE CARDS with video** combine classic greeting-card style with multi-media extras. In addition to text and photos, customers can include moving images. The selected videos are integrated via a QR code and can be played back on any smartphone or tablet device.

Modern designs

Over 1,200 designs for various occasions are available for choosing from with **CEWE CARDS**. Since Christmas 2013, customers have also been able to order the do-it-yourself crafts set, which is sent together with the cards. In this way, the CEWE CARDS can be embellished with a personal touch thanks to the addition of trimmings or stickers.



CEWE WALL PICTURES



CEWE WALL PICTURES put the spotlight on special moments – in a large format – and give the home personal charm. This new brand, launched in 2013, is backed by the tried-and-tested CEWE promise of quality. A diverse range of materials, formats and designs are available to choose from. If customers do not have their own suitable photo, they can choose from over 21 million professional pictures in the CEWE image gallery.



Personalised as desired

To ensure that the charm of each image and every design idea can fully unfold in the home, CEWE offers individual **formats on request**. **CEWE WALL PICTURES** behind acrylic glass, as a gallery print, on aluminium Dibond or on hard foam can now be ordered to the millimetre to meet individual needs.



Impressively elegant

The **photo gallery** opens up new creative opportunities for decorating the home. With their long size, the photo gallery design is a great complement to any existing wall art and brings a modern flair to any customer's own four walls. Several photos can be combined in a stylish layout either in a portrait or landscape format.

PRODUCT INNOVATIONS 2013

CEWE CALENDAR



Quality that convinces: as part of the CEWE quality initiative, the **CEWE CALENDAR** brand was launched in 2013. The best images of an entire year can be included in wall calendars, elegant table art or table-top calendars - thus making them the ideal gift for friends and family.

The best images throughout the year

Numerous formats, variants of paper quality and design templates turn the **CEWE CALENDAR** into a creative chance for customers to create up photographic highlights. For instance, the **A2 panorama wall calendar on photo paper** is particularly suited for showing impressive landscape photographs. The A3 wall calendar is available in either the portrait or landscape format. Especially personal and practical: the paper grades matt and high-gloss allow customers to integrate their **own images and text in select calendar designs**.



The high quality of the CEWE CALENDAR, which was certified by the Stiftung Warentest, a German consumer organisation, in autumn 2012, was confirmed by CHIP Foto-Video in 2013. The CEWE CALENDAR came out on top in the photo calendar test.



CEWE PHOTO GIFT ITEMS



Decorative photo pillows

The **premium pillow** enables customers to cuddle with their loved ones on the sofa, even when they are not there in person. Printed across the entire pillow and on both sides, a personal favourite picture comes to life. The premium pillow is available in five different sizes and in a square or panorama format.



A personal touch for daily companions

The CEWE cases for smartphones protect these mobile devices while giving them a unique look at the same time. They can be designed and decorated to customers' own wishes with a photo. If desired, the customer can use any one of various design templates. For the **premium case**, the picture not only covers the back but also wraps around the edges of the case. The colours and the images are impressive thanks to their high-quality and brilliant appearance.



A good start to the day

The daily pleasure of enjoying coffee, tea or any other hot beverage is made even better with a **latte mug** featuring a personal photo. With a volume of 320 ml and a tapered shape, the latte mug is both a joy to hold and behold. A personally selected photo adorns the mug in a panorama format that wraps around the entire cup.

Production

Boasting ten industrial photofinishing plants and an online offset printing centre, CEWE supplies customers in 24 European countries with photo and print products every day.

Product efficiency and product quality improvements

Whereas the focus in 2012 was on capacity expansions and the establishment of devices for high-gloss finished products, CEWE worked hard in 2013 on the efficient use of installed appliances, the avoidance of wastage and the reduction of throughput times. Production also integrated the new CEWE PHOTOBOOK Matt product, along with a number of new gift items. It is particularly noteworthy that the CEWE WALL PHOTOS formats can be freely selected – presenting a challenge for Printing, Cutting, Packing and Logistics, and one successfully mastered by CEWE.

For decades now, CEWE has commanded a wealth of know-how regarding automation and process management in its industrial production sites. It constructs its own systems for this purpose, many of which are actually patented. In this instance, many operations sites have had proprietarily developed machines installed and these are specially designed for the efficient sorting of “Quantity 1” products. In addition, CEWE for the first time successfully deployed a self-developed and constructed prototype for the automated packaging of CEWE PHOTOBOOKs in the Christmas season. In one operations site we also installed an automated packing line for CEWE WALL

PHOTOS well in time for the Christmas season. This enabled us to significantly boost not only the productivity, but also the quality of the packaging. Through a combination of even better training for the seasonal staff at all operations sites and the utilisation of job separation for dispatching mixed orders without consolidation, the CEWE sites achieved outstanding delivery performance for consumers and trading partners.

All remaining ten production sites for photo products – the facilities in Dresden and Grudziądz [Poland] were closed in 2013 – have been completely fitted out with standardised digital production structures and now utilise the same IT infrastructure. This forms the basis for providing consumers and the retail trade with digital photo services with a high, identical level of quality and the shortest delivery times. Nearly 70 high-grade 4-colour digital printing machines from the three leading manufacturers in our labs ensure that the CEWE PHOTOBOOKs, CEWE CALENDARs and CEWE CARDs are produced in top quality and always with short delivery times. This large battery of machines – without parallel in Europe – gives CEWE sufficient capacity to offer digital printing for commercial applications, such as the online printing operations Saxoprint, cewe-print.de and viaprinto.de. This enables viaprinto, as before, to operate as the fastest digital printing enterprise on the market. Moreover, these capacities ensure that Production can respond extremely flexibly, as demonstrated by the highly successful Christmas trade.

Offset printing

At its Dresden site, where the production is largely based on offset printing, CEWE invested EUR 7.5 million in 2013 to accommodate sustained growth and, as usual, to make high quality and punctual deliveries to customers.

CEWE invested around 5 million Euro in a new eight-colour large-format printing machine with perfector. CEWE's Dresden site now boasts three large-format printing machines, with which gang-forms can be printed particularly efficiently.

Apart from this primary investment, CEWE also made investments in the associated post-press operations technology (cutting, folding, and stitching). The acquisition of an automated distribution facility saw CEWE restructure the dispatch area in order to fulfil the increasing number of packages without recruiting additional personnel.

The remaining funds were invested in the IT area to bring its capacities into line with the planned growth.

These measures and the necessary accompanying employee training programmes all mean that offset printing at Saxoprint in Dresden is perfectly equipped for the pending financial year and the growth that is planned.

Investments in 2013

In 2013 CEWE primarily invested in the upgrade and efficiency of the post-press capability for our photo-based products as well as in the expansion of our printing and post-press capacities at Saxoprint. The continued equipment of numerous PoS with on-site printing facilities in attractively designed units, the majority of which are linked with our operations sites, once again formed a focal point of our investment activities. Non-profitable units in retail outlets were removed and profitable locations were re-strengthened. The performance level of the online platform was upgraded with new servers and suitable storage capacity and the infrastructure in the operations sites was similarly improved. Investments were also made there in higher performance computers, databases and additional storage. Another focal aspect was the integration of a new web shop system for our retail trade.

Personnel

The HR management area contributes to the growth and value-creation of the company by recruiting highly qualified, motivated, performance-focused employees and managers for CEWE. These individuals are developed, actively involved and integrated into the life of the company. The primary role of the HR department is the sustainable employability and development of a workforce and organisation, in order to achieve and secure the targets of an innovative company like CEWE. The HR management is a service provider to the company. The close cooperation and regular discussions with employees and management staff enabled the current needs to be identified in order to facilitate employment that correlates with the phase of life of the employee concerned. In this context, cooperative dealings with the employee representation bodies are a matter of course.

Number of employees

In 2013 an annual average of 3,228 employees, of which 124 were trainees, were employed by the CEWE Group (previous year: 3,305).

Of the total staff complement, 2,071 employees, i. e. around 64 % (previous year: 2,093 or 63 %), worked at inland-based sites and 1,157 employees, i. e. around 36 % (previous year: 1,212 or 37 %) in Group sites outside Germany.

Collective bargaining policy changes

29 May 2013 witnessed negotiations on the collective agreement for "BfVB" enterprises (German confederation of photo material processing enterprises). Agreement was reached on an increase of wages and salaries as of 01/06/2013, increases in annual leave supplements and traineeship remuneration, the introduction of post-mortem benefits, the assumption of discussions on the collective pay-scale agreement (Entgeltrahmenabkommen [ERA]) and a demographically based collective agreement.

Occupational safety and the protection of health

Occupational safety and the protection of health for our employees are important and permanent aspects of day-to-day work life within the CEWE Group. As in previous years, a low rate of sick leave was registered at CEWE. In the German production sites the rate in 2013 was 3.6 % (2012: 3.7 %). It was 3.4 % (2013: 3.4 %) in the plants outside Germany. Of the 52 reportable accidents recorded in 2013, 20 occurred on the way to and from work.

Various medical screenings and training courses were conducted, along with the annual health day, in order to increase the awareness and sensitivity of the employees.

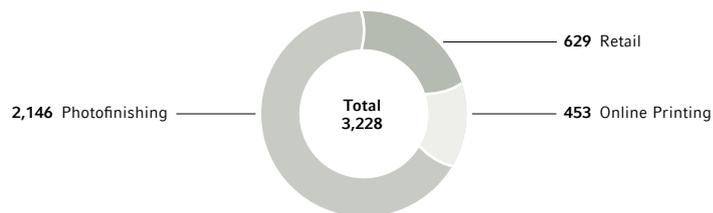
Trainee ratio remains high

In the previous year, CEWE trained 124 young people (2012: 113) on 15 different jobs – from industrial sales representatives, warehouse logistics specialists, photo media laboratory assistants, photographers, technicians for systems and devices, mechatronic technicians, photo media specialists to IT specialists for systems and applications, office assistants, digital and print media designers as well as specialists in dialogue marketing, print and media technology and print processing. Furthermore, all slots in the combined degree programmes Business Administration and Computer Sciences were assigned to prospective Bachelor of Arts/Bachelor of Science graduates. This corresponds to a training quota of over 5 % of all employees in Germany.

Good working partnership

Once again in 2013, the working partnership with the Works Councils and the IG BCE trade union that represents employees in the operations sites was constructive and demonstrated mutual trust. The Executive Board would like to thank all the employees for their dedicated and loyal performance.

Number of employees CEWE Group on the annual average 2013 in number of employees



Apprentices in Germany on the annual average

	2013	2012
Commercial clerk	4	4
Integrated degree programme Business Administration	1	2
Integrated degree programme IT Specialist	14	11
Electronic technician for devices and systems	5	4
IT specialist	11	11
Warehouse logistics specialist	6	4
Photographer	3	3
Photo media expert	6	6
Photo media laboratory assistant	0	3
Industrial sales representative	17	17
Sales representative for dialogue marketing	6	4
Mechatronics technician	6	6
Media designer digital & print	12	16
Media technology printing	15	10
Media technology print processing	18	12
Apprentices in Germany total	124	113

Logistics

The main task of the Logistics area is to ensure the physical transfer of all photo orders from the PoS into the operating sites for processing and then dispatch them to customers within the promised delivery time – just like the online orders.

Continued growth in deliveries to end customers

In 2013, direct deliveries to end customers (mail order deliveries) via postal service providers throughout Europe continued to grow, and the quantities of letter and parcel consignments increased further. Because mail order deliveries can be processed at all operating sites, CEWE is entirely capable of accommodating the growth.

In the area of sustainability, CEWE continues to work with the Go-Green Initiative of Deutsche Post DHL and has additionally introduced DPD's "DPD Total Zero" programme and UPS's "Carbon Neutral Programme". All deliveries of letters and parcels are therefore consigned sustainably. CEWE contributes one Eurocent for every delivery to support climate control, since the CO₂ emissions generated by the consignments are balanced by climate protection projects across the world.

POS supply remains a factor for success

Delivery to our trading partners' points of sale, numbering 34,000 across Europe, remains an important unique selling point for CEWE. At the PoS, the customer has the option of arranging for the photo products to be sent to an alternative delivery address. The demand for this delivery option is also growing strongly because an ever increasing portion of CEWE-produced goods are delivered to the PoS terminals of our trading partners. The number of bag orders to be collected continues to decline. Customers are ordering their photo products (CEWE PHOTOBOOKs or photo gifts) increasingly more often over the Internet and CEWE then delivers these to the PoS.

Purchasing and Material Management

The tasks performed by Purchasing and Material Management not only comprise the traditional functions of planning, scheduling, sourcing and stock-keeping/supplying Production with production materials, but also the "Non-production material/Other costs" areas. In this respect we act as a central point of contact for our suppliers and for all CEWE business units on issues concerning costs, process, quality and innovation.

Centralised purchasing arrangement ensure overall management of costs/quality

The continuous expansion of the product portfolio requires constant optimisation of the supplier base. The goal pursued by CEWE is to work together with strong, innovative partners to jointly achieve an improvement in costs and secure product quality on a sustained basis. Motivated by more than merely increasing purchased quantities, CEWE has been and remains a reliable partner to its suppliers.

CEWE's Central Purchasing continues to represent integrated quality management alongside the more obvious aim of price-conscious procurement for the enhancement of cost leadership.

Systematic processing of procurement potentials and strengthening purchasing know-how

The classic strategic classification of production material within a merchandise categories concept allows us to achieve a specific view over this purchasing segment.

The strategic purchasing for the indirect costs area was realigned by applying a similar systematic approach. A dedicated category-based responsibility now supplements the project-related use of resources so as to continue achieving comprehensive results and provide yet closer support to the technical departments.



For the operating and especially the strategic purchasing function, CEWE has prepared a programme for the further development of procurement processes and strategies, which have been elaborated in workshops.

2013 saw the continuation of the management training series on “Negotiations”, aimed at improving the realisation of procurement potentials.

Central Purchasing boosts CEWE’s innovative strength

Central Purchasing at CEWE is an integral component of the innovation process.

In 2013, CEWE successfully integrated and professionalised its partners in the areas of “Quality optimisation for the CEWE PHOTOBOOK” and “optimised materials management for the dispatch process”. In 2013, particularly in relation to new technologies in the Production technology/machine construction area, CEWE optimised process techniques with the existing suppliers and expanded and improved it with new suppliers.

In future, Central Purchasing will continue to evaluate and select supply partners not only according to costs, but also on the basis of comprehensive selection criteria (such as innovative capacity).

Risk management in Purchasing

Additional suppliers were again integrated into the supply chain over the past year to minimise the risk of production or service failures. For the purpose of risk minimisation, particularly in relation to high-priority supplied production material, the decision was taken to expand the dual-supplier strategy (dual source).

The long-standing, mutually trustful working partnership with all key suppliers and the optimised supply structure were crucial factors in avoiding failures or other supply difficulties.

Process optimisation and transparency

Central Purchasing at CEWE also advocates optimised processes. To this end, procurement processes are continuously optimised (e. g. electronic procurement catalogues or EDI linking to suppliers) to increase process reliability and relieve the technical departments.

The merchandise categories concept for production materials and the consistent grouping of suppliers in categories has been completed for all business segments and now constitutes an improved basis for the management of suppliers and risk.

In addition, a centralised electronic contract database was established. Contracts are now available online and can be retained both centrally and locally. With this contract database as a departure point, CEWE optimised the supplier-side contract management in 2013. Apart from its purely archiving function, the contract management tool can now be used – with the involvement of the technical departments – to actively steer the contracts.

Sustainability in Purchasing

CEWE joined the “Verhaltenskodex des Bundesverbandes Materialwirtschaft und Einkauf” (BME) (Code of Conduct of the Federal Association for Materials Management and Purchasing) back in 2009 and has been a member of the United Nations Global Compact since 2010.

CEWE is also a member of the “Niedersächsische Allianz für Nachhaltigkeit” (Lower Saxony Sustainability Alliance). The aim of the Alliance is to enhance regional innovative capacity and environmentally compatible economic growth based on the principle of sustainability.



For all imported material groups, we performed our own supplier audits to regularly review Chinese suppliers in relation to the areas of quality, product safety and social compliance (ban on child labour, high level of workplace safety/active protection of health). In this way, CEWE satisfied itself that the sustainability requirements are fulfilled along the entire value-added chain.

Improvement of material supply with modern logistics processes

The central determination of the sales target figures enabled the simulation of the future demand for the most significant production material in such a way that the materials planning accuracy was increased despite the noticeably longer lead times of materials sourced overseas. The resulting rolling planning is improving the working partnership with CEWE's supply partners, with the result that CEWE's stocks and the costs thereby incurred have been reduced along the entire value-creation chain.

The internal logistics organisation has now switched to new logistic concepts (PULL principle, Kanban supply) in all the relevant sub-sections. This move has reduced the levels of semi-finished products. At the same time, the high frequency of supply is enhancing the reliability of supplies to Production. At our Oldenburg site, our introduction of a Warehouse Management System has created additional opportunities for electronically recording and controlling this logistics processes.

Finances

Finance supports the operating value-creation chain

The Finance function at CEWE encompasses the Accounting, Controlling, Treasury and Investor Relations departments. The objective of these areas is not to achieve a separate, purely financial value-creation, for instance through exchange gains etc. Instead, the finance function at CEWE is integrated into the operating value-creation of all functions and provides support with data and analyses. Finance also ensures that the entire business is solidly financed, thus enabling all other functions to concentrate fully on their operating activities. Finance supplies the business management with a business model that constitutes the basis for the corporate planning and the preparation of initiatives for increasing value. Finance also orchestrates the capacity of the Board of Management to regularly track these initiatives.

Continuous improvements in accounting and financial reporting

The complex processes of accounting and financial reporting crucially depends on aspects such as quality, reliability and efficiency. This is why continual efforts are directed towards achieving improvements in the working processes. This concerns the system-assisted processes of the document flow and archiving as well as the sub-requirements relevant to the accounting, which the Company is required to meet, for example, following amendments to the IFRS. One stand-out project completed during the year under review was the change of legal form into a "KGaA" (partnership limited by shares), fundamentally arranged, coordinated and supported by Finance in collaboration with external advisors.

Controlling (internal auditing) focuses on market and business-related issues

For our company with its successful market presence, it will become increasingly important to identify the efficiency and effectiveness of the marketing and work towards its improvement. Controlling closely flanks these efforts. The analysis of information and highlighting of opportunities concerns the understanding of customer behaviour, the

effect of marketing budgets, the economic efficiency in relation to the introduction of new products or advances into new business fields.

Finance likewise monitors the continually growing significance of e-commerce

The constantly growing importance of e-commerce is strongly supported from within the Finance area. This entails the further improvement of communication towards the client on all financial processing matters. In this context, continuous work is performed on the collection processes not merely to improve efficiency, but also to use brand-relevant content to arrange customer invoices and conduct external discussions.

CEWE utilises new possibilities in payment transactions

CEWE began its preparations for converting to the Single European Payment Area (SEPA) well in advance. The preparations for the significant aspects of the active payment transactions system were accordingly already completed during 2012. Following the detailed legal definition of other areas of SEPA by the EU and the German legislator, this remaining work was also completed to make CEWE punctually and fully SEPA-ready. Considering the e-commerce service range in particular, it remains possible in Germany to offer end consumers the important direct debit method of payment. Furthermore, new payment methods are being regularly examined and introduced for the various markets, if these are evidently beneficial for customers and open up additional turnover potential.

ECONOMIC REPORT

Markets

Economic environment

Global economy growing at 3.0 %

According to information provided by the IWF, the global economy grew at a rate of 3.0 % (2012: 3.1 %) in 2013, slightly lower than in the previous year. The continued unemployment and fiscal consolidation efforts, particularly in southern Europe, meant that the European recession was not completely surmounted, but the recovery continued nevertheless: the gross domestic product (GDP) of the Eurozone fell by only -0.4 % (2012: -0.7 %) in 2013. Economic growth in the USA, in particular, weakened significantly. The GDP there grew by only 1.9 % (2012: 2.8 %). Once again the impulses registered in the global economy emanated from the emerging countries. The drivers in this respect, first and foremost, were the Asian countries, above all China, with unchanged strong growth 7.7 % (2012: 7.7 %), joined by India which posted growth of 4.4 %.

According to initial calculations by the Federal Statistical Office, the German economy grew by a weaker rate of 0.4 % than the figure from the previous year (+0.7 %). Growth in Germany therefore once again fell below the average value for 2000 to 2010 (+1.0 %).

Interest: Historical low-point in Europe

In November 2013, the ECB's Governing Council again reduced by 25 base points the rates for the marginal and main refinancing operations. Since the middle of November 2013, the interest rates for the marginal and main refinancing facility therefore stood at 0.75 % and 0.25 %, while the interest rate for the deposit facility has been 0.00 % since July 2012. The decisions of the ECB Governing Council were based on the forecast that the monetary policy is continuing to support the gradual recovery of economic activity in the Eurozone, while relieving the price pressure in the Euro monetary zone. The key interest rates of the Eurozone are therefore at an all-time low. This step must also be viewed against the backdrop of cautious monetary growth and particularly the weak extension of credit to the non-banking sector. In the USA, the key interest rates have remained unchanged at a low level of 0.00 % to 0.25 % since 16 December 2008. However, the Open Market Committee of the Federal Reserve decided in December 2013 to gradually repatriate the security acquisitions with which the Central Bank had ensured additional liquidity. In the United Kingdom, the key interest rates have persevered at 0.5 % since 5 March 2009; the range in Japan since 5 October 2010 remained unchanged at 0.00 % to 1 %.

Inflation: Teuerungsrate sinkt weltweit

According to the ECB, the rate of inflation in the OECD countries in 2013 dipped to 1.6 % (2012: 2.3 %). And in the Eurozone, price rises slowed during 2013, with the annual average finalising at only 1.4 % (2012: 2.5 %). In Germany too, the inflation rate of 1.6 % was clearly below the previous year's figure (2012: 2.1 %). In the opinion of the ECB, the low inflation is due to the falling prices of raw materials (2013: -8.2 %; excluding energy), considerable capital reserves and the anchored inflation expectations. Likewise, energy prices no longer gave rise to an inflationary effect. Average energy prices in the second six months of 2013 consequently rose by only 1.1 %, compared with an average of 12.2 % in 2011. Among the industrial countries, the price trend in Japan clearly stood apart from the generally weaker inflation rates. Following a lengthy period of deflation, Japan registered a gradual shift of inflation into the positive range. But worldwide, the price trends have also developed non-uniformly since the first six months of 2013. In the Euro monetary zone, in the United Kingdom and in other EU countries outside the Eurozone the headline rate of inflation fell yet further, while it remained quite stable in the United States and Canada. Among the emerging economies, the rate of inflation fell in Brazil and Russia, while in China and India it increased slightly.

Exchange rate: Euro significantly more stable

On 8 January 2014, the nominal effective exchange rate of the Euro – measured against the currencies of the 20 most important trading partners of the Eurozone – was 4.5 % higher than the level recorded one year earlier. The ECB attributes this to the performance of interest-rate expectations as well as the altered expectations of the market participants with regard to the economic outlooks in the Euro area compared to other leading economies. The Euro has posted a remarkable rise of 24.2 % since 8 January 2013, particularly compared to the Japanese Yen. Compared to the US dollar, the value of the European single currency grew by 3.9 % and by 1.6 % in relation to the British pound.

Photofinishing market

Parallel trends – fast smartphone photography and high-quality cameras

In recent years, two trends have become apparent in the photo market and these both mutually reinforce and mutually depend on one another. For one thing, more and more mobile terminal devices are being sold and used. If BITKOM is to be believed, some 26.4 million smartphones were sold in Germany in 2013 alone. By way of comparison, the figure for the previous year was just below 22 million. The picture is even starker when we look at the utilisation figures. In 2013, 45.4 million smartphones were in use compared to 36.5 million in 2012 (source: Futuresource, 2013). Added to that are the 13.4 million tablet users in Germany (source: eMarketer, 2013). One important aspect is that the technical capabilities of the cameras on mobile terminal devices are continually being upgraded. In contrast, there has been a 15 to 20 % decline in the sales performance of digital cameras in Europe (source: GfK, 2013). Almost 33.1 million devices were in use in Germany. According to Futuresource, this number will continue to decline (source: Futuresource, 2013).

This phenomenon is understandable. Smartphones and tablets with integrated, increasingly improved camera functions in particular are substituting the entry-level camera market with its compact models. Yet a counter-trend is observable on the other hand: Turnover is rising in the professional segment. The German Photographic Industry Association is forecasting positive market development particularly for compact systems and single-lens reflex cameras. The consumer research institute “Gesellschaft für Konsumforschung” (GfK) likewise perceives still more growth potential in high-quality, technically well-equipped models (source: GfK Temax Deutschland, 2013). Owners of digital single-lens reflex cameras use them very intensively. It is said that over half (51 %) use them frequently, while 41 % use them occasionally (source: GfK, 2012).

At first glance, both trends appear to be mutually opposing, but they are in fact based on one and the same development. The increasing distribution of mobile terminal devices is leading to a change in photographing behaviour. The number of photos taken is increasing because of the mobile terminal devices and the interest and fascination evoked by photos is likewise increasing. Also, individuals who intensively follow the subject of photography are more likely to choose higher-quality digital cameras, which deliver a genuine difference in quality compared to smartphones.

Wide choice and high quality – new image presentation options

2013 saw more photos taken than ever. The German photo industry association (Photoindustrie-Verband) talks of well over 2,000 “clicks” per second. That represents a doubling of the number since 2009. If the experts are to be believed, the evident popularity of photography is attributable to multifaceted presentation options. Traditional photo products such as photo books, photo calendars and photo greeting cards vitalise the market as do canvases and photos behind acrylic glass. Whether it be for a wedding or the last family holiday – photo books are registering increased growth of 7.2 million units. (Source: PROPHOTO, 2013). Here again there is evidence of the tendency towards high quality. On average, 140 photos are inserted into photo books and the average sale price is likewise rising.

The photofinishing market is accommodating these developments with new formats and special varieties of paper, among other things. Photo greeting cards are ranked highly. They achieve a level of awareness of 56 %. Wall decoration products such as canvas screens, combined materials or multi-aperture frames also benefited from growth. The wide product range of photo gifts, such as customisable smartphone cases and latte cups, and the possibility to give these products added value with a personal photo, are helping this segment to likewise perform positively.

Connectivity and Cloud technology – the cutting edge themes in mobile imaging

With a share of 21 %, the 25–34 age group remains the strongest age category in the use of smartphones (source: ComScore, 2013). But other age groups are continually making up the ground. For example, 18 % of the 55-plus group were already using a smartphone in 2013. Going online any time, anywhere and sharing content and images – these are the challenges that the imaging industry has to confront. The fact that ever more cameras are equipped with Wi-Fi and Android technology is only one aspect of this. Added to that, many new apps enable user-friendly and exciting application options for the mobile arrangement and ordering of photos. Users can now actually use these options to connect to Photo Stations without the need for any plug connections. Another continually growing area is that of Cloud technology. For example, this technology makes it possible, right now today, to integrate videos into photo books. It will continue to be upgraded in coming years, enabling users to access content such as their films and videos regardless of the system used.

Online printing market

Shift towards online printing continues unabated

Despite the improved general economic situation, particularly in Germany, the printing industry generally had another difficult year in 2013. The production index and net sales fell short of the year-earlier level, the business situation and expectations have deteriorated and declining print advertising expenditures triggered negative impulses. (Source: German Printing Industry Sector Report, BVDM, August 2013)

Up to July 2013, the printing industry assessed its situation as two percentage points poorer than for the same period last year and forecasted a decline of –2.5 % in business volume. These estimates have deteriorated continually since April 2013. (Source: German Print Industry Sector Report, BVDM, August 2013)

The structural change in the Germany printing industry continues undiminished. The drivers and beneficiaries of this structural change continue to be the online printing enterprises, whose standardised and cost-efficient products and services have enabled them to adapt themselves well to the market requirements.

Online printing market: High barriers to market entry

No discernible shortages in the relevant raw materials markets were registered during the course of the 2013 financial year. The availability of printing paper and printing plates, in particular, was at no time in jeopardy. The price trend in relation to the procurement of goods and services may be described as stable.

2013 again saw the emergence of new market participants. The majority of these originate from conventional printing enterprises and advertising agencies. However, none of the new market participants came with a proprietary industrial production capacity.

The barriers to market entry – such as the necessarily high investment and marketing expenditures as well as the current price level – are effectively blocking potential competitors.

Retail market

CEWE Retail is active in Scandinavia and Central and Eastern Europe, with a clear focus on Norway and Poland. The countries show clear differences in their market positions in some respects, so their varying situations are outlined below.

Norway

The Norwegian economy features strong growth in income from employment as well as public services. The unemployment rate is 3.3 % (Eurostat). The rate of inflation is 2.3 %. The Norwegian Krone increased in value against the EURO by 25 % between 2009 and 2012, but has again lost 14 % when viewed across the year. Compared to the previous year, the real disposable income grew in 2013 by 5.9 % to 257,000 NOK/head (approx. EUR 31,000). The savings ratio of 9 % is higher than at any time since 2005.

The Norwegian Retail net sales began extremely modestly in 2013, but recovered strongly over the summer (July/August +4.4 %). Looking at the year as a whole, Retail succeeded in increasing its net sales overall by 1.7 % compared to 2012. Internet and mail order sales increased by 13.4 %. However, net sales in IT and communications outlets fell by 4.3 %. The book trade likewise dropped by 2.3 %. Over 33 % of the sales in Retail were generated by foodstuffs. In all, the quantity of sales grew by 0.1 % in November and December 2013 compared to the previous year. (source: ssb.no)

Sweden

The Swedish economy is on the way to recovery. The unemployment rate of 8 % (Eurostat) is starting to fall and consumer confidence is exceeding the long-term average. The disposable income is 1.5 % up from the previous year, i. e. 195,201 SEK/head (approx. EUR 22,000). The savings ratio is 12.1 % of the disposable income. The Retail net sales in 2013 were 1.8 % over the previous year and actually peaked at 2.8 % (at current prices) in the fourth quarter. Growth was particularly evident in the foodstuffs sector (+2.7 %). Commodity sales grew by 1.2 %. Book trade sales fell by 5.6 % while mail order sales increased by 9.7 %. (Source: konj.se, scb.se)

Poland

Consumer confidence in Poland remained poor in 2013, even though the real GDP and the net sales in the retail sector grew by 1.6 % over the year. The retail growth primarily came from the automotive sector. Private consumer spending rose by only 0.8 %. The total domestic demand fell by 0.2 %, however. The economic growth is fundamentally based on net exports. The unemployment rate remains high at 13.4 % (stat.gov.pl) or 10.1 % (Eurostat). Following a downturn in 2012, the purchasing power of wages and salaries increased again by 2 %. Consumer sales are partially financed by savings. The purchasing power per capita is just about EUR 5,800. (Sources: –Narodowy Bank Polski, GUS- stat.gov.pl). One distinctive feature of the Polish retail market is the dominance of shopping centres. There are currently about 380 modern shopping centres in Poland. Their combined share of the total retail space is about 92 %.

The Czech Republic

The 18-month long recession came to an end in the second quarter of 2013. On 7/11/2013, the Czech National Bank announced that the Kroner would weaken due to currency interventions. As a consequence, the Kroner fell by CZK 25.77 (6/11/2013) to CZK 27.32 against the Euro (31/12/2013). The intervention is intended to limit deflationary risks (source: CNB). In December 2013, the unemployment rate was 6.7 % (Eurostat). Having fallen by 1.1 % in 2012, retail net sales rose by 1 % in 2013, primarily fuelled by sales in the automotive industry. The highest growth was registered by the sale of goods via the internet and mail order selling at +26.8 % (source: ČSÚ). Specialist outlets performed non-uniformly: The sale of computer and communication technology, clothing and shoes as well as net sales for sports, cultural and leisure products increased, whereas sales of pharmaceuticals, medical technology and cosmetic products fell. Sales in the foodstuff area decreased by 1.1 %. At the outset of 2013, the value-added tax rates were increased by 1 percentage point to 21 % and 15 %. The purchasing power per capita is EUR 7,300.

Slovakia

The Slovakian economy is largely dependant on machine and automotive construction, and is therefore highly susceptible to fluctuations. Retail net sales (excluding automotive) increased by 0.1 % in 2013. Sales of IT and communications technology (–0.4 %) and other products in specialist retailing (–2.6 %) were slightly down on the previous year (source: <http://portal.statistics.sk>). The average rate of inflation was 1.4 %. The unemployment rate is 13.8 % (Eurostat). Incomes rose in Slovakia but are very unevenly distributed; the purchasing power per capita is approx. EUR 7,500. This is 58 % of the European average. GfK even estimated that the purchasing power per capita in the capital, Bratislava, was EUR 11,600.

Results

Photofinishing business area

Photofinishing developments

The success story that is the CEWE PHOTOBOOK continues: CEWE's best seller exhibited continuous growth. In this context, CEWE sold 5.8 million units in 2013 alone, which saw it exceed the previous year's record figure by around 200,000 books. In Germany, the prompted brand awareness in January 2013 was 51 %, constituting a doubling over the past two years (GfK). Customers are increasingly opting for higher value products in this area. It is now planned to hitch the new brands CEWE CARDS, CEWE WALL PHOTOS and CEWE CALENDARS to this impressive performance. The market launch of these products was one of the focal points of 2013. CEWE functions as an umbrella brand and forms part of the brand name in each case. Brand elements such as "CEWE Welle", colour design and typography support recognisability at the PoS generate confidence in the new brands among end consumers and are linked to what is tried and tested.

An additional focal aspect in the brand communication of the previous year included the prize awarded to the CEWE CALENDARS by the Stiftung Warentest testing institute, which was announced in Issue 10/2012. This saw CEWE declared the Best Provider based on the photo calendar test. Stiftung Warentest especially praised CEWE's design software that outperforms the competition with its many selection options.

CEWE assumes quality leadership

CEWE positions itself as market leader with long-standing, in-depth photo expertise. The photo service provider's mission is to offer a high-grade, wide-ranging selection of products with continually new design variations and creative ideas (video in the CEWE PHOTOBOOK,

CEWE PHOTOBOOK Premium Matt, CEWE CARDS DIY etc.). The innovative CEWE software, with its impressive levels of functionality, forms the basis of this.

The CEWE PHOTOWORLD order placement software was further upgraded and optimised in 2013. Alongside new products such as CEWE CARDS with video and advanced design elements, Version 5.1 also comes with a favourites function: Personal favourite designs, layouts, clip art or frames can be highlighted and made easier to find for subsequent projects. The current version also supports the use of Cloud technology. The "MyCloud" function enables images to be used directly from Dropbox, Facebook, Picasa, Instagram and Flickr. And there were also a few highlights in relation to the development of the Online Photo Services during 2013: The software was optimised for mobile use. The uploader for the photo order placement and the CEWE PHOTOBOOK viewer are both based on the new HTML5 web standard.

CEWE quality standards also include an intensive focus on service and customers. A comprehensive customer service forms part of this, as does the satisfaction guarantee for the CEWE brands as well as a range of order placement and collection options for the photo products. At the same time, CEWE utilises its continuous customer dialogue for the further development of its products and processes.

An important element of the brand promise is CEWE's customer service. A team of experts is on standby every day from 8 am to 10 pm to respond to questions concerning the products and CEWE's order placement software or to offer assistance in the creation of CEWE

photo products. Customer service responds to inquiries as quickly as possible. A customer will generally receive a response to his or her query within one to two hours at the latest.

If the same themes and issues repeatedly crop up, these will be relayed directly to Research & Development and the Marketing department. This means that suggestions and issues can be directly factored into the further development of products and processes. This feedback loop is a continuous process. Facebook is like a service channel used for the customer dialogue on a par with other communications channels. Customers are additionally contacted directly by e-mail and asked if they were satisfied with the processing of their order and whether any issues are still outstanding. This feedback too is used by CEWE to continually optimise products and software.

Examples of some awards earned by the CEWE PHOTOBOOK



One constant: the CEWE PHOTOBOOK

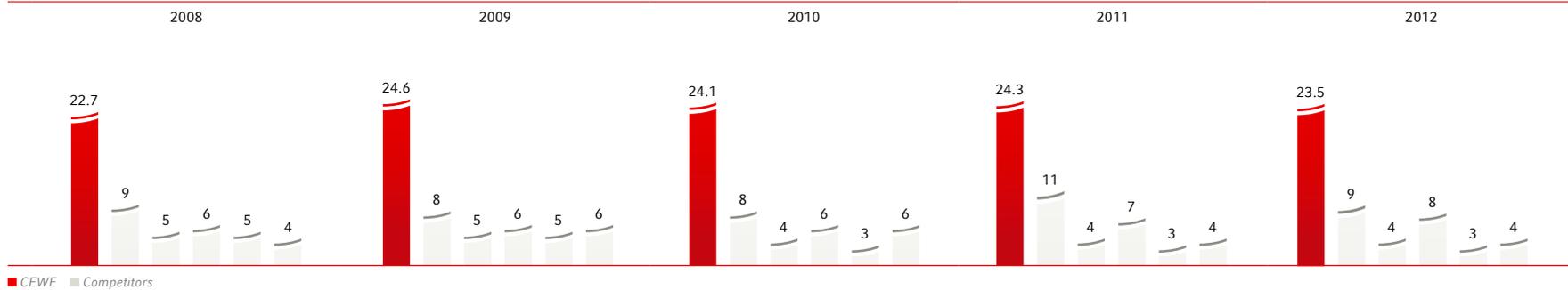
The CEWE PHOTOBOOK is Europe’s most popular photo book. To live up to the expectations of photo enthusiasts, this brand product is constantly improved and reflects the latest trends in the industry. Independent tests repeatedly confirm the superlative quality and variety that have made the CEWE PHOTOBOOK such a successful product.

Outstanding quality

The CEWE PHOTOBOOK is by now available in over 40 variations with up to 154 pages and can be compiled in a many different ways. Different paper qualities, bindings and formats deliver the perfect setting for every taste and project. The CEWE PHOTOBOOK is distinctive because of its easy-to-use order placement software, available for the Windows, Mac, Linux operating systems as well as diverse mobile operating systems. More than 3,000 designs and items of clipart alongside a variety of mounts, backgrounds and layouts make it easier for users to arrange their own photos into an overall display.

In 2013, CEWE once more lived up to its position as an innovative leader in the Photofinishing industry. Launched in autumn, CEWE PHOTOBOOK Premium Matt enhances the impact of photos by placing them on high-quality digital printing paper. This has both an impressive look and feel. The new version is professionally refined by the matt finish to the inside pages and the cover. High-resolution image files are reproduced in top quality by using a special HD ink printing process. The new version is currently available in the formats Large, Large Panorama and XL.

Volume-Market share CEWE PHOTOBOOK in % of revenue



Source: FutureSource January 2014

CEWE's winning product regularly comes up top in quality tests. Fototest (Issue 04/2013) declared the CEWE PHOTOBOOK on photographic paper the test winner in a comparison of seven providers. In fotoMagazin (Issue 12/2013) the CEWE PHOTOBOOK Premium Matt emerged as the winner in the digital printing category. It won the top honours with its fine art appearance and impressive image sharpness. The extensive and easy-to-use software also singled out for praise.

Home-made short films are becoming increasingly popular. The use of smartphones has underpinned this trend. The Video function in the CEWE PHOTOBOOK combines two media in an innovative way. Moving pictures are reproduced with a QR code on the page to form a title photo or a film strip. With the assistance of a QR code reader, these can be played back at any time on a smartphone or tablet with Internet access.

Share some joy with CEWE CARDS

The CEWE CARDS brand was reintroduced in 2013. Over 1200 designs and various postcard and folding card finishes are available for selection. They lend a personal touch to greetings combined with selected photos and provide a stylish framing for traditional greeting cards on such occasions as weddings, births, Easter, baptisms or Christmas time.

CEWE CARDS incorporate current trends. With the DO IT YOURSELF version, customers have the option of ordering an accompanying arts and crafts kit to be delivered with the greeting card. So greeting cards can be given a personal touch at home with mounts, borders and stickers. And designs such as Raw Yellow, Pastels, Neon Accent and Metallic Sound lend invitation, thank you, save-the-date and birthday cards a certain *je ne sais quoi* with their modern range of colours and designs.

Available since October 2013, the CEWE CARDS with video enable greeting cards to be designed with multi-media content. The desired video is selected by using the design software and simply dragged

to the card by mouse, from where it is displayed in QR code format. Short films can then be played back via the smartphone or tablet. In this way, distant friends and relatives, for example, can also gaze in awe at the first video images of the new addition to the family.

CEWE WALL PHOTOS for the truly big moments

The wall decoration range has now been expanded by over 70 new products with the launch of the CEWE WALL PHOTOS brand in 2013 – the perfect way to capture moving moments in a large format. Whether for your own four walls or as a birthday or Christmas present, photos on canvas screens, hard foam, Alu-Dibond, behind acrylic glass, as a poster or gallery print imbue living space with a personal touch.

The new Photo Strip is an unusual eye-catcher. Its panorama format is impressively slim and elegant. A number of images can be arranged in stylish layouts. The Photo Strip opens up new, creative decorative possibilities and is the ideal addition to existing wall decorations.

To provide plenty of room for creative designs, CEWE now offers individualised formats. They can be cut to the exact millimetre. In this way, CEWE WALL PHOTOS can be customised to fulfil every wish and suit any wall. The selected formats can be ordered for direct printing on Alu-Dibond, on hard foam, behind acrylic glass or as a gallery print.

If the hard drive does not contain any images suitable for the perfect wall decoration, CEWE provides customers with the motif gallery containing over 21 million professional photos.

The best motifs for the whole year round with the CEWE CALENDAR

Throughout the year there are numerous opportunities to capture special moments on the smartphone, digital or single-lens reflex camera. The new CEWE CALENDAR brand encompasses richly diverse products suitable for providing a perfect setting for the best motifs. The range contains beguiling products extending from table-top calendars to wall calendars in A4 to A2 formats in high quality and various designs. CEWE emerged as the best Photo Lab in a photo calendar test performed by Stiftung Warentest at the end of 2012. A test victory in CHIP Foto-Video (Issue 01/2014) affirmed the top level quality.

The A3 wall calendar is a new option that affords copious possibilities for individualisation. It is available in portrait and landscape format as well as in various paper qualities. With the matt and high-gloss versions, personal photos and texts can be integrated into selected calendars. So a birthday never goes forgotten. Photo enthusiasts who would like to present their landscape images in a suitable form need look no further than the A2 Panorama wall calendar on photographic paper. The multi-column monthly pages of the family calendar in A3 and A4 make it easy to arrange. It enables every member of the family to enter their important dates in a separate column.

Surprise friends and family with CEWE PHOTO GIFTS

Everyday articles are given a personal touch by adding a photo. The CEWE PHOTO GIFTS range was likewise expanded in 2013. The Premium cushions are printed full-area on both sides with the desired image. Depending on the motif and taste, decorative photo cushions are available in five sizes in square or panorama formats. A special sublimation process means that the material retains its comfortable feel, despite the colour print. The latte mug with a capacity of 320 ml exudes a stylish and modern appearance with its conical shape. A favourite personal photo decorates it with a surrounding panorama print. Practical cases for smartphones and tablets protect the mobile companions and transform them into articles of uniqueness. The Premium Case range was developed for smartphones in 2013: With

this product innovation, the photo is not just printed on the rear side of the case, it is imprinted on the edges too. The colours employed produce a special brilliant effect.

CEWE in the mobile world

CEWE offers numerous apps for the Android and iOS operating systems. They are continuously optimised and marketed via all communications channels: Newsletters, websites, online marketing, print/PoS, partnerships, PR and Customer Relationship Management.

The centrepiece of the mobile applications is the CEWE PHOTOWORLD App. Simply downloaded onto the smartphone or tablet, photo products can be designed and ordered whether at home on the sofa or on the go. A comprehensive software update was performed on the app at the end of 2013. The app can now also be used to create CEWE CALENDARS and send postcards anywhere in the world with your own image as the stamp. Images taken from the smartphone or tablet can be transformed into an A3 or A4 wall calendar in just a few steps. Individual postcards with personal photos and greetings are sent digitally to CEWE via the CEWE PH App, where they are printed and sent by post – all this regardless of where in the world the sender is located or where the card is to be sent. In a comparison test conducted by Android Magazin (Issue 06/2013), the CEWE PHOTOWORLD App was awarded first place for its user-friendliness and numerous editing features. The specialist magazines CHIP Foto-Video (Issue 04/2013) and connect (Issue 01/2014) also made it their test winner. In its 08/2013 issue, DigitalPhoto declared the application to be “Sehr Gut” (very good).

Other applications made available by CEWE include the CEWE DECO App and the CEWE OPTIMIZE App. The CEWE DECO App is an augmented reality application with which the CEWE WALL PHOTOS can be virtually installed in the living room. It shows, for example, how a designed canvas screen will appear on the intended wall. The CEWE OPTIMIZE App can edit and optimise photos in just a few clicks.



Marketing activities of CEWE at home and abroad

In 2013, marketing activities in the form of consistent communication relayed across all channels and utilising the already established CEWE PHOTOBOOK were implemented to cover all aspects of the new family of brands. These were adapted for the international market, taking national specifics into account.

In Germany, as in the previous year, the summer of 2013 saw the placement of a TV campaign with high-value parameters – including the “best minute” before the “Tagesschau” (daily evening news), the most sought-after advertising time. In the period between August and September 2013, CEWE screened TV spots focusing on the theme of Africa/travel to faraway places. In September, as in November and December 2013, the focus was on tandem ads featuring the videos in the CEWE PHOTOBOOK and the CEWE CALENDAR. CEWE augmented the campaign with multi-faceted content made available on its own landing page “Fernreise” (long-distance travel) and with the photographic competitions “Fernweh” (wanderlust) and “America Unlimited”. Online marketing and social media channel activities provide strategic support to the campaign in the Web 2.0. The accompanying press relations delivered theme-related content to selected media in the period from March to September 2013.

For the Christmas season, the brand communication focus was directed towards the CEWE PHOTOBOOK, the CEWE CALENDAR and the CEWE CARDS. From the start of November to the middle of December 2013, the CEWE brand was placed in selected settings on TV. Approximately 70 % of the 30 to 59 age group was reached in the German-speaking “DACH” region (Germany, Austria and Switzerland) during this period. The Christmas campaign also saw CEWE displayed, over the course of four weeks, on screen during the “best minute” before the “Tagesschau”. The TV Christmas ad shone the spotlight on the CEWE PHOTOBOOK and on the CEWE CALENDAR in supplementary tandem ads. Additional coverage was achieved through the placement of the Christmas key visuals on a split-screen

broadcast during RTL’s annual review “2013! Menschen, Bilder, Emotionen (People, Pictures, Emotions)”. In addition, the Christmas campaign was flanked with a four-page supplement inserted into Stern magazine with a circulation of 1.5 million copies. As part of its TV sponsoring of “GEO 360-Grad-Reportage” (global documentary programme), CEWE was present throughout the year on the ARTE television channel. Across a total of 44 transmissions, the broadcast was accompanied by a ten-second sponsor trailer. The marketing activities at Christmas time were also supported by a specially tailored PR mix covering all aspects of print and online media. Tags included gift ideas from CEWE at Christmas time as well as new products.

The TV spots in 2013 were appropriately adapted for the neighbouring German-speaking countries and broadcast simultaneously in those locations. The CEWE campaigns were likewise adapted for the respective markets in France and the UK. In France, the display advertising at seven airports in the summer season generated a strong impact. A comprehensive poster campaign in the Paris Metro as well as the play-back of TV ads in cinemas enhanced the brand visibility in the run-up to Christmas. The campaign was additionally supported by PoS measures and increased activities in relation to search engine marketing and on social media channels in November and December 2013. In the United Kingdom, the PR activities were intensified in comparison to the previous year. In July 2013 for instance, “The Gadget Show” – a television programme focussing on entertainment electronics – declared the CEWE PHOTOBOOK to be a test winner. From September 2013, the winner’s logo was integrated into all CEWE PHOTOBOOK orders and strategically placed at the PoS in the lead up to Christmas time.

CEWE photographic competitions as an additional communications channel

Every CEWE PHOTOBOOK is a contemporary document and a tangible reflection of the enthusiasm that people have for the photographic medium. CEWE gives this enthusiasm a platform by way of numerous photographic competitions. Following on from its tremendous success in 2010, the international photographic competition "Europe is beautiful" was organised for the second time in 2013. Over a period of nine months, more than 8000 participants from 35 European countries uploaded, graded and commented over 44,000 photos, which they also distributed via social media channels – an impressive response. A jury of experts specialising in photography crowned the winners at the end of May. CEWE is showcasing the winning photos, depicting the beauty of the continent, in a travelling exhibition that will be displayed throughout Europe. The winning shots will be presented to the public at trading partners, airports and other thematically suitable locations. Immediately after the victors have been awarded their prizes, a CEWE PHOTOBOOK containing all the winning images will be printed to show off a multi-faceted and exciting collage of European countries.

CEWE support the cultural treasure that is photography

CEWE is deeply concerned with supporting and preserving photography as a fundamental element of our culture. The photo service provider maintains partnerships with numerous institutions and projects. These include the Deutsche Fotomuseum in Leipzig, the Mannheim-Ludwigshafen-Heidelberg Photo Festival as well as the Fototage in Zingst. The partnership with the Deichtorhallen/Haus der Fotografie institution in Hamburg, established at the end of 2013, is aimed at the long term. CEWE is planning various activities in 2014 with this, the leading exhibiting institution for photography in Europe, to combine the elements of everyday culture and art.

Photofinishing results

The sales of CEWE photo products remains fundamentally shaped by two enduring consumer trends – the move towards higher value products and the seasonal shift in the fourth quarter.

Seasonal shift continues unabated

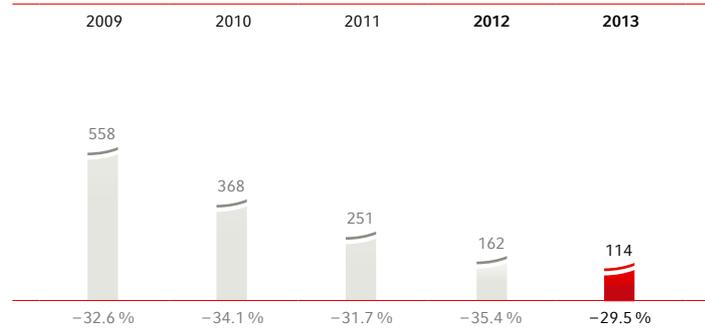
The focal point of the sales, even more so the turnover and, first and foremost, the revenue comes in the fourth quarter. Many consumers greatly enjoy giving the CEWE PHOTOBOOK, CEWE CALENDAR, CEWE CARDS and CEWE WALL PHOTOS, and other photo gift items, as Christmas presents. This is why the seasonal profile of CEWE's business has clearly shifted to the end of the year. As the figure of page 73 makes clear, this shift is continuing.

Change in product mix results in higher profit share for the fourth quarter

Consumers are becoming more selective and demand high-grade photo products. Individual "simple" prints are in decline – there is of course occurring in relation to analogue (film) based sources, but is apparent with digital data too. A stronger demand for added-value high-grade products is partially compensating this decline. CEWE's

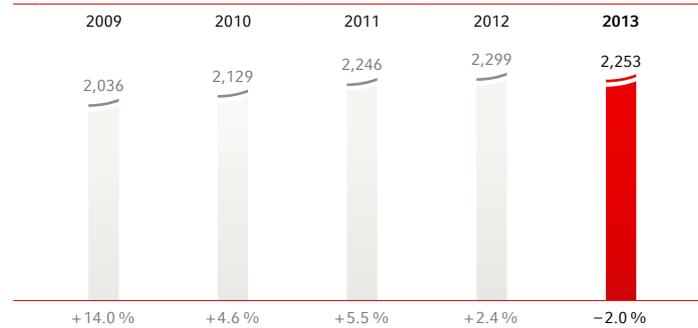
product mix is accordingly shifting towards these added-value products such as the CEWE PHOTOBOOK, for example, or the photo gift item product group. As typical gift items, these article not only explain the seasonal shift – as described above. They actually increase this shift at the turnover and results level, because the proportion of "simple" photo prints falls in the first and, particularly, the second and third quarters of the given year, while the proportion of images in added-value products rises quite considerably in the fourth quarter. As CEWE tends to make a higher turnover and better earnings per image in relation to added-value products, the seasonal shift as regards turnover and especially income is even more pronounced than in volume, and will potentially still continue to progress. The move from "mass" (fewer individual photos) to "class" (more high-grade photo products) continues.

Prints from film in million units



Change to previous year

Digital prints (incl. CEWE PHOTOBOOK prints) in million units



Change to previous year

Photofinishing sales

- ▶ At 2.37 billion photos, total photo volume exceeds expectations
- ▶ 5.8 million CEWE PHOTOBOOK units and value continuing to rise
- ▶ New brands CEWE CALENDARS, CEWE CARDS and CEWE WALL PHOTOS continue to make large gains
- ▶ Over 95 % of photos are digitally sourced
- ▶ 65 % of all photos are collected in store

Photo volumes exceeding expectations

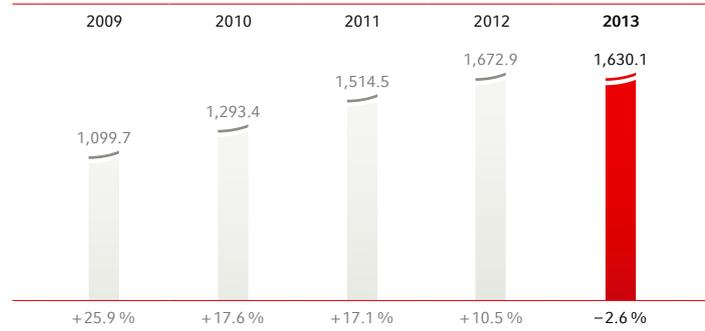
As a consequence of the shift “from mass to class”, in 2013 CEWE anticipated that photo volume would fall to 2.20 billion photos from 2.26 billion photo (–11 % to –8 % compared to previous year 2012); in addition to the individual photo prints, this photo count includes images in other photo products – i. e. the CEWE PHOTOBOOK, CEWE CALENDARS, CEWE CARDS, CEWE WALL PHOTOS and other added-value products. With 2.37 billion photos produced (–3.8 % compared to the previous year 2012), CEWE has exceeded this target.

In this context, the fourth quarter has again delivered a strong surge in demand. After following the seasonal shift and falling only by –5.7 % in the first three quarters (1.59 billion photos), photo volume in the critical fourth quarter actually grew by 0.4 % to 781 million photos. As the figure on page 73 confirms, the long-term phenomenon that is the seasonal shift is continuing with an increasing share of the volume attributable to the fourth quarter.

CEWE PHOTOBOOK remains the most successful photo product

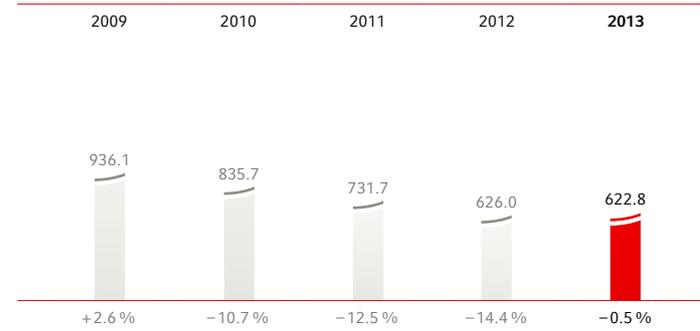
Sales of the CEWE PHOTOBOOK grew again during the year under review: A total of 5.8 million units of the CEWE PHOTOBOOK were sold (+3.4 % compared to the previous year 2012) and achieved the planned target range of 5.8 to 6.0 million books. The growth of the CEWE PHOTOBOOK was yet more apparent when viewed from a turnover perspective. This development was boosted by the enduring trend towards thicker paged and larger formatted CEWE PHOTOBOOKS as well as upselling measures such as the glossy surface finish or the integration of videos.

Digital print orders via the Internet in million units



Change to previous year

Digital print orders in stores in million units



Change to previous year

Of the total quantity of CEWE PHOTOBOOKs, customers in 2013 purchased over 38 % in the fourth quarter: 2.2 million books. The volume in the critical fourth quarter therefore again increased more strongly than the annual average, i. e. by +6.0 %. The CEWE PHOTOBOOK brand product once again made a substantial contribution to the success of the Company.

New CEWE brands continue to grow

Sales of the other added-value products also exhibited continued dynamic growth. For the full year 2013, the CEWE CALENDARS, CEWE CARDS and CEWE WALL PHOTOS product groups grew at rates sometimes extending into the double-digit range.

95.2 % of photos digitally sourced

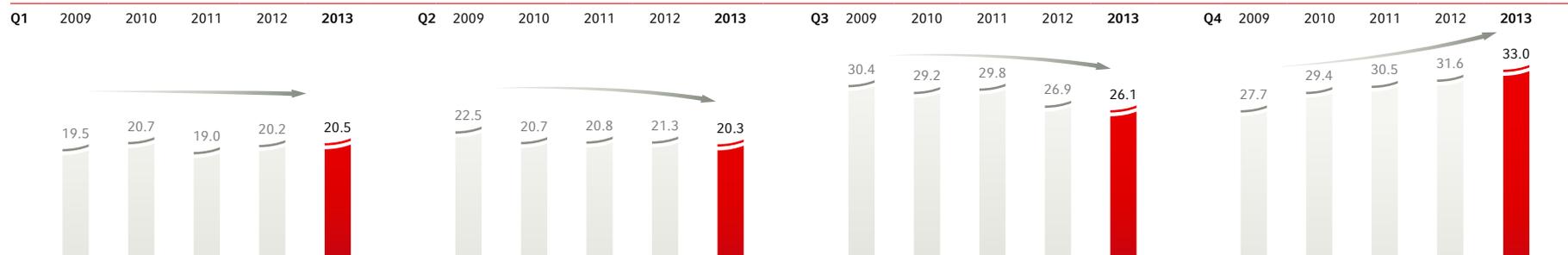
The number of analogue photos taken from film fell to 114 million photos, or –29.5 %, somewhat less than expected (fourth quarter 2013: –27.9 % down to 22 million photos). The success of the CEWE PHOTOBOOK and the other CEWE brands, means that digitalisation is inching ever closer to the 100 % mark. Following 93.4 % in

2012, in the year under review 95.2 % of all photos are now digitally sourced. In the fourth quarter the digital share of photos actually touched 97.2 % (fourth quarter 2012: 96.1 %).

Combination of “order by internet, collect over the counter” a continued factor for success

Due to the succession of CEWE “SOFORT FOTO” stations in retail outlets, the ratio of digital photos ordered over the Internet fell from 72.8 % in 2012 to 72.4 % during the year under review. Of these consumers, 48.7 % opted to collect their completed orders in retail outlets owned by trading partners supplied by CEWE. 51.3 % received their photos by post. Therefore, customers collected a total of 65 % of all photos in the retail outlets of CEWE’s trading partners. This affirms the strength of CEWE “clicks and bricks” positioning, i. e. the strategic link between stationary (over-the-counter) outlets and the internet: CEWE on the one hand, facilitates purchases in retail outlets and, on the other, the collection of photos from outlets and their postal consignment to customers.

Total photos – seasonal allocation in %



Photofinishing Turnover

- ▶ *EUR 367.7 million Photofinishing turnover exceeds turnover target for 2013*
- ▶ *Turnover in fourth quarter grew strongly by 9.0 % to EUR 145.3 million*
- ▶ *Larger share of CEWE brand products boost Photofinishing turnover*
- ▶ *Turnover per photo up significantly: +6.4 % to 15.53 Eurocents per photo*

Photofinishing turnover exceeds turnover target

At a turnover of EUR 367.7 million Euro, the Photofinishing business area not only grew compared to the previous year (2012: EUR 359.2 million), but actually slightly exceeded the turnover target defined for 2013, i. e. EUR 365 million. The same applies to the fourth quarter of 2013: With an expected turnover range of between EUR 132.0 and 140.0 million, the generated turnover of EUR 145.3 million (previous year: EUR 133.4 million, +9.0 %) performed better than expected. In this respect, the share of turnover generated in the fourth quarter again increased in comparison to the same quarter of the previous year: While the previous year's fourth quarter accounted for 37.2 % of the Photofinishing total annual turnover, it has already increased to 39.5 % in the fourth quarter of 2013 at a figure of EUR 145.3 million. This demonstrates that the seasonal shift in volume already described in the "Photofinishing Sales" section also carried over to the turnover side.

Turnover per photo continues to grow with sustained change in product mix

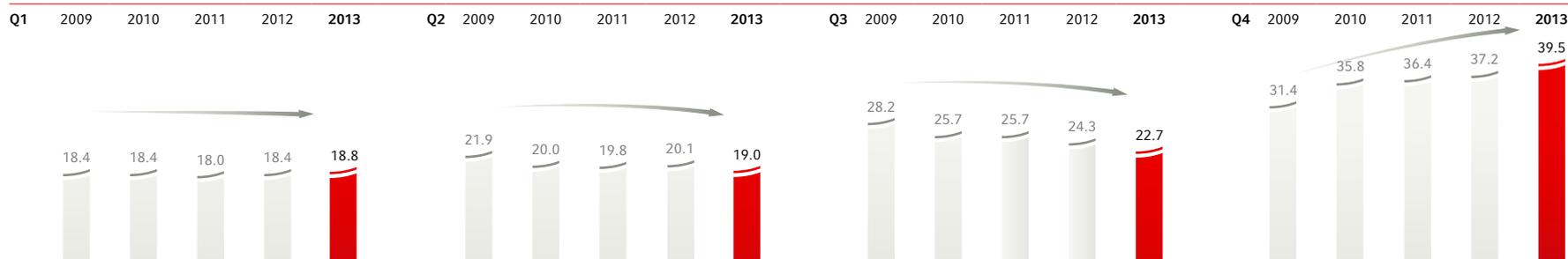
In the quarter under review there was also an increase in the turnover share of the added-value products – i. e. the turnover generated with the CEWE PHOTOBOOK, CEWE CALENDARS, CEWE CARDS, CEWE WALL PHOTOS product groups and other photo gift items – in the total turnover. This sees the trend towards higher value photo products continue to boost turnover performance. Consequently, the turnover per photo once again increased during the year under review: from 14.60 Eurocents per photo in the previous year 2012, by 6.4 % to 15.53 Eurocents per photo in 2013. Viewed in isolation, the 4th-quarter turnover per photo in 2013 grew even more strongly by +8.6 %: 18.62 Eurocents per photo compared to 17.15 Eurocents per photo in 2012.

Sales targets <i>Figures in billion units</i>	Target	Actual	Change*
Digital prints	2.10–2.15	2.25	6.0 %
Prints from film	0.10–0.11	0.11	9.0 %
Total prints	2.20–2.26	2.37	6.2 %
CEWE PHOTOBOOKS <i>in Million units</i>	5.8–6.0	5.8	–2.2 %

* Estimated on the basis of the average of the planned target corridor

Q4 Result <i>in million units</i>	2013	2012	Change
Total prints	780.5	777.6	0.4 %
– of which digital prints	758.5	747.1	1.5 %
– of which prints from film	22.0	30.5	–27.9 %
CEWE PHOTOBOOK	2.2	2.1	6.0 %

Development of CEWE Photofinishing turnover per season in % of revenue



Photofinishing Earnings

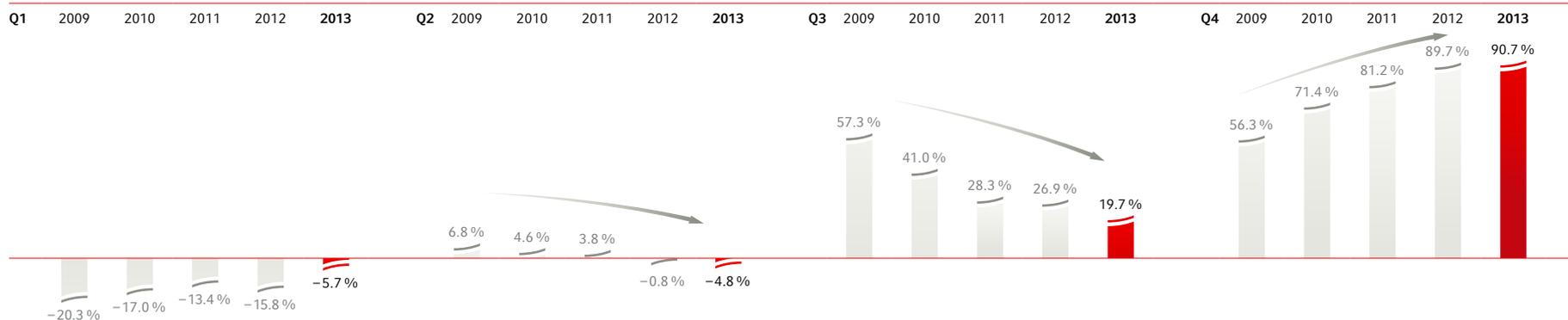
- ▶ **Outstanding Christmas trade results in EUR 35.9 million EBIT in the fourth quarter (Q4 2012: EUR 28.9 million):**
- ▶ **Fourth quarter grows by EUR 7.0 million Euro and delivers 91 % of the full-year EBIT prior to restructuring in Photofinishing**
- ▶ **Full-year EBIT in Photofinishing exceeds expectations: EUR 36.3 million, actually EUR 39.5 million prior to one-off expenditure for restructuring measures**
- ▶ **Photofinishing margin for full year 2013 increased to 9.9 %, actually 10.8 % when adjusted for one-off expenditure for restructuring**

As indicated by the Earnings- Seasonal Distribution figure, CEWE generated the largest proportion of its annual profits in the holiday quarter (third calendar quarter) during the analogue era. This proportion was even greater in 2009, no longer shown on the figure, and the contribution of the fourth quarter to the annual profit was close to zero at that time. Meanwhile, the seasonal shift resulted in an even higher percentage during the Christmas quarter (fourth calendar quarter): Whereas the third quarter with the summer holiday photos was formerly the clear leading quarter, in recent years the season peak has increasingly shifted to the fourth quarter as a result of the strong demand for CEWE PHOTOBOOKs, CEWE CALENDARS, CEWE CARDS and CEWE WALL PHOTOS, especially as Christmas presents.

Outstanding Christmas trade boosts EBIT strongly in fourth quarter

In accordance with the increasing strength of demand on the fourth quarter, the income for the main business area, Photofinishing, once again increased in the Christmas quarter. The EBIT in the Photofinishing segment increased in the fourth quarter by 24.3 % to EUR 35.9 million. This figure meant that the realised EBIT actually exceeded the planned target range of EUR 29.0 million to 34.5 million. The fourth quarter earnings share attributable to Photofinishing compared to the full year earnings for 2013 (restructuring costs not considered) rose to 91 %, the comparable previous year's figure being 90 %: The seasonal shift is most apparent from an earnings perspective – driven as it is by the increasing sales during the Christmas trade of higher margin added-value products such as the CEWE PHOTO-BOOK, CEWE CALENDARS, CEWE CARDS and CEWE WALL PHOTOS.

EBIT prior to restructuring – seasonal distribution of Photofinishing in % of annual EBIT



Photofinishing EBIT exceeds expectations: EUR 36.3 million in the full year 2013

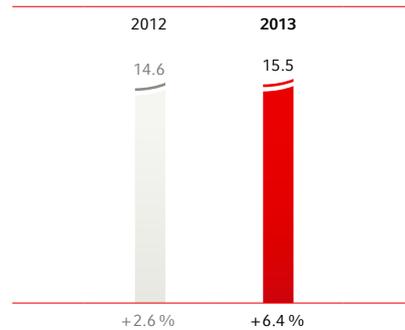
The Photofinishing business area again increased its earning strength with an EBIT of 36.3 million Euro following the previous year's EBIT of EUR 32.2 million Euro (+ 12.7 %).

Adjusting the EBIT for EUR 3.3 million in restructuring costs incurred in the first six months of 2013 for the consolidation of sites in Dresden and Poland, the EBIT actually amounted to EUR 39.5 million prior to these extraordinary effects. Because no such restructuring costs were incurred in the previous year, the operating plus is 22.9 %: EUR 7.4 million Euro more operating EBIT than in the previous year (prior to restructuring costs).

Photofinishing margin increased across full year 2013 to 9.9 %, operating figure was actually 10.8 %

Sustained over recent years, the change in product mix – for example, the substitution of individual photos in 9", 10" and 13" format by added-value photo products such as CEWE PHOTOBOOK, CEWE CALENDARS, CEWE CARDS and CEWE WALL PHOTOS as well as other photo gift items – also led in 2013 to a renewed increase in the EBIT margin of these business area: 9.9 % following 9.0 % in the previous year. Once adjusted for the extraordinary effects of the restructuring costs incurred for the consolidation of sites in Dresden and Poland as described above, a very solid operating EBIT margin emerges, i. e. 10.8 %.

Photofinishing turnover per photo in euro cents



Change to previous year

Online printing business segment

Developments in online printing

CEWE PRINT is the main brand for online printing

At the end of the last fiscal year, CEWE realigned its structure in the new and strategically important “online printing” business segment. The goal was to link the acquired brand “Saxoprint” and the organically evolved brand “viaprinto” with the strong and highly positive brand profile of the CEWE PHOTOBOOK to maximize synergies: The aim was first to have the existing photofinishing brand CEWE PHOTOBOOK positively influence the online printing business. The second aim was to focus future advertising expenses efficiently. For these reasons, the new online printing brand will use the “CEWE” umbrella brand while also highlighting its expertise in print: CEWE PRINT and the website www.cewe-print.de benefit from the brand profile of the CEWE PHOTOBOOK and will continue to positively impact this brand in the future.

CEWE PRINT re-launched

In the “online printing” segment, the websites for the brands CEWE PRINT and Saxoprint were re-launched in 2013. The online shop CEWE PRINT.de, which was launched in 2012, was overhauled after exactly one year and now offers more information and content particularly for new customers. CEWE PRINT now differentiates itself even more from Saxoprint, whose online shop was also redesigned

in September. The streamlined design particularly appeals to our main target group, our business customers.

CEWE PRINT active in five countries

In addition to its strong growth in Germany, CEWE PRINT also operates in Austria, the Netherlands, Italy and Poland. Furthermore, expanding into even more countries is also planned for 2014. Utilizing CEWE’s existing distribution structures is our key strategy in order to enter markets quickly and successfully. Together with Saxoprint’s six online shops, CEWE PRINT currently offers products in nine different countries.

Marketing promotions in the football scene

In 2012, CEWE PRINT.de had already begun advertising in the football scene in the form of perimeter advertising in stadiums used by the German professional football league as well as promotional advertisements on the ARD sports program. We will be repeating this again in 2014 in order to further promote the CEWE PRINT brand. In addition, testimonies from new customers in the form of online advertisement as well as reinforcing our ties to existing customers via newsletters and mail are on our marketing agenda.



Online Print Results

- ▶ *Turnover for 2013 shows continued strong growth at +39.2 %: EUR 59.8 million (previous year: EUR 43.0 million)*
- ▶ *Turnover expectations for 2013 were attained*
- ▶ *One-time charge due to goodwill write-off on the Viaprinto digital print business*
- ▶ *Budgeted initial marketing investments burden EBIT*

2013 turnover continued to show significant growth to the budgeted level

For the full year 2013, turnover in the Online Print business segment grew by 39.2 % (or 31.1 % without acquisition effects) to a total of EUR 59.8 million (prior year: EUR 43.0 million). Because Saxoprint was initially consolidated as of 1 February 2012, the previous year's value for Saxoprint does not reflect turnover from January 2012. CEWE therefore attained its self-imposed turnover target in this business segment of about EUR 60 million for 2013. Intensive marketing activities, in particular perimeter advertising in the Bundesliga soccer league, augmented by TV advertising spots in sports programmes, were the key to success behind this considerable turnover growth.

Fourth quarter increases turnover contribution to EUR 18.2 million.

Likewise, the fourth quarter of 2013 alone provided a strong growth contribution of 27.1 % for a turnover of EUR 18.2 million, compared with EUR 14.4 million in the fourth quarter of the previous year. The Online Print segment also had its highest monthly turnover dur-

ing the fourth quarter, since many business customers prepare for their own Christmas business in November by stepping up orders for printed advertising media.

One-time charge due to goodwill write-off on the Viaprinto digital print business

Based on the impairment tests conducted as part of preparations for the year-end financial statement, CEWE reduced the goodwill capitalized for viaprinto by EUR 2.7 million. By acquiring Diron in 2008, CEWE started its online print activity in the purely digital print field. The initial consolidation of Diron (product sales under the "Viaprinto" brand) at this point in time resulted in the capitalization of goodwill on the basis of the original budget with the associated long-term turnover and income expectations valid at that time. By now, CEWE's "Online Print" business segment is predominantly shaped by orders generated through the offset print process, which was sold mainly by CEWE PRINT and Saxoprint. Seen from a present-day perspective, the cash value of future proceeds from the isolated Viaprinto digital print business is expected to be smaller, so that the special goodwill of the Diron acquisition will have to be appropriately adjusted.

The overall performance of the Online Print business segment as a whole – i. e. including online offset activities – is expected to remain constant. CEWE expects to achieve turnover of more than EUR 100 million in this strategic growth segment by 2016. However,

Turnover trend by segment <i>in million euros</i>	2013	2012	Change
Photofinishing	367.7	359.2	2.4 %
Retail	101.0	105.0	-3.8 %
Online Printing	59.8	43.0	39.2 %
Total	528.6	507.2	4.2 %

EBIT by segments (before restructuring) <i>in million euros</i>	2013	2012	Change
Photofinishing	39.5	32.2	22.9 %
Retail	0.1	1.7	-95.5 %
Online Printing	-7.0	-4.8	-46.1 %
Total	32.6	29.1	12.3 %

CEWE PRINT and Saxoprint are now expected to contribute a much larger share to this value than the Viaprinto brand.

Startup marketing investments are burdening EBIT

The marketing investments needed for the previously described brand development will continue to influence the profit and loss statement for this business segment for the time being. CEWE is leveraging the income generated by the established Photo Finishing business segment to expand the promising Online Print growth sector by means of intensive marketing. In addition to growing market recognition for the “CEWE” umbrella brand, CEWE is also generating an expanding customer base in the Online Print field, from which the company will benefit in future.

Before the above-mentioned onetime charge for the goodwill write-off on Viaprinto’s original budgets at the time of its initial consolidation, the Online Print business segment attained EBIT of EUR –4.3 million (prior year: 2012: EUR –4.8 million). This represented a EUR 0.5 million improvement over the previous year – in spite of the fact that marketing investments in 2012 did not start until August, although they were made throughout 2013. The increased turnover was therefore able to absorb the increased marketing expenditures. Relative to the markedly higher turnover, the operational EBIT margin therefore improved from –11.1 % in the previous prior year to –7.1 % for all of 2013. Including the onetime charge for the goodwill write-off, the business segment contributed EUR –7.0 million to the group EBIT (prior year 2012: EUR –4.8 million).

Retail business segment

Retail performance

Retail: Market share continues to grow

In 2013, CEWE retail was able to defend or expand its strong market position in all countries by leveraging its advantages from a combination of attractive retail operations and a long-established Internet business. During the reporting year, a new e-commerce platform with an updated web presence was implemented and stores were extensively modernised. CEWE retail provides its Internet and PoS customers in all countries with an up-to-date, modern presentation.

Retail results

- ▶ *Retail attains turnover of EUR 101.0 million for all of 2013, 3.8 % less than the previous year*
- ▶ *Difficult photo retail environments in Norway and Poland are key reasons for the overall decline in turnover*
- ▶ *Decent Q4 results with improved EBIT margin allows retail to make an overall positive contribution to the group results.*

Retail contributes turnover of EUR 101.00 million to group turnover

For the reporting year, total turnover for the Retail business segment amounted to EUR 101.0 million and – due to a generally adverse photo retail environment – did not fully attain the previous year’s level of EUR 105.0 million). While overall turnover for the first half of 2013 outpaced the year-earlier result, the second half-year fell back from the good second-half level of 2012. In the fourth quarter of 2013 alone, CEWE’s retail turnover declined by EUR 6.0 million from EUR 30.5 million in the same period of 2012 to EUR 24.5 million for the quarter under review (–19.6 %). In Norway, for instance, the retail segment continued to gain market share with a disproportionately low decline in comparison to the total market, but was unable to escape the general weakening. The Polish market was made similarly difficult by the muted consumption trend.

Respectable Q4 result with improved EBIT margin allows retail to make an overall positive contribution to group results.

While the important Christmas business for photo hardware retail was unable to attain previous year’s good turnover level, it still proved possible to increase the EBIT margin for the fourth quarter from the previous year’s 5.0 % to 5.3 % during the reporting year. This was a positive trend reversal in comparison with the first three quarters, during which the EBIT margin declined from 0.2 % to –1.6 %. During the fourth quarter 2013, CEWE retail generated EBIT of EUR 1.3 million, compared to EUR 1.5 million during the previous year. Consequently, the Retail business segment still managed to make a positive contribution of EUR 76,000 toward the group result for all of 2013 (prior-year 2012: EUR 1.7 million).

The primary reason for this performance was the increasing price pressure for cameras and photo hardware in the Norwegian market and the general consumer restraint in the Polish market. In addition, the entire consumer electronics sector was characterized by muted demand that also affected photo hardware sales.

An increased cost ratio from the first three quarters of 2013 resulting from the establishment of a new and improved online web shop in Norway and Poland, slightly increased marketing expenditures and expenses for the facility optimisation of several flagship stores also put pressure on the overall annual income situation.

Group profit and loss statement

- ▶ All 2013 objectives attained – turnover EUR 528.6 million, EBIT at EUR 29.4 million)
- ▶ Operational EBIT before restructuring charges even reached EUR 32.6 million
- ▶ Fourth-quarter again generates more than 100 % of annual EBIT: EUR 33.5 million
- ▶ Group EBIT margin before restructuring charges improves from 5.7 % (2012) to 6.2 % (2013)
- ▶ Tax rate declines to 22.3 % due to one-time effect from legal transformation
- ▶ Earnings per share increase to EUR 3.29

All annual objectives attained: The fourth quarter has again proved its importance by delivering further improvement

In the Photofinishing segment, the seasonal migration into the fourth quarter described in the section on the Photofinishing business field, along with the startup marketing investments for the Online Print segment, had a significantly negative impact during the first three quarters. After CEWE had reported a loss at the end of the third quarter 2013, as in the year-earlier period, hopes for an upturn were once more pinned on the fourth quarter. Once again, the final quarter of

2013 fully met these expectations. The fourth-quarter contributions allowed all turnover and earnings objectives to be met.

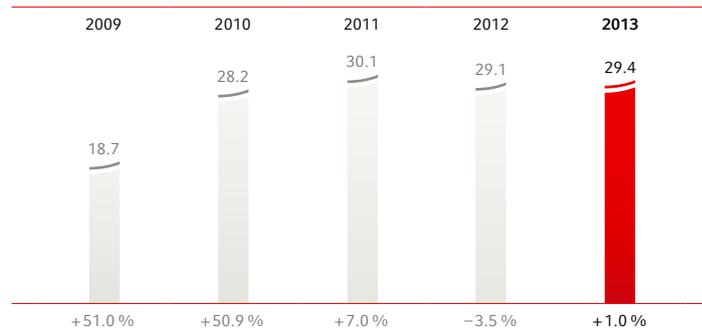
Total year 2013 in million euros	Target	Actual	Change*
EBIT	27–33	29.4	–2.1 %
EBT	25–31	27.8	–0.6 %
Earnings after taxes	16–20	21.6	20.1 %
Earnings per share euros/share	2.44–3.06	3.29	19.5 %

* Estimated on the basis of the average of the planned target corridor

Fourth quarter once more contributes more than 100 % of annual EBIT

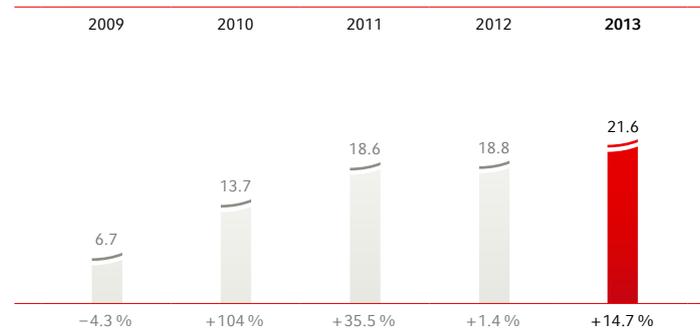
Due to the pronounced seasonal peak in the photofinishing segment, the fourth quarter is extremely important, particularly for annual EBIT. During the reporting quarter, EBIT increased by 14.9 % or EUR 4.3 million to EUR 33.5 million. This strong fourth-quarter contribution was able to compensate the losses from the first three quarters to generate an annual EBIT of EUR 29.4 million (2012: EUR 29.1 million), thereby clearly attaining the targeted range of EUR 27 to 33 million. Without including the restructuring charges for fiscal

Operating result (EBIT) in million euros



Change to previous year

Earnings after taxes in million euros



Change to previous year

year 2013 (EUR 3.3 million for the facility consolidation in Dresden and Poland) into the analysis, CEWE actually managed to achieve an operational EBIT of EUR 32.6 million for the full year 2013.

Group EBIT margin before restructuring charges improved from 5.7 % to 6.2 %

In spite of the continued negative EBIT in the Online Print business segment caused by the marketing startup investments and the decline in retail earnings from the previous year, CEWE was also able to increase the Group EBIT margin before restructuring charges from 5.7 % during 2012 to 6.2 % during the reporting year, reflecting the margin improvement in the photofinishing core business already described in the "Photofinishing Business Segment" section. Since restructuring charges were incurred only during fiscal year 2013 and not during the year-earlier 2012, the reported EBIT margin including these one-time charges weakened slightly from 5.7 % (2012) to 5.6 % (2013).

Increased value-added content shifts P&L structure

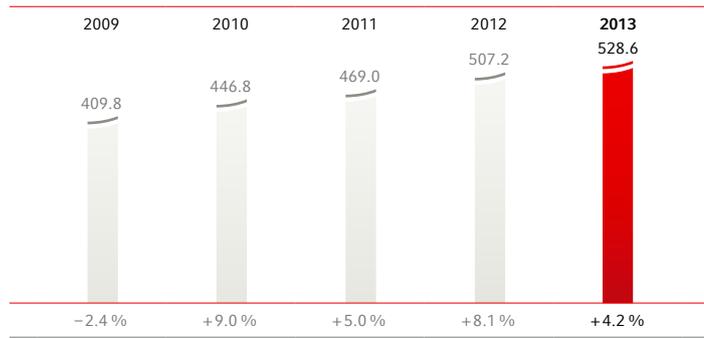
The trend toward value-added photofinishing products is changing the structure of CEWE's profit and loss statement (P&L). Whereas material expenses are declining, payroll expenses and miscellaneous operational expenses show an upward trend. Moreover, the end of investments

related to the transition from analog to digital technologies is reflected in reduced depreciation, although this effect is likely to fade out. The circumstances in the Online Print and Retail segments – depending on the development of their respective retail shares – are partially counteracting these trends in the high-turnover Photofinishing business segment. The following discussion of the P&L structure explains these effects in terms of the most important line items. This discussion is limited to an analysis of developments during the reporting year. The performance during the fourth quarter will only be explained to the extent that it shows significantly different trends than those of the full year.

Miscellaneous operational earnings fluctuate: reduced earnings for this period.

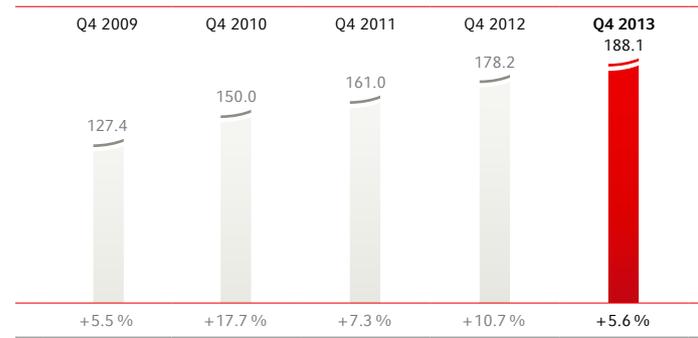
The traditionally fluctuating miscellaneous operational earnings generated EUR 24.6 million during 2013 after EUR 29.7 million in the previous year. While approximately half of the previous year's increase is explained by the increase from the Saxoprint acquisition, this variance effect passed its one-year anniversary this year and therefore did not cause a further increase. The higher prior-year value also reflects e. g. the liquidation of process cost provisions and customs credits, which was achieved in 2012 by optimized procedural workflows and did not recur during the current reporting year.

Turnover in million euros



Change to previous year

Turnover Q4 in million euros



Change to previous year

Material expense ratio declined to 35.9 %

As described in the introduction to the P&L structure, the trend toward value-added products has further reduced photofinishing material expenditures. The reduced significance of the Retail segment also contributes to this trend. The growing importance of the Online Print segment slightly weakens this reduction effect, since the material expenditure rate in the Online Print segment is lower than in the Photofinishing segment. Overall however, the reducing effect exerted on the material expenditure ratio by photofinishing and retail prevailed and has reduced the ratio from 36.6 % (2012) to 35.9 % (2013). Due to the higher turnover share of photofinishing versus retail, this effect is particularly apparent in the fourth quarter, when the ratio declined from 33.4 % (Q4 2012) to 29.8 % (Q4 2013).

As is customary in the online print sector, mail order expenses for shipping printed products to customers are reported as material expenses. For this reason too, material expenses for Online Print are higher than for Photofinishing and, in keeping with the increased Online Print share of turnover, will have a growing impact on the group average in future.

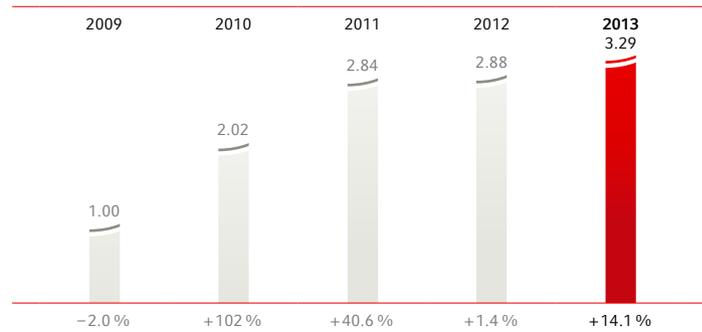
Payroll expense ratio increases slightly to 24.6 %

The increased value addition and the growing turnover share of value-added photofinishing products require additional labour expenditures in both production and overhead budgets, for instance in marketing, product management and IT. Even a reduced share of retail turnover tends to contribute toward increasing the labour expense ratio. These effects have slightly increased the group's average labour expenses by 0.5 percentage points to 24.6 % (2012: 24.1 %).

Miscellaneous operational expense ratio declines slightly despite an increase in marketing expenses to 31.7 % of turnover

During the reporting year, CEWE continued to support the market introduction of CEWE PRINT and increased the associated marketing expenses. Moreover, while value-added photofinishing products require less material expenditure, they do call for increased marketing. Both effects have caused an absolute increase in miscellaneous operational expenses during the reporting year. Various mechanisms, e.g. an active reduction of logistics expenditures, are having an expense-reducing effect. The turnover increase has also caused the miscellaneous operational expense ratio to decline as a percentage of turnover from 32.3 % to 31.7 %.

Earnings per share in euros



Change to previous year

Q4 earnings in EUR million	2013	2012	Change
Earnings before taxes (EBT)	33,0	28,7	+15,2 %
Earnings after taxes	28,1	22,1	+27,3 %

Depreciation ratio declines slightly to 7.2 % of turnover

CEWE's sustained depreciation expenses in photofinishing have been declining for years because investments in more recent years were considerably lower than during the peak investment years of the analogue-to-digital transition (2003 to 2008). This trend has lingered to some extent, so that depreciation in the core business continued to decline during the reporting year. The Online Print business segment installed a third large offset printing machine towards the end of 2013, which contributed toward an absolute increase in the volume of depreciation to EUR 37.9 million (2012: EUR 37.0 million). This machine is capable of supporting the current turnover growth in production well into 2015.

The group's depreciation ratio as a percentage of turnover has improved slightly from 7.3 % (2012) to 7,2 % (2013).

Financing expenditures decline markedly to EUR 1.5 million

Whereas the acquisition of Saxoprint and the related assumption of loans during the previous 2012 year had increased the financing requirement, lower interest rates and a continuing repayment of debt financing has reduced financing expenditures from EUR 2.2 million in the previous year to EUR 1.5 million for the reporting year.

Income tax rate declines to 22.3 % on the effect of the changed legal form

For 2013, the group P&L shows a considerably reduced group tax rate of 22.3 % (2012: 29.9 %). When this is further adjusted by to exclude the effect of taxes not related to earnings, the rate is only 20.2 % (2012: 27.8 %). This variance from what may be considered a normal tax rate of approximately 30 % results essentially results

from the corporate restructuring into CEWE Stiftung & Co. KGaA during fiscal year 2013. This reorganisation eliminated a significant structural disadvantage of previous years that benefited the CEWE group in fiscal year 2013. The trade tax losses carried forward that were virtually frozen in the old structure now became accessible. This effect amounts to approx. EUR 3.2 million and is divided into the effective use of the losses carried forward (approx. EUR 1.1 million of tax relief) and the capitalization of deferred taxes (approx. EUR 2.1 million tax relief) on the remaining losses carried forward. The deferment of the effective usage to an anticipated two years is determined by the minimum taxation provided for in tax legislation.

The group tax rate for the previous 2012 year, adjusted to exclude taxes not related to earnings, was 27.8 %. While this was more favourable than a "normally" expectable group tax rate of 30 %, this too was influenced by a one-time effect, namely the 2012 merger of Diron GmbH & Co. KG into what was then CEWE COLOR AG & Co. OHG. The acquisition permitted CREWE to use the carried-forward trade tax losses accumulated by Diron GmbH & Co. KG.

After-tax earnings rise by 14.7 % to EUR 21.6 million, increasing earnings per share to EUR 3.29

The improved pre-tax earnings for 2013 in comparison with the previous year and the lower group tax rate resulting from the above-mentioned effects of the new legal form have increased after-tax earnings by 14.7 % to EUR 21.6 million (2012: EUR 18.8 million) and have also raised undiluted earnings per share to EUR 3.29 (2012: EUR 2.88).

Balance sheet and financing

- ▶ **Solid financing: 42.4 % equity ratio (+2.1 percentage points)**
- ▶ **Long-term asset intensity declines again**
- ▶ **Operational net working capital causes capital employed to increase**

CEWE's balance sheet and financing are explained below in alignment with capital-employed components. This is essentially accomplished on the basis of prior-year comparisons. Fourth quarter explanations are provided for a better understanding where necessary.

Long-term asset intensity is again declining

The reduction of long-term assets by EUR –6.0 million to EUR 159.7 million is primarily attributable to a reduction of fixed assets (by EUR –7.0 million to EUR 149.3 million). The associated investments of EUR 34.9 million exceeded the budgeted depreciation of EUR 34.9 million by EUR 0.2 million. However, plants with a book value of EUR 2.0 million were sold and goodwill was reduced by EUR 3.2 million to EUR 25.4 million in connection with regular impairment tests prescribed by IFRS – as explained in the “Earnings” section

for the respective business segments. Fixed asset intensity is consequently declining (45.0 % following the previous year's 48.3 %).

Operational net working capital rises to EUR 46.8 million, primarily due to turnover growth

In comparison to the previous year, operational net working capital increased by EUR 14.2 million to EUR 46.8 million. As explained in the “Cash flow” section, operational net working capital is driven by the increase in receivables propelled by the year-end turnover. This caused operational net working capital coverage to rise from 17 days on 31 December 2012 to 22 days.

Miscellaneous net working capital stabilizes financing needs

Miscellaneous net working capital amounted to EUR 24.3 million and, in comparison with the previous year, contributed EUR –1.2 million to help meet financing needs. The primary reasons for this slight increase are explained in the “Cash flow” section.

Balance sheet data in EUR million and in %



Cash and cash equivalents at normal levels

Compared to prior year, balances of cash and cash equivalents increased slightly from EUR 13.4 million to EUR 14.0 million to remain at a stable, normal level.

Operational net working capital causes capital employed to increase

In comparison to the previous year, capital employed increased by EUR 7.7 million to EUR 196.2 million. However, the increase in capital employed was solely due to the increase in receivables resulting from continued growth in year-end turnover. The remaining line items were reduced by EUR 8.9 million after being adjusted by the EUR 16.6 million increase in receivables.

A look at the corresponding parameter of capital invested shows that the EUR 7.7 million increase was largely financed by increased equity capital (EUR +10.0 million) and a repayment-related net decline of EUR 2.3 million in non-operational debt.

Solid equity capital base

In spite of an increase in the balance sheet total from EUR 323.6 million to EUR 331.5 million, the equity ratio increased by 2.1 percentage points to 42.4 % (prior year: 40.3 %). The equity increase of EUR 10.0 million is essentially based on the net balance of after-tax earnings (EUR +21.6 million, prior year: EUR +18.8 million) and dividend payments to shareholders (EUR –9.5 million versus year-earlier EUR –9.2 million). This was also compounded by earnings-independent effects (EUR –3.9 million, prior year: EUR –0.2 million) in addition to sales of shares held by personnel under an employee stock participation programme (EUR +0.5 million, prior year: EUR +0.5 million). A

capital stock increase of EUR 0.5 million was performed as part of the conversion into a KGaA, as explained in the attachments on pages 187 and 189.

Repayment of gross financing debts throughout the year

Financing debts were reduced by a total of EUR 1.2 million. Whereas long-term financing debts declined by EUR 19.3 million due to scheduled repayments and retirement, short-term financing debt increased by EUR 18.1 million, since fixed term loans previously recognized as long-term financing debt are scheduled to become due during fiscal year 2014. This will have the effect that financing debt will continue to decline significantly throughout 2014. Unused long-term lines of credit exist in addition to this.

The increase in short-term, non-operational debt by EUR 18.1 million is fully explained by short-term financing debt, which now amounts to EUR 26.1 million.

The decline in long-term debt by EUR –20.3 million to EUR 29.6 million is comprised of a decline in long-term financing debt by EUR –19.3 to EUR 4.2 million, a reduction of EUR –1.2 million in long-term financial obligations, an increase in pension fund provisions and miscellaneous long-term liabilities by EUR 0.6 million each and a decline of EUR –0.7 million in deferred taxes.

Financial flexibility affords strategic latitude

Renegotiations for credit facilities were completed as of the start of 2013. CEWE has therefore secured expanded financial latitude well before the expiry of the previous agreements. As of year's end, the

total line of credit for the CEWE group stood at EUR 116,8 million (previous year: EUR 89.6 million). After deducting the total drawn credit (EUR 30.3 million, prior year: EUR 31.5 million) and taking available liquidity (EUR 14.0 million, prior year: EUR 13.4 million) into account, total potential liquidity amounted to EUR 100.5 million (previous year: EUR 71.5 million). While there are currently no specific plans for larger individual investments or M & A projects, the renewed financing structure provides considerable strategic latitude. Besides drawn fixed-term loans (EUR 25.2 million, prior year: EUR 18.7 million), there are now long-term revolving lines of credit approved for up to seven years and regularly renewing one-year lines. In total, these are designed to finance liquidity requirements that seasonally fluctuate considerably throughout the year. They ensure that CEWE will at all times be able to meet its payment obligations.

All approved long-term loans are subject to conventional bank covenants for an adjusted equity ratio of 22.5 % and a 3.0 net debt ratio, each to be established at the end of the fiscal year. No other material collateral was granted. The agreement of these performance metrics also affords an adequately large strategic latitude. These conditions were regularly exceeded or undercut by reassuringly generous margins (equity covenant: 36.1 %; previous year: 33.1 %; net debt ratio: 0.24; previous year: 0.27). The loan covenants reflect standard market terms. The CEWE Group's current investment budget is fully financed from the operational cash flow, so that the credit facilities are fully available for major strategic initiatives as well as to compensate liquidity requirements throughout the year.

Sticking to the golden balance sheet rule

The overall soundness of CEWE's balance sheet is once more clearly shown by the classic test of the golden balance sheet rule. Even with investment intensity continuing at a high level, long-term assets (48.2 of the balance sheet total, previous year: 51.2 %) are fully covered by equity (42.4 %, previous year: 40.3 %) and long-term debt (8.9 %, previous year: 15.4 %).

Cash flow

- ▶ *High year-end turnover causes increase in receivables and working capital*
- ▶ *Working capital increase dominates cash flow from operating activities and therefore free-cash flow*
- ▶ *Investment cash flow back to normal levels after the previous year's acquisition*

The following explanations initially refer to the cash flow for the previous fiscal year. Fourth quarter information is provided at the end of this section. Cash flow for the comparable 2012 period is influenced at all levels by the acquisition of Saxoprint and the associated investments in the Online Print and Retail business segments.

Based on an EBIT increase of EUR 0.3 million to EUR 29.4 million, non-cash depreciation of EUR 37.9 million (previous year: EUR 37.0 million) had to be eliminated from CEWE's statement of cash flows, causing EBITDA to rise by EUR 1.2 million to EUR 67.3 million. Miscellaneous non-cash adjustments that have no impact on operating cash flow from operating activities, such as non-realized foreign currency effects, changes in long-term receivables and long-term debt – primarily relating to pension fund provisions – had a negative impact of EUR –2.5 million on the statement of cash flows

from operating activities and amounted to EUR –0.3 million, whereas they had positively affected the previous year's statement of cash flows to the extent of EUR +2.3 million.

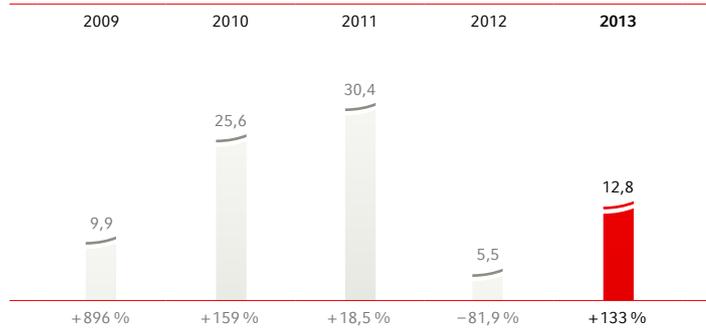
Working capital increase negatively affects cash flow from operating activities

The cash flow induced by working capital declined further by EUR 7.1 million to EUR –13.1 million during fiscal year 2013 and had a clearly negative impact on cash flow from operational activities.

The following effects influenced the cash flow induced by working capital. A positive impact was made by a EUR 3.5 million reduction of inventories (from optimized photofinishing inventories and lowered retail sales inventories), instead of the previous year's sizeable increase of EUR 13.7 million.

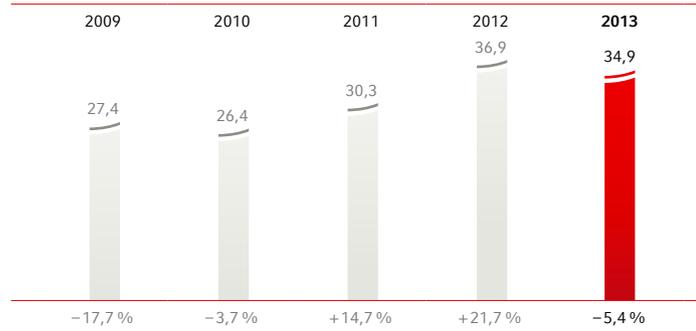
The main drivers of the negative net working capital effects were receivables from products and services, which increased by EUR 16.6 million (after dipping by EUR 6.7 million in 2012). During the previous year, a payment by the credit insurance carrier as part of the known insolvency of a trading partner and year-end bonus

Free-Cash Flow in EUR million



Change vs. prior year

Turnover in EUR million



Change vs. prior year

payments to trading partners resulted in a reduction of receivables from goods and services. During the fiscal year, the rapid growth in December turnover and the delayed receipt of payments from trading partners caused receivables to balloon.

The impact of this effect on net working capital was reinforced by a parallel decline in liabilities from goods and services. These declined primarily because of reduced retail procurement activities, while by contrast, liabilities to trading partners from bonus commitments increased slightly. Overall therefore, liabilities from goods and services declined by only EUR – 1.1 million (2012: EUR +0.6 million). Miscellaneous working capital was primarily influenced by the increase in the net turnover tax burden, causing the cash contribution to increase by EUR 0.7 million to EUR 1.1 million.

Tax payments for income taxes declined by EUR 5.2 million to a total of EUR 6.1 million during the reporting year. As a consequence of the accretion of CEWE COLOR AG & Co. OHG in the course of the legal transformation of CEWE COLOR Holding AG into CEWE Stiftung & Co. KGaA, tax pre-payments by CEWE COLOR OHG were reimbursed and not levied from CEWE Stiftung & Co. KGaA until after 31 December 2013.

Total cash flow from operating activities amounted to EUR 47.9 million, only EUR 3.4 million less than the year-earlier level.

Cash flow from investment activities back to normal levels at EUR 35.1 million

Cash outflows for investments in fixed assets reached EUR 35.1 million. Due to the business expansion, this was slightly higher than the previous year's EUR 33.8 million.

Investments in fixed assets amounted to EUR 34.9 million. Of these EUR 34.9 million, EUR 27.3 million were invested in plant and equipment and EUR 6.3 million in intangible assets. EUR 7.6 million of the plant and equipment spending was invested in the PoS area. EUR 6.7 million was invested in digital print and associated downstream processing, while EUR 6.6 million went towards offset print and associated downstream processing. EUR 3.0 million was spent to expand IT infrastructure. The remaining EUR 3.5 million includes investments in buildings, the vehicle fleet and miscellaneous furnishings. A purchase order commitment of EUR 1.6 million was in place until 31 December 2013, which breaks down into EUR 1.5 million for plant and equipment and EUR 0.1 million for intangible assets.

Whereas the previous year's cash flow from investment activities was dominated by the EUR 21.2 million cost of the Saxoprint acquisition and the final purchase price payment of EUR 2.4 million to the former shareholders of another previously acquired company, EUR 0.3 million was paid during the current fiscal year in connection with retro-active purchase price payments for Saxoprint.

Cash flow from investment activities was positively influenced by EUR 2.4 million (2012: EUR 0.9 million) worth of inflows from the sale of plant and equipment. During the previous year, the expiry of a fixed-interest short-term investment of EUR 11.0 million with a term of over three months had a positive impact. This resulted in a cash flow of EUR 35.1 million (2012: EUR 45.9 million) from investment activities.

Free cash flow reduced by working capital increases

Adjusted free cash flow (without cash outflows for acquisitions and for short-term investments) reached EUR 13.1 million after EUR 18.1 million in the previous year. The decline is explained by the above-mentioned working capital effects: EUR –7.8 million, primarily due to the increase in operational working capital, more than 100 % of which resulted from the year-end increase in the turnover of receivables. This clearly shows the marked increase in the remaining operational effects on free cash flow.

Cash flow from financing activities nearly halved to EUR –12.0 million

In 2013, cash flow from financing activities reached EUR –12.0 million, or EUR 11.2 million less than the previous year's cash outflows. Whereas payments to shareholders rose slightly by EUR 0.3 million to EUR 0.9 million during the reporting year 2013, payments to banks declined by EUR 8.2 million. Principal repayments declined by EUR 7.6 million to EUR 1.2 million and interest payments shrank by EUR 0.6 million to EUR 1.8 million. The decline in principal repayments was entirely caused by short-term financing of the working capital increase, since all scheduled principal repayments were made. The financing structure enabled liquidity requirements to be met at all times throughout the year, as explained in the "Balance sheet and financing" section (Page 87).

Fourth-quarter cash flow highlights working capital increase

Fourth-quarter 2013 EBITDA increased by EUR 6.8 million to EUR 45.3 million. Cash flow induced by working capital declined by EUR 18.3 million to EUR –5.6 million. Cash flow from operating activities consequently declined by EUR 7.7 million to EUR 40.8 million.

As in the prior year, CEWE again invested in its necessary capacity expansion in the fourth quarter of 2013, resulting in a cash flow of EUR –10.7 million (2012: EUR –10.8 million) from investment activities.

The reported fourth-quarter free cash flow accordingly reached EUR 30.1 million (2012: EUR 37.7 million). Since the cash flow for the full year was dominated by the year-end increase in receivables, i. e. during Q4, this effect also had a decisive impact on the fourth-quarter cash flow.

Return on capital

- ▶ Average capital employed declines to EUR 191.2 million
- ▶ Earnings development in Photofinishing segment lifts ROCE from 14.9 % to 15.4 %

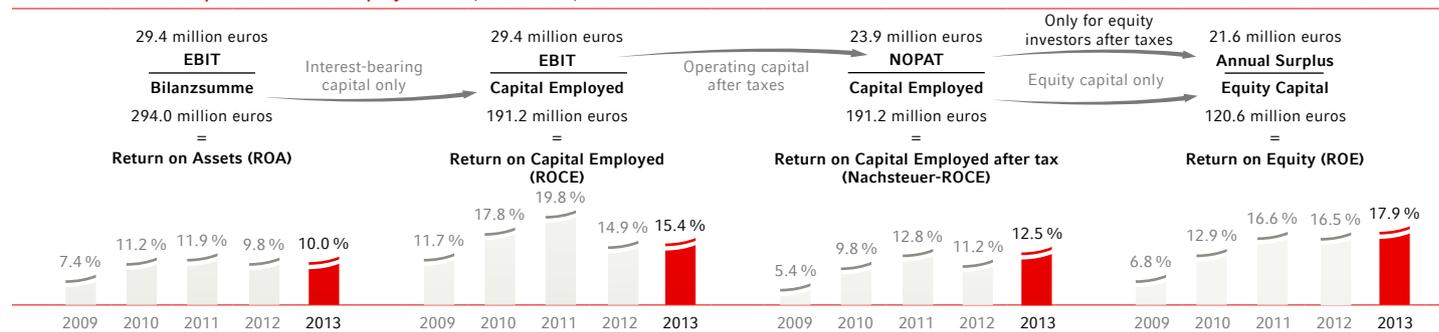
Average capital employed declines to EUR 191.2 million

An analysis of return on capital employed relates the total profits for one year to the average capital employed for that year. The profits are divided by capital employed to arrive at the annualized return. As explained in the balance sheet section, capital employed at the end of 2013 increased by EUR 7.7 million to EUR 196.2 million, highlighting the effect of the increase in receivables driven by year-end turnover. In 2013, the reported average capital employed based on the four quarterly periods within the annual cycle was only 191.2 million Euro, which is a decrease of 3.5 million Euro in comparison to last year. This is due to the influence that the year-end, income-driven increase in working capital had over the average capital employed.

Page 146 | Group profit and loss statement

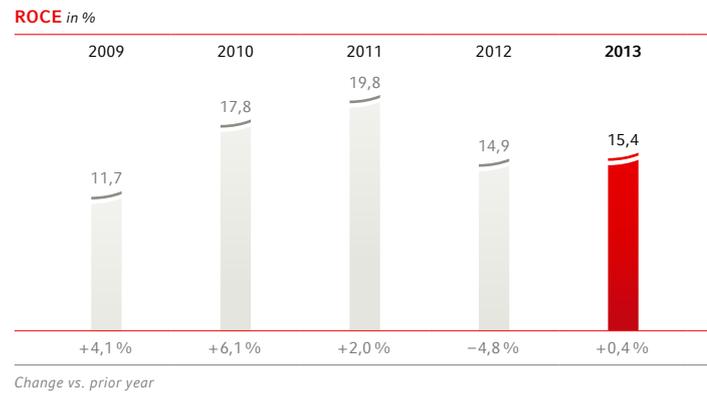
Page 85 | Balance sheet and financing

From total return on capital to return on equity in % (sample calculation for 2013)



ROCE increases from 14.9 % to 15.4 %

In 2013, EBIT increased from EUR 29.1 million to EUR 29.4 million (see section “Earnings and P&L structure”). In relation to the average capital employed, this represents an increase of the return on capital employed from 14.9 % to 15.4 % for 2013. The previous year still showed an acquisition-related decline in the return on capital, which shrank from 19.8 % in 2011 to 14.9 % in 2012. As explained in the reporting for the business fields, the strong earnings performance of the Photofinishing segment drives group productivity and backs up the investments in the new Online Print segment.



General economic state of the group

Based on the performance for fiscal year 2013, the Executive Board assesses the group's economic situation positively.

The "Earnings" section presents detailed discussions of developments in the turnover and earnings of the business segments, the P&L structure, the balance sheet and financing as well as cash flow and return on capital. The volume objectives were attained or exceeded. All turnover and earnings objectives were also met despite the expenditure of EUR 3.3 million of restructuring costs for facility consolidations in Dresden and Graudenz and another EUR 2.7 million of one-time expenses for re-balancing of the online print brands (Viaprinto, CEWE PRINT, Saxoprint).

The Photofinishing segment succeeded not only in shifting from the low residual turnover of film-based analogue photos to digital turnover, but also in using digital sales to compensate the initiated decline of individual photos with value-added products, with CEWE FOTOBUCH leading the way. In these value-added products, which consumers in some countries can obtain directly from CEWE, CEWE creates more value and therefore has an opportunity to gain slightly higher margins.

As outlined in the business model description, retail plays an important role that is not primarily driven by photo hardware retail sales. Rathermore, it successfully performs twin roles as a photo marketing showcase for CEWE trading partners and a sales channel for photofinishing products in several countries.

CEWE has marked Online Print as its third pillar. This is a growing market segment of the large print market, in which CEWE is already well positioned by a range of competencies acquired in the photofinishing field. Online marketing, online ordering systems and order acceptance, digital order processing, digital print production, mail order sales along with all support systems, such as online payments, customer service via various communication channels, etc. have been core competencies of CEWE's Photofinishing segment for years. CEWE added the Offset Print segment to its competencies by acquiring Saxoprint in February 2012, enabling it to process large print runs as well. This has equipped CEWE with largely new, recently installed and highly efficient offset production plants with an existing online order pipeline from an existing and growing customer base. CEWE's international positioning makes it a strong partner for Saxoprint, enabling the business to be successfully internationalised. Online Print has therefore become a truly new business segment with good future prospects for CEWE.

CEWE's business continued to develop in line with Executive Board expectations at the start of 2014, reaffirming the Board in the objectives set for fiscal year 2014 as published in the "Outlook report" section.

 Page 65 | Results

 Page 110 | Outlook report



Sustainability report

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Sustainability

CEWE's success record not only relates to fiscal year 2013 but also to its long-term, sustained commitment.

Sustained growth is an integral component of corporate objectives and measures in the fields of economics, ecology, personnel and society.

As one of the first SDAX companies, CEWE established transparent sustainability reporting. CEWE has been accounting for and documenting its activities for five years and is basing this on the current guidelines published in the Global Reporting Initiative (GRI). At CEWE, Executive Board member Andreas F. L. Heydemann is responsible for implementing this direction. He also leads the Sustainability coordination group, which is comprised of the HR, legal, production/quality assurance, finances/controllers, environment, communication/marketing and logistics/sales departments. The objective in this case is to embed aspects of sustainability at all corporate levels and to integrate them as fixed components of all actions. The sustainability report for 2013 will again be available for this year's general shareholders' meeting. Individual aspects will therefore be only briefly highlighted in the following. You can request a hardcopy version of the report in German and English at the e-mail address: nachhaltigkeit@cewe.de. Options to download the reports and view CEWE's sustainability video are available at: www.cewe.de/de/unternehmen/nachhaltigkeit.html.

Corporate responsibility

Responsibility modeled after the honorable businessman

CEWE has a long history of accepting responsibility and is strongly guided by the proverbial model of the honest businessman. This honorable figure and the company that shares its values can be viewed from various angles of responsibility, which in turn contribute to economic success in many different ways. CEWE accordingly strives to deal honourably with employees, customers, suppliers, competitors and investors while accepting its general responsibility towards society. CEWE is committed to fair competition and expects applicable regulations to be adhered to in all business matters. CEWE is convinced that only sustainable action can lastingly ensure its success.

Integrity, honesty, and responsibility also determine the daily activities of more than 3,000 company employees. Company rules have been fixed to ensure trans-national compliance with codes of conduct, laws and directives.

The Executive and Supervisory Boards are committed to principles of good, responsible corporate governance and monitoring that are based on the German Corporate Governance Code.

Moreover, CEWE conducts an active dialogue with stakeholders that aims to satisfy various local and international expectations. For the first time, an internal and external stakeholder survey was conducted early in 2014 to define and plan the main demands facing the company in even greater detail.

CEWE's corporate culture is based on partnership and respect for the individual. Mutual trust, respect, and the principle of delegating responsibility are the foundations for its partnership-based leadership philosophy. Employees are consequently given the greatest possible latitude to participate in decision-making processes and the company's financial success within the framework of their responsibilities. Well-informed and highly motivated employees are the guarantors of quality, efficiency, innovation capabilities and growth.

Economic responsibility

Adding value through efficiency and responsibility

Sustainability means investing in the company's fitness for the future from an economic perspective. CEWE has therefore taken timely steps to stay constantly abreast of changing market conditions and actively promote product innovations. This relates to new product ideas as well as innovative software solutions like videos in CEWE FOTOBUCH and mobile apps. In addition, CEWE's economic outlook is based on technological and market trends derived from the widest possible range of sources. In this connection, management intends to continue rigorously focusing the company on attractive growth markets, to increase the efficiency of processes and resource consumption and to employ new information technologies.

By these means, the CEWE group expects to constantly enhance its corporate value by strengthening its innovative capabilities and performance. The name of CEWE is backed by a brand commitment that is manifested in software quality, print and book-binding quality, production speed, service quality and product variety.

This orientation shows CEWE's clear focus on optimizing its long-term corporate situation. Quarterly and sometimes even annual results are subordinated to the long-term strength of the company. CEWE generates value by its operational activities rather than financial fine-tuning. Its financial posture is shaped by a conservative, long-term orientation that strengthens its operational creation of value in R&D, marketing, sales, production and all other functions so that they can pursue their activities free of all financial constraints. Its financing is therefore weighted towards a sound supply of capital from third-party sources with a high ratio of long-term lines and a high equity ratio. This provides strategic latitude and long-term security. The same also holds true for equity. CEWE is interested in investors with a long-term perspective. An additional consequence of CEWE's long-term perspective is its fundamental ability and willingness to invest. However, each investment is vigorously questioned.

This corresponds to CEWE's already pronounced cost-consciousness, a typical feature of medium-sized companies.

Quality management

The work of CEWE's quality management is geared to the high expectations of consumers. Due to the high demands facing custom products, claims in particular are handled in a very accommodating manner. Moreover, such claims provide important feedback to improve our products and are therefore valuable input for the continuous improvement process which is the foundation of our quality management approach.

Besides claims assessment, a wide range of internal and external tests are employed to constantly improve product quality. These are used to influence the product quality of printing and photographic processes as well as image optimization in CEWE's in-house digital production workflow. This is reflected in the superordinate quality responsibility at headquarters and at all operating locations.

The process of quality management at CEWE begins by selecting the procedures and materials used. All employed materials are regularly tested and assessed in conjunction with the supplier's quality control function.

Photographic and electro-photographic digital print processes are operated at the highest possible level with constantly improved process inspections developed by CEWE. In order to ensure consistent colour quality throughout the company, twelve-colour systems with pigment-based inks are used for inkjet printing, ensuring a maximum colour range, improved mid-tones and superior stability.

Digital data processing is particularly important. CEWE's digital production workflow is programmed in-house and subjected to continuous improvement processes. In addition, image improvement is

processed with the best possible software. The parameters are internally adjusted and the software is subject to continuous inspections.

The quality process ends with a final inspection. All premium products are inspected and others are checked according to statistical principles. Here too, our objective is the continuous improvement of our product quality.

Materials and product safety

Product safety and environmental compatibility are the key criteria for material selection. Accordingly, all materials are continuously monitored for their saleability in close coordination with suppliers. Current laws are actively monitored and additional product tests are conducted so that we can comply with the latest recommendations issued by the Federal Institute for Risk Assessment (Bundesinstitut für Risikobewertung – BfR). For the important field of digital print paper, the German operations of CEWE were certified in 2010 in accordance with FSC® (Forest Stewardship Council for sustainable forest management) and all operations of the CEWE group have been certified in accordance with FSC® since 2011. CEWE has been using FSC-certified paper for CEWE FOTOBUCH and other digital print products for some time.

Environmental responsibility

CEWE expresses its environmental policy in a short and easily remembered formula: "Save energy, protect water, conserve resources, ensure occupational safety". This addresses all significant environmental impacts by CEWE and focuses on improvements in the individual aspects. The implementation of these objectives and our responsibility for the environment was emphasized by introducing environmental management principles in compliance with DIN EN ISO 14001. Our headquarters in Oldenburg has been certified since 2011 and the German photo-lab and digital print facilities in Freiburg, Mönchengladbach, and Munich have been certified since the beginning of 2013.

Energy conservation and carbon-dioxide footprint

Starting in 2005, and annually since 2010, CEWE has been participating in the carbon disclosure project (www.cdproject.net). This vehicle is used by Germany's 200 largest publicly traded companies to publish their carbon-dioxide emissions. Because of the good quality and openness of the published figures, CEWE was included in the Carbon Disclosure Leadership Index in 2010 and 2011. The scoring results for 2013 were again improved over the previous years.

Direct (scope 1) CO₂ emissions in 2013 amounted to 3,343 tonnes and indirect (scope 2) emissions totalled 10,130 t. They are similar to the year-earlier levels and include the values for Saxoprint GmbH, which was acquired in February of 2012. Expressed as a reference value, CEWE emits approximately 25 tonnes of CO₂ per EUR 1 million of turnover. In comparison, CO₂ emissions that are not caused directly, but are associated with our business activities (scope 3), e.g. from product deliveries and supply logistics, are much higher.

Our energy conservation management is consequently not only focused on internal operational processes, but also addresses the optimization potential for supplier logistics and sales logistics. One example of this is our participation in the climatically neutral mailing process of Deutsche Post DHL, called GoGreen, which is intended to restructure mailorder shipments in Germany in a CO₂-neutral manner. UPS has followed suit with carbon neutral shipments since January, allowing CEWE to dispatch express shipments in a carbon-neutral manner as well. Yet another example is our involvement in the ERTEMIS project to implement a green IT strategy in collaboration with the universities of Oldenburg, Osnabrück and Göttingen.

The success of these efforts is manifested in the award of the German Blue Angel ("Blauer Engel") label for eco-friendly products and institutions to the new IT centre at our Oldenburg headquarters. It was designed in accordance with the latest Green IT ecological considerations and commissioned at the start of 2012. It has reduced electrical power consumption with an associated reduction of CO₂ emissions to scope 2 by a margin of some 150 tonnes/year.

Water protection

CEWE uses water for the photographic development of film and photographic paper. Protecting water requires a sparing use of it. In 2012, CEWE consumed approximately 2.2 litres of water per m² of photographic paper, which corresponds to a reduction of 60 % compared to the 2002 reference year. This is supported by successful efforts to dispose of waste-water with as little contamination as possible. All relevant waste-water parameters for all laboratory sites are therefore continuously monitored by the central analysis laboratory in our Oldenburg operation.

Resource conservation and production-integrated environmental protection

The Oldenburg operation also analyzes all samples from development baths at all CEWE operations. In addition to reconciling these analytical process controls with sensor-based process control metrics, recipes for all recycling processes are calculated. This allows photochemicals to be processed in closed-loop systems at consistently high quality, allowing CEWE to achieve an average recycling rate of 89 %.

Special attention is given to silver, which is a byproduct of photographic processes. In 2013, CEWE reclaimed approximately 5.7 tons of silver from chemical baths. The volume reduction compared to the prior year is a result of the drastic decline in film consumption and the moderate decline in photographic paper consumption.

Ensuring occupational safety

Occupational safety and environmental protection are important core competencies at CEW, which are developed to the best of our ability beyond statutory requirements. When handling chemicals – such as those used for digital print, book binding, and photographic processes – occupational safety and environmental protection are directly intermeshed.

For instance, polyurethane-based reactive glues are used to glue-bond inner book blocks for CEWE FOTOBUCH products. This gives CEWE FOTOBUCH products very high lateral tensile strength. The glue-bonding machinery works with modern, low-emission jet systems. Additionally installed vacuum systems also provide safety.

As in other potentially critical workstations, external test institutes were retained to measure and assess air quality values so as to ensure comprehensive occupational safety.

CEWE's FOTOBUCH is largely printed with liquid toners, therefore eliminating exposure to fine airborne particulate. All digital printing machinery used by CEWE is equipped with integrated filtration technologies, which reduce ozone emission levels significantly below workstation thresholds.

In inkjet printing processes to produce selected digital print products such as canvas images, gallery prints and products from the Deko Shop as well as gift products, water-based inks or instantly curing UV inks are used. This eliminates the emission of hydrocarbon volatiles.

CEWE completely avoids using formalin-based fixing baths for photographic processes. CN film processes use only bio-degradable bleaching baths.

Social responsibility

In addition to the qualification and performance of our employees, the economic success of the CEWE group also significantly depends on everyone's motivation and commitment. CEWE assumes responsibility and provides a broad spectrum of development options to its employees, allowing these important key factors to bear fruit. This begins with job training and accompanies the entire professional career in the form of continuing education and personnel development programmes. Throughout the workday, CEWE also provides a high level of safety at employee workstations and promotes health protection.

The employees of CEWE

The share of female employees in Germany was approximately 51 % in 2013 after 55 % in 2012 (All figures in this section refer to the German CEWE operation). The average age of employees is 42.4 years (2012: 38.6). The high level of job satisfaction is reflected in the turnover rate, which stood at 7.9 % in 2013 (prior year: 9.6 %). The average seniority in 2013 was 11.4 years (prior year: 9.6 years). Accordingly, there are a number of anniversaries every year: in 2013, 154 employees celebrated their company anniversary, of which more than two thirds have been with CEWE for more than 25 years.

Last year, CEWE was again the largest employer and job trainer in the photo industry. There were 124 trainees in 15 different vocations in Germany during 2013 (prior year: 113). This again corresponds to a traineeship ratio in excess of 5 % for all employees in Germany.

CEWE FORUM

Continuing education is fun. It provides inspiration, satisfaction and confidence. It is also the driver of CEWE's innovation capabilities. These are many good reasons to offer the extensive CEWE FORUM educational programme to our employees for a second year. Employees are meant to enjoy developing their skills in the framework of the corporate mission statement and be helped to tackle their jobs with

confidence and a sense of accomplishment. The CEWE FORUM addresses CEWE managers and professional staff. We strive collectively to achieve the greatest possible business success for CEWE. In order to accomplish this, the seminar programme is structured in line with the corporate mission statement so that managers at all levels and professional staff can find seminars that cater to their specific needs and gain an opportunity for self-directed interaction. In 2013, 279 employees from all parts of Germany participated in 41 seminars.

CEWE Talent Management

People are particularly capable of outstanding performance when they find appropriate assignments and have an opportunity to continue developing their skills. The programmes offered by CEWE Talent Management ensure that those targeted instruments are available so that junior talent can grow into specific developmental roles.

The first class started as early as 2011 and successfully completed its programme in the middle of 2013. The third group is now under way and has enthusiastically followed 11 modules over a period of 18 months. During this period, participants are also accompanied by executives in joint meeting and discussion roundtables, e. g. in fireside chats.

Leadership – making the mission statement come alive

In groups of 20 participants, managers kicked off the first CEWE Leadership programme in 2013. Cutting across hierarchies and facilities, the programme takes the form of two-day workshops. Our objective and expectation is to reinforce the implementation of the leadership mission statement, sensitize our managers with respect to their own leadership behaviour and enable them to derive areas for personal development and potential improvement from this. The entire content of the CEWE Leadership programme is designed to follow the guiding principles of the CEWE Leadership mission statement.

1st place for the PIA award

The PIA award (for innovative training) has been annually bestowed by Northwest magazine since 2009. PIA is intended to recognize exemplary training approaches by companies in the Oldenburg region and inspire other businesses to launch their own projects.

24 companies participated in 2013 and CEWE came first. The high-profile jury recognized CEWE's innovative approach towards qualifying trainers beyond the customary formal requirements, therefore enabling them to engage even more effectively with individual trainees. In effect, the system turns instructors into CEWE "educational sponsors". Trainees obtain the required soft skills and functional knowledge on the basis of learning-objective agreements, which are deliberately formulated to ensure that both characteristics are attained. The classic instructional and teaching situation that was previously employed covers only functional knowledge.

CEWE is a highly innovative company and constant change is now the order of the day. For trainees and employees, this means a life-long process of learning to address this change. This means that they must be able to learn without teachers through their own efforts. They must acquire a new soft skill known as "self-taught learning expertise". All CEWE trainers from the Industrial Clerk course curriculum were trained as educational sponsors in several workshops.

Comprehensive preventive healthcare

Comprehensive employee health awareness is essential for sustained, positive, long-term company development. Healthy employees simply feel better. They also perform better and are more reliable and motivated. CEWE therefore places great value on workplaces that preserve health and actively supports its employees with a wide range of preventive healthcare measures.

CEWE employees benefit from a wide variety of health-promoting programmes, ranging from company-sponsored sports to drug abuse prevention. The company also gets its managers up to speed for their business day with seminars for healthy work habits and healthy employee supervision.

Health and environment day – interaction with employees

As part of the company's health management activities, CEWE introduced an annual health day several years ago. The event takes place at the Oldenburg headquarters every year. In 2013, ecological aspects and topics were added to the programme and it has since been conducted as the health and environment day.

For an entire day, CEWE promotes interaction between its roughly 900 employees about health and ecology aspects of personal and professional life.

Besides spreading information, employees are offered personal experiences such as riding an e-bike or participating in a Qi-Gong course. CEWE invites interesting external experts to the event, giving employees a first-hand opportunity to gather as much information as possible and obtain professional advice about particular topics. For instance, the health topic is not monopolised by exercise and nutrition but also embraces the physiological, psychological and social elements of the professional and recreational environment.

Seminars and presentations

As part of CEWE FORUM and CEWE WISSEN, CEWE offers seminars and presentations to its managers and employees concerning healthy work habits and healthy employee-management practices. Titles like “confronting stress: relaxed rather than tensed up – healthy instead of burnout -- fit from tip to toe – nutrition, exercise, mental fitness” allude to only a few of the extensive range of seminars offered. Employees and managers are increasingly looking for more tools to help them manage their personal health. CEWE intends to continuously expand itsd comprehensive health care in future.

Occupational safety

Employees can only exploit their full potential for productivity and performance in a pleasant and safe work environment. Accordingly, occupational safety and health safety play an essential role in all areas at CEWE.

CEWE promotes and verifies safe working habits by means of hazard assessments, safety regulations and seminars. In addition to routine safety instructions, employees are trained annually as fire control assistants and first responders.

Job and family

CEWE takes its responsibilities towards its employees seriously and provides them with safety and development options. The diversity of people, ideas, and opinions at CEWE is regarded as the source of innovation and success. Employee potential is promoted regardless of gender or family circumstances, showing how CEWE adapts to societal changes.

An appropriate work/life balance requires instituting a variety of measures in a wide range of places. Childcare during the working hours of the parents is one important aspect. CEWE therefore continues to collaborate with the Oldenburg branch of the AWO parent and

senior service, which offers free consultation services to CEWE employees and mediates accommodations for children or seniors – even during vacation periods.

But parents also rely heavily on childcare support in special situations outside their daily routines. One such situation crops up during vacations when schools and care facilities are closed. The annual leave of working parents does not fully cover school vacation periods. To assist parents in this special situation, CEWE has provided two weeks of childcare during the summer vacation for the last two years. A total of 41 children of CEWE employees participated in 2013. In collaboration with the Oldenburg “Spielefeuerwehr” play centre, they built a chain reaction, visited their parents’ place of work and printed self-painted pictures on T-shirts.

For 2014, CEWE plans to open its own large-scale daycare facility to improve the work/life balance and will also participate in the *berufundfamilie* (job and family) audit conducted by the Hertie (department store) foundation.

Societal responsibility

Socially responsible actions and social commitment are closely meshed into the corporate culture and are an integral component of the corporate philosophy. CEWE not only maintains a dialogue with political and business figures and all relevant societal interest groups, but also traditionally supports a wide range of projects at the Oldenburg headquarters and its various facilities in Germany and Europe. The societal commitment covers the four focal sponsorship points of social affairs, sports, culture and education. The company prefers long-term commitments where it can contribute its expertise and experience and has an opportunity to sponsor young talent. In 2013, far more than 100 projects were sponsored along these lines as a contribution towards an intact and attractive community spirit at the various facility locations.

Social commitment

Social projects are primarily intended to support families and children in emergency situations. Besides the Philipp Lahm foundation, CEWE's social partners include facilities for handicapped people, children's and youth hospices and medical care facilities for young and old. Several projects are also dedicated to animal protection. In 2013, CEWE expanded its social commitment further by establishing a cooperation with SOS – Kinderdörfer (an aid organisation that runs children's villages). The partnership is enhanced by its involvement of all four German sites. Close ties with its Philippine employees caused CEWE to extend emergency care via SOS – Kinderdorf Nothilfe in response to the super-typhoon Haiyan.

Cultural sponsorships

By sponsoring cultural projects and various institutions with cultural programmes, the company actively contributes towards cultural diversity at CEWE sites. Special emphasis is placed on sponsoring photography as cultural heritage. CEWE is therefore a partner to well-known photography festivals and conducts and sponsors high-profile photography competitions. Several highlights for 2013 also

included a premium partnership with Hamburg's Deichtorhallen and a collaboration with the German Museum of Photography in Leipzig.

Education and junior talent sponsorships

CEWE maintains a broad network with links to a host of educational facilities.

This includes close ties to various schools and universities and covers continuing interaction with practitioners and the scientific community. This form of collaboration promotes innovation and affords a wide range of developmental opportunities. One highlight involves accompanying junior talent during their training. CEWE provides tomorrow's professionals with a solid foundation and good opportunities through its long-established partnership with Photo + Media Forum, a state vocational school in Kiel. It also awards the Heinz Neumüller Prize for outstanding graduation grades and grants scholarships for PhD thesis projects, Master's degree programmes and research projects at Oldenburg University, Jade University and the University of Applied Sciences in Cologne. Furthermore, a business simulation entitled "Management – Information – Game" has been conducted at headquarters for the past 15 years for school students at the Liebfrauenschule in Oldenburg.

Sports sponsoring

Many sports clubs benefit from CEWE sponsorships. Sponsored sports include soccer, handball, basketball, hockey and running and equestrian sports, to name only some examples. This allows CEWE to contribute its expertise as a print partner and gives it an opportunity to sustainably position the CEWE FOTOBUCH brand.

REPORT ADDENDUM

Special events after the conclusion of the fiscal year

There were no special events after the conclusion of the fiscal year..

OUTLOOK, OPPORTUNITIES AND RISK REPORT

Risk report

The business policy of the CEWE group is directed toward safeguarding the viability of the company and sustainably increasing company value. To achieve these aims, the group's pan-European activities require a responsible balancing of opportunities and risk. Capturing opportunities and the ability to recognize, analyze and mitigate risk with appropriate strategies are important factors in defining corporate actions. Systematic opportunity and risk management is a continuous task for the Executive Board and a managerial task for each leadership role.

Assessing the overall risk situation

Overall risk is assessed according to the risk management system in combination with the installed planning, control and monitoring systems. As of 31/12/2013, the total value of risks weighted according to the probability of their occurrence amounted to EUR 14.0 million, which is approximately EUR 400,000 more than a year earlier. Individual risks are grouped into three categories: low (less than EUR 500,000), medium (EUR 500,000 to EUR 2.0 million) and major risks (more than EUR 2.0 million). According to this definition, there were no major reportable risks as of 31/12/2013. Individual risks, or risks in interaction with others, are currently not expected to lead to an existential threat to the asset, financial and income situation of CEWE group.

Minor opportunities are seen in the form of turnover growth in the photofinishing, retail and print businesses. Medium opportunities with respect to Tax refunds at issue in a legal dispute with the tax authorities are seen as offering medium opportunities.

CEWE has created all preconditions for obtaining advance notice of potential opportunities and risks.

A detailed explanation of the risk categories maintained in the risk management system follows below.

Strategic risks

Minor risks arise from the absorption of the photo customer base of the bankrupt firm Jessops in the United Kingdom.

In order to properly address the transition toward mobile devices and the growing significance of the Internet as an order placement channel, CEWE has reinforced its programming and development capacity in this field. By concentrating on in-house employees to pursue its development activities, CEWE seeks to increase its head-start over the competition. It is attempting to confront the shrinking retail turnover for hardware (camera sales) with new web shops.

Operational risks

The market share for film and analogue images has shrunk to less than 5 % of total turnover and continues to sag. The high installed base of digital cameras has not resulted in an increase of print volume for digital photos, since many digital photos are left on hard drives and are not printed on photography paper. CEWE group is relying on its CEWE FOTOBUCH and other value-added products, such as CEWE KALENDER, CEWE CARDS, and CEWE WANDBILDER, to increase turnover. The instant print volume at PoS terminals is another source of growth. Although the Internet volumes for calendars and greeting cards once more increased toward year's end, declining turnover remains a latent basic risk.

Besides volume trends, the issue of price trends is a vital determinant of success for the company. In this regard, the key to success here is the CEWE FOTOBUCH product brand, bolstered by its superior quality, by a software that leads the market by virtue of its ordering assistant and by its constantly expanding product range. However, we continue to seek ways to increase the turnover per CEWE FOTOBUCH via high-gloss finishes, larger formats and more pages per book. Prices for analogue applications are being re-adjusted in line with declining volumes, increased production costs and increasing costs for photo paper.

CEWE is also well positioned in the Online Print growth segment with CEWE PRINT, Saxoprint and viaprinto. As described in the "Online Print Segment" section, this business segment is growing quickly and we see the opportunities outweighing the attendant risks.

The volumes procured from photo paper suppliers were consolidated to one main supplier, secured by a long-term contract. However, there are alternative suppliers in the market. Other suppliers of digital print paper are of interest to us and we consequently regard the related procurement risks as low.

We were able to mitigate the procurement risk for investment goods and photo bags with new suppliers or a risk-oriented selection of suppliers. Motivated by risk considerations, we have generally established alternative suppliers for strategic articles.

The significance of key accounts is trending higher due to increasing consolidation in the retail sector. The fact that the five largest customers with their individual sales channels add up to less than a 39 % share of CEWE's turnover can be seen as positive in comparison with other companies. Nevertheless, a medium risk remains that key accounts may default. This is counteracted by the increasing share of direct sales to consumers conducted by CEWE offers in some countries.

Concerning environmental risks, which are routinely monitored through internal controls at all production facilities, there were again no reportable violations of environmental regulations in 2013 and these risks were classified as low.

CEWE group relies on a wide range of IT systems. The constantly increasing integration of IT systems into business processes has elevated the importance of information technology. Dependency on the availability and quality of data represents a medium risk potential. The non-availability of commercial or technical IT systems can therefore have a direct impact on production or logistics processes. To minimize these risks, CEWE group runs user-specific, stable and predominantly redundant IT systems, backup procedures, virus protection and access controls, encoding systems and integrated IT infrastructures and applications based on group-wide standards. The commercial and technical IT infrastructure was once again revised by external auditors in the past business year in order to further improve IT security and efficiency.

The expertise and dedication of our employees are decisive factors for the successful development of the CEWE group. There is a risk of losing valuable employees and not attracting enough professional staff. In view of shifting demographics, we are protecting and strengthening these factors by taking a wide range of workforce policy measures. These include, among others, an interesting programme of professional training and continuing education, good social services and performance-based compensation as well as our “Work/Life Balance” project. Our HR efforts also focus on the advancement of female employees. Particularly with respect to key roles, we routinely analyze our representation regulations and succession plans in order to hire junior talent at the right time.

Operational risks from machinery failures are assessed as low because of backup options in other facilities.

The large number of dedicated trucking service companies we retain reduce logistical risks to manageable proportions. However, the possibility of petrol price increases is rated as a medium risk.

Financial risks

Reporting on the use of financial facilities has been integrated into the general opportunities and risk report to preserve a uniform presentation. This does not impair the clarity of the group management report. Further information about collateral instruments, assessments and sensitivity analyses, including a description of the risk management system concerned with financial facilities can be found in the group attachments (see page 198).

In close coordination with responsible units in the group companies, the central services department of the CEWE group manages liquidity, currency and interest change risks along with silver marketing services. The operating businesses manage and monitor receivable default risks. This too is accomplished in close coordination and rigorous interaction between central services and the decentrally responsible units (see also section xx in the group attachments).

Liquidity risks from fluctuating cash flows are detected by early warning mechanisms as part of liquidity planning procedures. The use of cash and cash equivalents within the group is optimized by the installed cash pools and supplemental cash management measures. Because of its good creditworthiness and binding bank commitments for lines of credit, CEWE has on-demand access to extensive cash and cash equivalent resources. The organization of external and internal payment processing, including the structure of credit facilities, is designed to address the extremely seasonal business and the corresponding cash flow. CEWE has renegotiated loan agreements with partner banks well before the old agreements expired. This resulted in yet another expansion of credit facilities, long-term staggered terms and covenant agreements that reflect CEWE’s good credit standing.

As for currency risks, changing currency exchange rates have only a minor influence on CEWE’s competitiveness and earnings behavior.

The predominant share of the operational business is processed in Euros. Approximately one third of the business volume involves functional currencies of the group that are not denominated in Euros. In this connection, the predominant number of foreign currencies relate to local production facilities that feature naturally hedged currency cash flows. This nevertheless poses a medium risk to CEWE.

Financial-management currency risks result from conversion at the exchange rate of the cutoff day into the functional currency of the relevant foreign corporation in the case of receivables and liabilities from goods and services, including other cash accounts as defined by IAS 21. In total, the scope of these potentially cash-relevant risks is of a subordinated nature. Other currency risks exist within the scope of consolidation valuations (translational risks) that are not cash-relevant. In line with this risk structure, derivative instruments for hedging purposes are not or only rarely used.

CEWE can incur interest change risks in connection with potential changes of market interest rates. Generally speaking, these can attain considerable significance for all assets (impairment tests for customer relationships, technologies or brands, including goodwill) or obligations (such as pension fund obligations or variable interest financial debts) subject to interest-relevant valuation and earnings influences. We regard the impairment risks for assets as low. The risks in financial accounts are of minor significance in accordance with the financial structure and the seasonally pronounced fluctuations of net financial debts. Interest rate fluctuations in connection with changing loan risk premiums are mitigated by long-term, fixed margin agreements and sustained good creditworthiness. CEWE's sound equity ratio and drawn, mid-term fixed interest loans greatly reduce its risk-relevant, variable interest rate risk exposure. In this connection, the seasonally incurred cash inflow has an additional risk-mitigating impact because it significantly reduces or cancels the

variable financing requirements for approximately half of the year. In phases during which the growing cash position reduces or even cancels financing debt for fixed drawn loans, the interest rate risk therefore extends only to the differential between payable and earned interest. With respect to interest rate change risks, derivative hedging instruments are consequently not, or only rarely used because of the existing risk structure.

Residual silver is generated during film development (analog photography) and image development on photo paper (analogue and digital photography), which is reclaimed with electrolytic processes. The pure silver gleaned from silver reclamation processes is sold on the free market. No other raw material trading or marketing transactions are executed. The potential for reclaiming silver is declining due to the significant reduction in analogue photography and the changing photography products. This also reduces the earnings relevance of earnings generated by silver sales; these are now of a secondary marketing nature. The market pricing for pure silver is determined by the hedging function of precious metals and its consumption as an industrial material. Because of the costs associated with potential hedging transactions and the declared avoidance of speculative measures, derivative hedging instruments are not, or only rarely used.

Existing receivables for goods and services relate to commercial third-party customers and consumers. Other receivables include those from public agencies, employees, insurance carriers and others. CEWE incurs potential valuation reduction risks from defaults that nearly always involve commercial third-party customers. The risk is mitigated by monitoring and insuring (whenever possible) the creditworthiness and payment patterns of customers in close coordination with the market-oriented functions within the business. In addition, the business volume is controlled by case-to-case decisions about conspicuous accounts. Valuation loss risks for consumer

receivables are mitigated by professional collections-management practices as well as system settings for risk mitigation and information collection. The risk regarding miscellaneous receivables is controlled by closely monitoring the individual accounts. Any individual risks that may occur are taken into account with sufficient valuation corrections whenever and to the extent that a default risk becomes sufficiently probable, and are therefore not included in this analysis. We quantify the risk for valuation losses from non-insured receivables or deductibles as less than EUR 1 million.

Legal risks

Potential violations of statutory regulations or internal corporate policies represent significant legal risks. Malicious acts such as theft, fraud, disloyalty, embezzlement and corruption can cause significant material damage and loss of image. CEWE uses various instruments to confront these risks. These include the corporate governance system, the internal control system, internal audits and the group controlling function.

No medium and certainly no considerable legal risks posed by pending litigation or other disputes are currently anticipated. Sufficient risk precautions in the form of appropriate provisions have been installed to address litigation risks from operational business transactions and are not described further here.

Any theft of customer data and consequent non-compliance with applicable regulations in data protection laws would result in a risk of civil liability claims, fines, loss of customers and damage to the corporate reputation. No such incidents have occurred until now.

Opportunity report

With its three segments of Photofinishing, Retail and Online Print, CEWE is competing in dynamic, swiftly changing markets.

Leveraging opportunities created in this segment by innovations, consolidations, organic growth or the recognition of other opportunities in adjoining, related new segments – while avoiding unnecessary risks – is the CEWE group's basis for sustainable growth. Opportunities can take the form of either internal or external potentials.

To the extent of the probability that such opportunities will arise, CEWE has considered them in its corporate budgets and outlook for 2014. The following opportunities report consequently focuses on events that may lead to potentially positive variances from the budget figures.

Opportunities in the Photofinishing segment

We see comparatively minor opportunities (less than EUR 500,000) in supplemental earnings from additional turnover increases generated by new ordering applications for mobile end devices -- if end consumers accept these to an even greater extent than planned.

Opportunities in the Retail segment

We operate approximately 160 corporate stores as part of our in-house retail operations in Norway, Sweden, Poland, the Czech Republic and Slovakia. During the last two years, we have converted the web shops in Norway, Sweden and Poland to IBM WebSphere Commerce. We see additional opportunities for turnover growth and earnings arising in this segment from further improvements of these applications and by introducing a mobile shop.

Opportunities in the Online Print segment

Saxoprint and CEWE PRINT have allowed CEWE to expand the online print business towards neighbouring European countries. Corresponding web applications will be rolled out in Italy, UK, France and Switzerland, among others. The turnover could grow faster than planned if these portals get off to a better start than the budgets assume.

Tax opportunities

A discussion with the tax authorities has been continuing for several months about the tax recognition of expenditures from the waiver of a receivable against a CEWE foreign corporation, an expense that was fully accrued. This represents an opportunity for a small one-time earnings increase in the single-digit range of Euro millions if the final decision favours CEWE.

Outlook report

Growth in Online Print – Brand strengthening in Photofinishing

CEWE acquired Saxoprint GmbH, Dresden in February 2012 to strengthen its foundation for future growth in the Online Print segment. In addition to digital print, CEWE now also has online availability of offset capacity for the efficient industrial production of larger editions.

In the Photofinishing segment, CEWE continues its thrust to build up CEWE FOTOBUCH as a brand product that is positioned and advertised in the premium segment. Alongside the established CEWE FOTOBUCH, the company has placed CEWE KALENDER, CEWE CARDS, and CEWE WANDBILDER as product brands with the same positioning. The objective is to enable these other brands to share the benefit of the positive consumer attitude towards CEWE FOTOBUCH. The company seeks to build a growing product portfolio by the step-by-step exploitation of the differentiating advantages given by the service and quality commitments represented by the CEWE brand. This also increases advertising efficiency, allowing CEWE products to be “pre-sold” to consumers with associated benefits to CEWE trading partners.

Continued focus on Europe

CEWE conducts nearly 100 % of its business in Europe and currently has no plans to change its regional presence. For the time being, the focus is on establishing and strengthening the new Online Print segment in our home market and to develop the brands in the Photofinishing segment. This utilizes practically the entire management capacity of the CEWE group.

Never-ending work on the technology platform

As in the past, CEWE will also use the coming years to work on improving its potentials for effectiveness and efficiency, especially in the field of production and data-transfer technologies. Related initiatives are generated both in-house by means of best-practice transfers

between the operations and externally, e.g through regular benchmarking and the targeted use of external consultants.

Continuous innovation also involves products and services

The portfolio of products and services offered by CEWE will be continuously upgraded. In recent years, innovations were the key drivers of the analog/digital transformation. CEWE strives to sustain its gains in innovation dynamics to preserve and expand its market leadership on this basis. Most of the current photofinishing innovations will be presented at the photokina trade fair in September 2014. Online Print innovations are constantly being added to the product range.

IMF expects recovery in the Eurozone

The International Monetary Fund (IMF) expects the global economy to expand considerably faster in coming years. In its economic outlook published in January 2014, the IMF expected global growth to reach 3.7 %. Its growth prediction for 2015 is 3.9 %. Growth in industrialized countries is expected to reach 2.2 % in 2014 and 2.3 % in the following year.

The IMF believes that the recession has ended in the Eurozone, albeit with somewhat uneven developments. The recovery is likely to be somewhat weaker in crisis-ridden countries, even though the outlook in some problem countries – including Spain – has improved greatly. Economic growth in the common Euro currency region is expected to average 1.0 % in 2014, accelerating to 1.4 % in the coming year. For Germany, the IMF is more optimistic than in its October forecast and expects an economic boost of 1.6 % (October estimate: 1.4 %). Germany’s GDP is expected to grow by 1.4 % in 2015. Whereas the IMF anticipates growth of 0.9 % for 2014 and 1.5 % for 2015 (unchanged from October estimates) in its projections for France, it has substantially improved its outlook for Spain since October. Spanish growth is now expected to reach 0.6 % in 2014 (October estimate: 0.2 %) and 0.8 % in 2015 (October estimate: 0.5 %).

In the USA, the IMF forecasts an acceleration of economic growth to 2.8 % in 2014 (2013: 1.9 %) because domestic demand is likely to expand in the wake of agreement on the US budget. Last October, the IMF expected gross domestic production in the USA to grow by only 2.6 %. Due to the budgetary expenditure restrictions, the IMF has now cut back its US growth estimate for 2015 to 3.0 %, a dip of 0.4 percentage points since October.

The IMF foresees high growth dynamics in China and India in 2014 and 2015. Based on its January 2014 projections, the IMF expects a largely consistently high GDP growth rate (compared to 2013) in China of 7.7 % in 2014 and 7.5 % in 2015. For India, the IMF expects 2014 growth to accelerate to 5.4 % versus 2013 (4.4 %) and even reach 6.4 % in 2015.

While the IMF expects the price pressure on industrial countries to increase slightly, it will remain moderate at 1.7 % in the current and 1.8 % in the coming year.

CEWE management's assessment of overall economic conditions

While the overall economic environment in Europe has brightened, the growth dynamics for 2014 and 2015 in the central European markets of vital importance for CEWE remain muted in comparison to international developments. Whereas private consumer spending appears to have recovered slightly in the Euro region after six quarters of consecutive contraction, it remains to be seen whether the minimal increase of 0.1 % over the year-earlier levels in both the second and third quarters has staying power. In spite of the 0.9 % percent growth in consumer spending in Germany reported by the Federal Statistical Agency (Statistisches Bundesamt), CEWE is not counting on additional positive stimuli from a changing consumer posture. In view of the seemingly controllable inflation risks, slow growth in the money supply and weak credit availability to the non-banking sector (especially to businesses), the ECB intends to continue its policy of

historically low interest rates for the mid-term. External financing conditions for businesses are therefore not likely to deteriorate. Independently of this, CEWE does not expect any significant financing risks in view of its sound financial structure. The company's high equity capital and liquidity base allow CEWE to continue financing organic and inorganic growth under its own power – even in periods of limited access to credit. While the risk of debt restructuring for individual countries within the Eurozone declined in the course of 2013, a basic residual risk remains. This is not expected to lead to material risks for CEWE. In view of outstanding receivables, management currently does not expect noteworthy charges since receivables from trade partners are largely secured by credit insurance policies.

CEWE sales stable even in weak economic phases

The experience of recent years has shown that there is only an extremely weak correlation between the twin effects of overall economic performance and the general consumption propensity of customers on the one hand and, on the other, demand for CEWE's photofinishing products. The influence of economic performance could theoretically increase if CEWE's share of turnover with business customers were to grow. However, management currently sees additional opportunities in the Online Print business segment even during phases of economic weakness. Compared with the print services of stationary printers, the more favourable cost-benefit relationship of the Online Print products is regarded as an even more important differentiator for business customers against a generally weak economic background. The management expects only the Retail segment to develop in parallel to the overall economy.

Future for Photofinishing rather constant

CEWE promotes the growing market share of value-added products to compensate for the decline of photos produced with the classic chemical silver-halogen process. In addition to the by now considerably advanced retreat of analogue photos from film, this also affects

the decline of individual photos from digital data. With the European market leader CEWE FOTOBUCH and other value-added products, along with its powerful Internet expertise, CEWE is positioned exceedingly well to actively promote this transition and perhaps even profit from it.

The trend toward value-added products is therefore likely to continue strengthening the Photofinishing segment in 2014, providing an opportunity for a stable or perhaps once more slightly increased margin.

Seasonal shift towards the fourth quarter continues

The share of annual turnover contributed by the second and third quarters – the former seasonal focus – continues to decline. This is compensated by the growing significance of the fourth quarter for the annual business, which is increasingly becoming the sales focus of the higher-margin value-added products. This trend in the Photofinishing core business has continued in recent years and therefore also dictates the bigger picture within the entire group. Even the growing Online Print business will only moderately counteract this development. While not as pronounced, a fourth-quarter focus is beginning to emerge here too. This bulge has its roots in advertising media for the Christmas business of print customers, who tend to place their orders at the beginning of the fourth quarter.

Retail focus on earnings

Fundamentally, management is basing its 2014 expectations for Retail on an orientation towards general consumer sentiments. However, a substantial downward trend in digital camera sales is likely to continue. We are working on alternative products and segments. The overall result is likely to be a decline in CEWE's 2014 retail turnover. EBIT for Retail may continue to be weak, although it should improve slightly. As explained in the description of the CEWE business model, these pronouncements include only the trade business with photo hardware. They do not relate to photo products sold via websites and the brick-and-mortar stores of the CEWE Retail business,

and represent a component of the strategic Photofinishing business segment.

Growth in Online Print independent of economic conditions

CEWE's Online Print gives customers a series of benefits: a quality gain due to highly professional printed products that are produced with the latest large-scale equipment, resulting in a constant quality which is typically superior to that of commercial printing facilities. This is compounded by the time gain yielded by user-friendly Internet ordering, fast production and prompt delivery. In addition, customers also have the option to take advantage of cost-effective and demand-based mini-editions, which CEWE produces with its digital print capacity. Customers seek access to these benefits – at least independently of the overall economic situation, and perhaps even particularly during economically troubled phases. For 2014, management therefore expects the Online Print segment to continue on a substantial growth trend, essentially independent of economic conditions.

Further marketing investments in Online Print

The marketing expenses required for establishing Online Print will most likely also influence the profit and loss statement of the Online Print business segment into 2014, resulting in negative -- albeit substantially improved -- operating income compared to the 2013 EBIT as adjusted for the goodwill write-off. For 2014, the Online Print business segment is again likely to have a positive EBIT before marketing expenses. The strong earnings power of the established Photofinishing business segment will be primarily relied on to quickly and rigorously expand the high-potential Online Print business segment.

2014 earnings target range: EUR +3 million

Turnover is expected to increase slightly from EUR 528.6 million to an average between EUR 525 million and EUR 540 million. Assuming approximately stable Photofinishing turnover, the objective is to more than compensate a potentially declining turnover in the retail business with the intended turnover increase in the Online Print business. Following EUR 59.8 million in 2013, management

believes that turnover of more than EUR 70 million is achievable in the Online Print business in 2014. The objective of attaining the EUR 100 million turnover threshold with Online Print by 2016 continues to be hold good.

2014 EBIT is expected to be in the range between EUR 30 million and EUR 36 million, EBT is predicted to reach between EUR 28 million and EUR 34 million and a range between EUR 19 million and EUR 23 million is foreseen for after-tax earnings.

This corresponds to an increase of each earnings channel by approximately EUR 3 million beyond targets for 2013.

Dividend continuity as minimum objective

CEWE fundamentally strives to maintain dividend continuity, insofar as this appears appropriate in light of the company's economic situation and the available investment opportunities. At the same time, shareholders are intended to participate in the company's earnings increases. The absolute amount of the dividend is clearly in focus, while the disbursement rate is an outcome of this policy.

 Page 177 | Earnings per share

			Change vs. prior year
2014 objectives			
Digital photos	2.15 bis 2.20	BN units	-4 % bis -2 %
Photos from film	0.075 bis 0.085	BN units	-34 % bis -25 %
Photos total	2.23 bis 2.29	BN units	-6 % bis -3 %
CEWE FOTOBÜCHER	5.8 bis 5.9	million units	+1 % bis +2 %
Investments	36	EUR million	+3 %
Turnover	525 bis 540	EUR million	-1 % bis +2 %
EBIT	30 bis 36	EUR million	+2 % bis +23 %
Earnings before taxes (EBT)	28 bis 34	EUR million	+1 % bis +22 %
After-tax earnings	19 bis 23	EUR million	-12 % bis +6 %
Earnings per share	2.84 bis 3.45	EUR/ ea.	-14 % bis +5 %

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Corporate governance report

CEWE largely complies with high German standards

Management (i. e. Neumüller CEWE COLOR Stiftung and the Executive Board, hereinafter termed “Executive Board”, on its behalf) and the Supervisory Board report as follows about CEWE’s corporate governance for the reporting year in accordance with Section 3.10 of the German corporate governance code:

Management and the Supervisory Board have committed themselves since long ago to the principles of modern corporate governance. Considering the significance of these principles, in particular for investors, customers and employees, the Executive Board member Mr Andreas F.L. Heydemann was appointed as corporate governance officer at the beginning of 2009, reporting directly to the Executive Board and the Supervisory Board.

Our objective is to confirm and further reinforce the confidence vested in us by the investors, financial markets, business partners, employees, and the public. Accordingly, we proceeded at an early stage to take the organisational measures necessary to meet these requirements.

- Publishing all information relevant to the capital market in the Internet
- Active, open and transparent communication
- Close collaboration between Executive Board and Supervisory Board
- Prudent risk management

Our implementation of the corporate governance code is routinely audited and adjusted to any relevant occurrences. CEWE Stiftung & Co. KGaA displays a statement on the corporate governance principles

that is accessible to everyone on its homepage at www.cewe.de/investor-relations/corporate-governance.

CEWE Stiftung & Co. KGaA has again complied almost fully with the regulations of the German corporate governance code:

Compliance declaration pursuant to Section 161 German Stock Act [Aktiengesetz – AktG] for fiscal year 2013

CEWE Stiftung & Co. KGaA attaches great significance to the rules of proper corporate governance.

The Executive Board and Supervisory Board of CEWE Stiftung & Co. KGaA declare that the recommendations made public by the federal justice ministry in the public records section of the Federal Gazette of the government commission on the German corporate governance code [Regierungskommission Deutscher Corporate Governance Kodex] in the version of 15 May 2012 and the version of 13 May 2013 have been upheld since the last compliance declaration was made in February 2013, and will continue to be upheld in future:

Appointment of functionally qualified committees (variance from Section 5.3.1)

The previous practice of always having the entire Supervisory Board address all topics was abandoned during the reporting period by appointing an audit committee.

Appointment of a nominating committee (variance from Section 5.3.3)

In future, the tasks of the nominating committee will be assumed by the shareholder representatives in the Supervisory Board.

Chairmanship of the audit committee (variance from Section 5.2)

During the reporting period, Ms Corinna Linner (Auditor) took over the office of Chairwoman of the Audit Committee from the Chairman of the Supervisory Board, Mr Otto Korte.

Group financial statements available within 90 days, interim reports within 45 days after the reporting period (variance from Section 7.1.2)

We comply with the statutory regulations and the rules of the Frankfurt stock exchange, according to which group financial statements must be publicly available within four months after the expiration of the fiscal year and interim reports within two months after the end of the reporting period.

Executive Board, Supervisory Board and their interaction

As a management body, the Executive Board manages the company at its own discretion. In doing so, the Executive Board is bound only by corporate interests and bases its actions on the objective of sustainable valuation growth. The rules of procedure for the Executive Board published by the Board of Trustees of Neumüller CEWE COLOR Stiftung regulate the allocation of business responsibilities and collaboration within the Executive Board. In addition, the corporate charter and the rules of procedure for the Supervisory Board regulate the information duties of the Executive Board. The Executive Board shall regularly, promptly and comprehensively inform the Supervisory Board about all issues relevant to the company, in particular pertaining to budgets, business performance, strategic direction of the company, risk circumstances and risk management.

The Supervisory Board and the Board of Trustees shall advise the Executive Board of Neumüller CEWE COLOR Stiftung and monitor its management activities. The Executive Board, Board Of Trustees and Supervisory Board shall collaborate closely and trustfully for the benefit of the company. All significant business occurrences shall be jointly discussed with the assigned committees. The details of the collaboration between the Executive Board, Board of Trustees

and Supervisory Board, including contingent approval for Executive Board activities, are specifically regulated in the rules of procedure for the Executive Board and the Supervisory Board. In connection with the legal form change in 2013, the rules of procedure of CEWE group were also adjusted to the corporate governance regulations and compliance specifications.

The rules of procedure for the Supervisory Board also define the tasks of the Supervisory Board. The key tasks of the Supervisory Board include discussing the quarterly reports, auditing the year-end financial statements and consolidated financial statements of CEWE Stiftung & Co. KGaA and preparing the resolution of the general shareholder meeting to approve the year-end financial statements. Following the legal form change, the Supervisory Board of CEWE Stiftung & Co. KGaA must be staffed in accordance with the regulations of the co-determination laws. The currently acting shareholder representatives in the Supervisory Board were already elected in the general shareholder meeting of 5 June 2013, with the proviso that their term of office was to begin upon the registration of the legal form change. Accordingly, their office term began once the change was recorded on 1 October 2013. The required six employee representatives in the Supervisory Board were court-appointed upon the request of the Executive Board and with the consent of the affected employee organizations to the resolution dated 29 October 2013, pursuant to Section 104 para. 2 and para 3 Stock Act [Aktiengesetz – AktG] in combination with Section 278 para . 3 Stock Act [Aktiengesetz – AktG]. The constituting meeting of the expanded Supervisory Board took place on 6 November 2013.

The members of the Executive Board and the Supervisory Board are required to disclose any potential conflicts of interest to the Supervisory Board.

Diversity

Sections 4.1.5., 5.1.2. and 5.4.1. of the German corporate governance code in the version of 15 May 2012 address the topic of diver-

sity, that is to say in relation to the staffing of the Supervisory Board, the Executive Board and the managerial levels. Within the scope of good corporate governance, management and the Supervisory Board of CEWE Stiftung & Co. KGaA have addressed this topic in detail.

Supervisory Board staffing

The Supervisory Board of CEWE Stiftung & Co. KGaA consists of twelve members. In its current staffing, the Supervisory Board complies with the specifications of Section 5.4.1 para. 2 of the German corporate governance code:

- The Supervisory Board of CEWE Stiftung & Co. KGaA is traditionally staffed with internationally experienced members.
- No member of the current Supervisory Board of CEWE Stiftung & Co. KGaA has a conflict of interest.
- Section 2.1 of the rules of procedure establishes an age limit for members of the Supervisory Board of CEWE Stiftung & Co. KGaA
- The Supervisory Board is staffed by two female shareholder representatives and two female employee representatives. This fact complies with the objective established by the Supervisory Board resolution of 8 September 2010 to assign at least one seat on the Supervisory Board to an appropriately qualified woman. This additional objective introduced by the Supervisory Board must also be considered in connection with future election proposals, subject to the previous practice of giving consideration to the knowledge, skills, and functional experience required for properly assuming a Supervisory Board assignment.

Executive Board appointments

The current Executive Board of Neumüller CEWE COLOR Stiftung consists of eight male members. All members of the Supervisory Board have international experience.

The Executive Board selection process strives to give appropriate consideration to female candidates for Board appointments and attention is generally paid to the need for diversity.

Appointment of managerial positions

CEWE Stiftung & Co. KGaA has already implemented a wide range of measures to implement Section 4.1.5 of the German corporate governance code, thereby seeking to increase diversity in managerial positions – in particular, a higher share of women.

CEWE Stiftung & Co. KGaA has therefore implemented the following specific measures to promote work/life balance:

- Flexible work schedule models
- Contractual arrangement with the AWO care service for parents and seniors in Oldenburg to offer free consultations to employees who need to accommodate children or possibly elderly parents.
- Access to a child daycare centre in the immediate vicinity of CEWE Stiftung & Co. KGaA in Oldenburg.

Ferner hat der Vorstand der CEWE COLOR Holding AG in der Sitzung vom 31. Januar 2011 Folgendes beschlossen:

Moreover, the Executive Board of CEWE COLOR Holding AG took the following resolution in a meeting dated 31 January 2011:

The selection process for managerial positions within the company strives to give appropriate consideration to women and the need to address diversity is generally recognised. In addition to the already existing measures to promote this criterion, the following additional measures are to be implemented:

Development and implementation of a programme that specifically addresses the topics of “women in managerial positions”, “sponsoring women as junior managerial talent” and “internationality at the managerial level”.

This resolution remains valid for the appointment of managerial positions.

Shareholders and general shareholder meeting

A financial calendar that is available in the Internet at our homepage www.cewe.de/investor-relations regularly informs our shareholders about important dates as well as the asset, financial and earnings situation and the business performance in our quarterly and annual reports. We also conduct regular meetings with analysts and shareholders as part of our investor relations activities. In addition to an annual analyst conference to discuss the quarterly figures, we generally also conduct road shows and telephone conferences for analysts.

Shareholders exercise their rights before and during the general shareholder meeting within the options provided for by law and the charter. For years, the general shareholder meeting has been organized and conducted so as to inform all shareholders promptly, comprehensively and effectively before and during the meeting and facilitate the exercise of their rights. This includes offering to our shareholders the customary services for powers of attorney and proxy assignments in support of the general shareholder meeting. The general shareholder meeting adopts resolutions on all matters assigned to it.

The last general shareholder meeting of CEWE COLOR Holding AG took place on 5 June 2013.

Compensation report

With regard to compensation for the Executive Board and the Supervisory Board for fiscal year 2013, we refer to the detailed compensation report, which is printed as a component of the group management report on pages 126ff.

Information about stock option programs

In accordance with the resolution of the general shareholder meeting dated 30 June 2005, CEWE COLOR Holding AG established a new stock option plan for its international and domestic senior managers in 2010. CEWE COLOR Holding AG offered stock options to its managers for a purchase price of EUR 0.50 each. The stock option plan is effective from 1 June 2010 for five years and therefore ends on 31 May 2015. The option right can be exercised for the first time starting on 31 May 2014, when the average share-closing auction prices at the Xetra trading desk of Deutsche Börse AG (or another successor system in place of the Xetra system) are at least 115 % of the base price on ten consecutive stock exchange trading days during the term of the option rights. The base price was set at EUR 27.00. Since the waiting period has not yet expired, there is no reportable information about an exercise in accordance with this option program. The obligations under this program were transferred from CEWE COLOR Holding AG to CEWE Stiftung & Co. KGaA within the scope of the legal succession.

Transparent communication

To ensure the greatest possible transparency, we intend to make the same information available to all target groups at the same time. Institutional investors and private investors can use the Internet to promptly obtain information about the current group developments. All press and ad-hoc releases as well as the corporate charter are published on our homepage at: www.cewe.de. All interested parties can also subscribe to a newsletter that contains group-wide information about current matters.

 www.cewe.de

 www.cewe.de/investor-relations

 www.cewe.de/de/investor-relations/corporate-governance/directors-dealing

 Page 126 | Compensation report

Shares held by Executive Board and Supervisory Board members

The shares held by all Executive and Supervisory Board members at CEWE Stiftung & Co. KGaA as of 31 December 2013 amounted to a total of 60,004 shares issued by the company. 59,725 shares were held by Executives and 279 shares were held by Supervisory Board members.

Information about Director's Dealings

Pursuant to Section 15a Securities Trading Act [Wertpapierhandelsgesetz (WpHG)], persons with managerial duties (in particular members of the Executive Board and the Supervisory Board as well as certain employees with managerial duties) and persons who are closely associated with them must disclose their own transactions with stocks and any related financial instruments, provided that the total sum of the securities transactions conducted by any one person with managerial duties and closely associated persons reaches or exceeds an amount of at least EUR 5,000.00 within a calendar year. The reportable securities transactions executed during the reporting year 2013, including those conducted through today, are available for review on the homepage at: www.cewe.de.

Accounting and financial statement audit

CEWE Stiftung & Co. KGaA, Oldenburg has appointed Commercial Treuhand GmbH financial auditors, tax advisors, Oldenburg, as the financial statement auditor for fiscal year 2013. The auditor is required to immediately report to the Chairman of the Supervisory Board any exclusion or conflict of interest grounds that may occur during the audit. The financial statement auditor is also required to immediately report all findings and incidents identified during the financial statement audit that significantly influence the Supervisory Board's duties. Moreover, the financial statement auditor shall inform the Supervisory Board if facts are found during the financial statement audit that are inconsistent with the compliance declaration made by the Executive Board and the Supervisory Board pursuant to Section 161 Stock Act [AktG – Aktiengesetz].

Compliance

The company places considerable value on compliance as defined by measures to adhere with the law, the legal code and corporate policies, and the compliance with these by group companies. The Executive Board or, after the effective date of the legal form change, the Executive Board of the personally liable shareholder, has installed various mechanisms as part of its associated responsibilities to ensure the best possible compliance.

The compliance officer appointed for this responsibility constantly reviews the requirements and company-specific maintenance and continuing development of the company's and/or the group's compliance organization. Employee training and legal risk management are a particular focus of these activities. The compliance officer reports to the full Executive Board (or to the full Executive Board of the personally liable shareholder once the legal form change takes effect). He relies on the functionally responsible persons within the company and, where necessary, on external legal advice to address specific issues.

In this overall context, the company maintains an insider directory. All persons who are employed by the company and have access to insider information according to regulations are recorded in this directory after having been informed about the obligations defined by the insider act.

In addition, an external attorney at law was appointed as ombudsman whom any employee or third party can contact to call attention to potential violations of the law or policies by group companies. No suspicious incident was reported to the ombudsman during the reporting period. An internal audit has likewise identified no violations of law or policies.

Risk management system

As an internationally active group of companies, CEWE Stiftung & Co. KGaA and its subsidiaries are exposed to a variety of risks that could have a detrimental impact on business activities and on the asset, financial, and earnings conditions. CEWE has consequently installed an internal control and risk management system based on standards customary to the sector and complying with statutory regulations. It is designed to recognize potential opportunities and to assess and counteract risk with appropriate measures when required. As an integral component of the business, budgeting, invoicing and control processes, the control and risk management system is integrated into the information and communication system of CEWE group and is a material component of the management system operated by the group. The control and risk management function is based on a systematic process of risk recognition, assessment and control that encompasses the entire group.

The Executive Board, the managers of the international and domestic regional profit centres, the central departments and project managers are tasked with control and risk management responsibilities. The Executive Board has the final responsibility for determining control and risk management functions.

The risk management system identifies opportunities and risks within the individual risk sectors as part of an annual, group-wide risk inventory. The annual opportunity and risk report is prepared on the basis of the risk inventory. Throughout the year, the opportunity and risk assessments are audited at least quarterly. These are reported to the Supervisory Board on at least a quarterly basis. After having been reported to the risk officer, newly recorded opportunities and risks are entered into the risk management system and assigned to a risk owner. To the extent that the assessments of individual risks have resulted in the formation of a corresponding provision, these risks are no longer identified in the risk report.

The internal control system is an integral component of the business processes operated by CEWE group and comprises a wide range of monitoring and control mechanisms, essentially based on four principles that are detailed as follows:

- Double check principle
- Integrated reporting
- Functional segregation
- External/internal audits

The “double-check principle” is ensured by regulations such as the charter, directives, rules of procedure and instructions as well as representation and signature authorizations. A coordinated authorization concept adopted by the CEWE group constitutes yet another control and monitoring mechanism. It specifically regulates the access and activities of individual persons and groups of persons to the predominantly SAP-based applications and their associated functional modules.

“Integrated reporting” encompasses a detailed budgeting, control and reporting concept pertaining to the group’s condition and outlook. The budgeting process is based on a combination of bottom-up and top-down approaches, and reflects monthly budgeting parameters. The existing group information system is ensured at the levels of the individual profit centres and the Executive Board by a monthly plan/actual comparison with the previous year, supplemented by cross-facility business reviews. Trends, opportunities, risks and measures are discussed and correspondingly documented during these reviews.

CEWE group performs a rigorous “functional segregation” of critical business processes to ensure the integrity of processes and the quality of individual workflows. Certain functional departments have also been assigned central tasks in order to implement a cross-check responsibility as well.

In addition, all companies and profit centres are subjected at regularly scheduled intervals to an “external audit” in the fields of finance and accounting, IT technical security and insurance policies, as well as to “internal audits” in all remaining functional areas.

As part of the control and risk management system, CEWE group also performs impairment tests of its holdings in subsidiaries. The valuations of holdings are correspondingly subjected to routine impairment tests.

Significant features of the internal control system pertaining to the group accounting process

The internal accounting-related control system is integrated into the group-wide risk management system as a component of the full internal control system (ICS) operated by CEWE group. Its job is to minimize the risk of a materially incorrect statement in the accounting records and in the external reporting, to proactively recognize inappropriate developments and to initiate countermeasures. This ensures that group-relevant circumstances shown in the individual financial statements and in the group financial statements are in compliance with laws and standards.

The group financial statements inclusive of all consolidation steps are prepared by the “Group Accounting” unit in the central Finance department. The process of preparing the financial statements for CEWE group is based on a uniform group accounting policy that is regularly adapted to legal framework conditions. The directive au-

thority pertaining to the accounting policy rests exclusively with the Executive Board.

The group accounting policy regulates the accounting procedures pursuant to IFRS for all international and domestic group companies, thereby ensuring the use of uniform recognition, valuation and disclosure methods for preparing the IFR group financial statements. Binding instructions have been issued for the internal coordination and remaining financial statement processes. The group directive also determines all significant group-wide dates.

Standard SAP software is used to render the accounting transactions in the individual financial statements and for preparing the group financial statements, wherein the respective access rights of the involved parties are clearly regulated in a detailed authorization concept. The employees involved in the accounting process meet the qualification requirements and are trained regularly. Complex actuarial expert opinions and evaluations are prepared by specialized service providers or appropriately qualified employees.

The local companies are responsible for compliance with relevant regulations and are accordingly supported and monitored by the group accounting function. The consolidation of predominantly SAP-based individual financial statements of the group companies is centrally performed by the group accounting function in a specific consolidation module. In addition to the actual financial statements, supplemental information relevant to the statements is transferred in the form of packages and subsequently analyzed at group level. Any necessary adjustments to the uniform group recognition, valuation and disclosure methods are performed centrally within the consolidation module (commercial balance sheet II).

The process steps needed as part of the accounting function are subject to a host of automatic and manual controls and plausibility test. The effectiveness of internal accounting-related controls is continuously validated by means of internal audits and by means of a continuous retainer for an external audit. A rolling process ensures that all members of the group of consolidated companies are subject to the control process. The results of the effectiveness audits are regularly reported to the Executive Board and the Supervisory Board.

As part of the financial statement audit, the external financial statement auditor also examines selected internal controls and processes their effectiveness. Individual financial statements incorporated into the group financial statements are audited by various local financial statement auditors. These ensure compliance with applicable accounting regulations and the accuracy and completeness of all decentrally prepared documents relevant to the group financial statements. The findings of financial-statement audits conducted at individual and group financial-statement levels to assess the effectiveness of the accounting-related internal control systems operated by CEWE group are summarized by the external group financial statement auditor and reported to the Supervisory Board.

INFORMATION RELATING TO ACQUISITIONS

Information pursuant to Section 315 para. 4, German Commercial Code [Handelsgesetzbuch – HGB]

Composition of the registered capital, restrictions relating to voting rights or the transfer of stocks (Section 315 para. 4 No.1 and 2, German Commercial Code [Handelsgesetzbuch – HGB]).

The registered capital of CEWE Stiftung & Co. KGaA, Oldenburg, is currently composed of 7,400,020 bearer shares issued in the name of the owners.

Stock type	ISIN	Stock form	Quantity in the class	Interest in subscribed capital in euros	Interest in subscribed capital in %	Rights and obligations
Owner shares	DE 0005403901	Bearer shares	7,400,020	19,240,052.00	100.0	The shares have unrestricted voting and dividend rights, provided that regulations in the Stock Act do not mandate otherwise (e.g. shares held internally by the company)
			7,400,020	19,240,052.00	100.0	

The company is not aware of voting right or assignment restrictions in terms of Section 315 para. 4 No. 2, German Commercial Code [Handelsgesetzbuch – HGB].

Direct or indirect capital holdings (Section 315 para. 4 No. 3, German Commercial Code [Handelsgesetzbuch – HGB])

Pursuant to public notifications and the information available to us, the following direct and indirect holdings in excess of 10 % of the voting rights exist within our company.

Party required to notify	Type of holding	Portion of disclosed voting rights in the registered capital
ACN Vermögensverwaltungsgesellschaft mbH & Co. KG, Oldenburg (Community of heirs pursuant to Senator h. c. Neumüller, Oldenburg)	direct	27.4 %
Neumüller Beteiligungsgesellschaft mbH, Oldenburg (Community of heirs pursuant to Senator h. c. Neumüller, Oldenburg)	indirect	27.4 %

Owners of shares with special rights (Section 315 para. 4 No. 4 German Commercial Code [Handelsgesetzbuch – HGB])

There are no shares with special rights.

Method of voting right controls in case of employees' holdings (Section 315 para. 4 No. 5, German Commercial Code [Handelsgesetzbuch – HGB])

To the extent that employees of CEWE group have shareholdings in CEWE Stiftung & Co. KGaA, Oldenburg, the company is not aware of special circumstances related to their opportunity to exercise voting rights. Neither legal associations of employees in one or several shares (Sections 278 para. 3, 69 para 1 Stock Act [Aktien-gesetz – AktG]) nor vote-pooling agreements exist between employee shareholders.

Statutory regulations and charter provisions pertaining to the appointment and dismissal of Executive Board members and pertaining to changes to the charter (Section 315 para. 4 No. 6 German Commercial Code [Handelsgesetzbuch – HGB])

At CEWE Stiftung & Co. KGaA, Oldenburg, the managerial and representational authority is assigned to the personally liable shareholder, Neumüller CEWE COLOR Stiftung, Oldenburg (Section 7 of the charter for CEWE Stiftung & Co. KGaA). The legal relationships between the company and the personally liable shareholder are defined by the charter and the law. The company is represented by the Supervisory Board in the cases provided for by law and the charter. The withdrawal of the personally liable shareholder is regulated by Section 9 of the charter for CEWE Stiftung & Co. KGaA. Pursuant to the charter, Neumüller CEWE COLOR Stiftung holds this position regardless of a paid-in asset, wherein the withdrawal reasons mandated by law remain unaffected for the personally liable shareholder (Section 9 para. 1 of the charter). In the event of a withdrawal, it is not entitled to a credit balance from the apportionment of assets and liabilities (Section 9 para. 2 of the charter). In the event that Neumüller CEWE COLOR Stiftung withdraws from the company as the personally liable shareholder, or that its withdrawal is foreseeable, Section 9 para. 3 contains the following provision

to avoid a liquidation of CEWE Stiftung & Co. KGaA: the Supervisory Board of CEWE Stiftung & Co. KGaA is immediately or at the time of withdrawal entitled and required to install a capital corporation whose entire holdings are held by CEWE Stiftung & Co. KGaA as a new, personally liable shareholder with sole managerial and representational authority KGaA (sentence 1). If Neumüller CeWe Color Stiftung withdraws from the company as the personally liable shareholder without such a new personally liable shareholder being installed at the same time, CEWE Stiftung & Co. KGaA shall be continued solely by the general partner shareholders on a transitional basis (sentence 2). In such a case, the Supervisory Board is required to immediately request the appointment of an emergency representative at the competent court, wherein said emergency appointee shall represent the company until a new personally liable shareholder has been installed, particularly in the event that a capital company must yet be acquired or formed by CEWE Stiftung & Co. KGaA for the appointment as personally liable shareholder (sentence 3) The Supervisory Board is empowered to appropriately correct the previous version of the charter to reflect the change of the personally liable shareholder (sentence 4).

Neumüller CEWE COLOR Stiftung [foundation] is represented by its Executive Board in court and out of court. Accordingly, the Executive Board is also responsible for managing the business affairs of CEWE Stiftung & Co. KGaA. The Executive Board of the foundation is appointed by the Board of Trustees, wherein one member of the Executive Board – specifically the member responsible for the internal transactions of the foundation – is appointed based on the beneficiaries defined in the foundation's charter. The members of the Executive Board are appointed for a functional period of up to five years. The Board of Trustees decides on matters pertaining to employment law.

Changes to the charter of CEWE Stiftung & Co. KGaA are governed by statutory regulations (Sections 278 para 3, 179 ff. Stock Act [Aktien-gesetz – AktG]). Pursuant to Section 13 para 6, the Supervisory Board is authorized to resolve changes to the charter that relate only to the version.

Executive Board authorizations to issue and buy back shares (Section 315 para. 4 No. 7 German Commercial Code [Handelsgesetzbuch – HGB])

Pursuant to Section 4 para. 3 of the charter, the personally liable shareholder is authorized 2014 with the approval of the Supervisory Board to increase until 27 May the capital stock of the company by up to EUR 9,590,000.00 by means of a one-time or several issues of new non-denominated bearer shares issued in the owner's name in exchange for paid-in cash and/or in-kind contributions. The shareholder subscription right is excluded for cases involving in-kind contributions.

Pursuant to the resolution of the general shareholder meeting dated 2 June 2010, the company is authorized until 1 June 2015 to acquire up to a total of 10 % of the capital stock in place at the time the resolution was adopted. The authorization was granted

- to sell the shares to the stock exchange or by way of an offer to all shareholders with the approval of the Supervisory Board, while upholding the equal treatment principle (Section 53a Stock Act [Aktengesetz – AktG]);
- to collect the shares wholly or partially, once or several times, with the approval of the Supervisory Board, without the collection or its execution requiring a separate general shareholder meeting resolution. The shares can also be collected in a simplified procedure without a reduction in capital by adjusting the mathematically proportional share of the remaining bearer shares in the company's capital stock. However, under any circumstance, the collection is restricted to a total quantity of 600,000 shares of the company.
- to sell the shares in exchange for in-kind services with the approval of the Supervisory Board; in particular, shares can be offered or granted to third parties as part of company mergers or company acquisitions;
- with the approval of the Supervisory Board to offer or commit or transfer the shares with a lockdown period of no less than one year, to employees of the company or other affiliated companies as defined by Sections 15ff. Stock Act [Aktengesetz – AktG];

- sell with the approval of the Supervisory Board the shares acquired based on the aforementioned authorization by way of methods other than via the stock exchange or by an offer to all shareholders.

Pursuant to the resolution of the general shareholder meeting of 2 June 2010, the Supervisory Board is authorized to offer the own shares acquired on the strength of this or an earlier authorization to the members of the Executive Board as stock-based compensation, or to commit or assign said stocks with a lockdown period of no less than four years. The details of the stock-based compensation to the members of the Executive Board are determined by the Supervisory Board

Significant agreements subject to the condition of a change in control as a consequence of an acquisition offer (Section 315 para. 4 No. 8 German Commercial Code [Handelsgesetzbuch – HGB])

The loan agreements concluded with the most important banking partners contain customary change of control provisions; these may require renegotiating the provisions in existing loan agreements. Above and beyond this, there are no other agreements made by CEWE Stiftung & Co. KGaA, Oldenburg, with third parties subject to the condition of a change in control as a result of an acquisition offer, and that could have associated consequences, either individually or in their totality.

Severance benefit agreements (Section 315 para. 4 No. German Commercial Code [Handelsgesetzbuch – HGB])

No agreements exist between CEWE Stiftung & Co. KGaA, Oldenburg, and members of the Executive Board or other employees offer that could result in severance payments or other payments by the company in the event of an acquisition offer.

COMPENSATION REPORT

In previous years and through 1 October 2013, the group of parties with reporting obligations consisted of the members of corporate bodies for CEWE COLOR –Holding AG. As a result of the legal form change of CEWE COLOR –Holding AG into CEWE Stiftung & Co. KGaA on 1 October 2013 and the simultaneous assumption by Neumüller CEWE COLOR Stiftung of the positions of personally liable shareholder and sole executive within CEWE Stiftung & Co. KGaA, the group of Executive Board members for whom reports must be filed has shifted to the Executive Board of Neumüller CEWE COLOR Stiftung. All active previous Executives of CEWE COLOR Holding AG continue to be fully included in the group of the foundation's Executive Board. For reasons of uniform reporting for the full fiscal year 2013, the following is a comprehensive report about all Executive Board members of CEWE Stiftung & Co. KGaA, inclusive of the corresponding prior-year information.

The compensation report therefore summarizes the basic elements of the compensation systems for the Executive Board of Neumüller CEWE COLOR Stiftung as personally liable shareholder, for the Supervisory Board of CEWE Stiftung & Co. KGaA and for Neumüller CEWE COLOR Stiftung in its function as general partner. Moreover, the report also discusses the amount and the structure of compensation. It is based on the requirements of the German corporate governance code, and contains all information and explanations pursuant to Sections 285 sentence 1 No.9, 289 para. 2 No. 5, 314 para.1 No. 6 and 315 para.2 No.4 of the German commercial code [Handelsgesetzbuch]. An additional representation of this information in the attachments is therefore omitted.

Executive Board compensation report

Die The compensation for Executive Board members is determined by the Board of Trustees of Neumüller CEWE COLOR Stiftung. Without modifications, the compensation continues to be structured into

fixed and performance-oriented, variable remuneration. The fixed remuneration consists of a fixed monetary element and in-kind benefits, The performance-oriented portion contains bonuses, other special payments and components with long-term incentives. In addition to Executive Board tasks and the personal performance, the criteria for assessing total compensation are based on the performance of the full Executive Board and the economic success and performance of CEWE group against benchmarks. The statutory requirements governing the appropriateness of Executive Board compensation (VorstAG) are properly taken into account.

The following applies in detail: the fixed remuneration unrelated to performance is paid out as an unchanging monthly income. Furthermore, Executive Board members receive in-kind benefits that are recognized in the amount of the taxable values. These essentially include the use of a company car as well as job-related insurance premiums. Executive Board members are entitled to in-kind benefits in the same manner and are declared by the individual Executives in their tax filings.

The variable, performance-dependent remuneration is uniformly structured for all Executive Board members and has the following material contents. The bonus as a performance-dependent portion of total compensation is based on pre-tax earnings and depreciation on plant & equipment and intangible assets held by CEWE group. In individual cases, it is based on the corresponding metrics relating to the scope of the Board member's responsibility. It is limited to 100 % of the fixed remuneration for the same year. Moreover, only those depreciation-relevant bonus components are taken into account that were based on by pre-tax earnings (earned depreciation). A multi-year assessment basis for the variable compensation components is established in that only 80 % of the calculated bonus entitlement is paid out to the Executive Board member in the year following the relevant fiscal year.

The remaining 20 % is credited to the account of a personal bonus bank. This bonus bank balance is withheld for the multi-year duration of the personal contract term. It earns interest at 5.0 % annually and is disbursed including this interest credit when finally due. To the extent that any negative pre-tax earnings exceed the corresponding annual depreciation, this results in a negative bonus amount that is charged to the personal bonus bank account. Accordingly, the final balance of the bonus bank account is disbursed only after the contract term ends if the amount is positive. In the event of a premature departure, the rules for a proportional disbursement apply.

The fourth stock option plan was installed in 2010 as a renewal of yet another performance-dependent remuneration component. The participation itself and the scope of acquired options were left to the discretion of individual Executive Board members. Participants were required to pay EUR 0.50 for each right. The associated time value pursuant to IFRS 2.10 ff. at the time of the grant was EUR 6.39 per option for Executive Board members. The members of the Executive Board earned no income of any kind from exercising option rights on stock option plans during fiscal year 2013 or the prior year. The four-year lockdown period specified in the 2010 stock option plan expires on 31 May 2014. The option owners will then have the opportunity to exercise their option rights inside fixed exercise windows. Insofar, no rights held by the members of the Executive Board have been exercised to this point and have therefore resulted in no compensation with equity instruments or cash. We refer to the equity capital explanations in the group attachments on page xx for more information. During fiscal year 2010, the members of the Executive Board of Neumüller CEWE COLOR Stiftung participated by purchasing a total of 54,000 option rights; the number of optional rights has not changed since the purchase. The number includes the unchanged 31,500 option rights reported in earlier periods as being held by former Executive Board members of CEWE COLOR Holding AG . The performance

objective of the 2010 stock option plan in the amount of a stock price of EUR 31.05 per share had already been fulfilled for more than 10 consecutive stock exchange trading days in 2012. Based on the trading prices during the report preparation, it is highly likely that the option rights will already be exercised during the first exercise windows. There were no subsequent valuation changes based on a change in the exercise conditions.

The total income of performance-independent and performance-dependent remuneration for officers performing their assignments in the parent company and in the subsidiaries as members of the Executive Board of Neumüller CEWE COLOR Stiftung during fiscal year 2013 amounted to a total of KEUR 2.515 million (prior-year: EUR 2.367 million). The variable remuneration components reached EUR 697 million (prior-year: EUR 634 million). Compared to the previous year, these increased by 9.9 % for a 27.7 % (prior-year: 26.8 %) share of total remuneration. The remuneration is structured as follows in detail:

The fixed incomes for Dr Rolf Hollander, Dr Michael Fries, Harald Pirwitz and Felix Thalmann remain unchanged for the respective contractual terms. Until the legal form change, the fixed incomes of Dr Reiner Fageth, Dr Olaf Holzkämper, Andreas F.L. Heydemann and Frank Zweigle were adjusted annually in October 2013 in the same manner as the fixed incomes of the remaining German managers of CEWE Group were adjusted. With effect from 1 October 2013, the employment relationships of the last-named persons were adjusted in accordance with the structure of the contracts for Messrs Hollander, Fries, Pirwitz and Thalmann, and the fixed income for the duration of the contractual term will henceforth remain unchanged. Mr Zweigle is exclusively paid fixed remuneration; he has no bonus bank provision and no retirement commitment typical for Executives. Upon the departure of Mr Felix Thalmann and Dr Michael Fries from

the Executive Board, Messrs Thomas Mehls and Carsten Heitkamp were appointed to the Executive Board of Neumüller CEWE COLOR Stiftung with effect from 1 January 2014.

The variable, performance-dependent income for the active Executive Board members include the dispersed bonuses and miscellaneous performance-dependent special payments, including disbursements of due bonus amounts, but not the bonus bank components. Accordingly, the amount of EUR 47,000 plus interest held in the bonus bank became due in 2013 for Executive Board member Harald Pirwitz and was dispersed.

The variable incomes of Executive Board Members of Neumüller CEWE COLOR Stiftung for fiscal year 2013 without bonus bank balances becoming due and with disbursements scheduled for 2014 will undershoot the 2013 mark of EUR 697,000 by 6.9 % to reach EUR 649,000 in 2014. A total of EUR 159,000 was additionally credited to the bonus bank accounts (prior year: EUR 159,000). The bonus bank accounts of the Executive Board members had the following individual statuses as of 31 December 2013:

For Messrs Dr Fageth, Dr Fries, Heydemann, Dr Holzkämper and Thalmann, the respective balances in the bonus bank will become due in 2014 and will then be dispersed plus interest. For the new Executive Board members, Messrs Mehls and Heitkamp, a total bonus portion of approximately EUR 64,000 will be paid in 2014 for fiscal year 2013. A total of EUR 16,000 was credited to their bonus bank accounts for 2013.

	2013			
Bonus bank (not including interest) in KEUR	Beginning balance	Disbursements	Additions	Ending balance
Executive Board of CEWE COLOR Holding AG prior to the legal form change				
Dr Rolf Hollander (Chief Executive Officer)	156	0	53	209
Dr Reiner Fageth	47	0	16	63
Andreas F. L. Heydemann	47	0	16	63
Dr Olaf Holzkämper	47	0	16	63
Subtotal	297	0	101	398
Dr Michael Fries (through 31/12/2013)	46	0	16	62
Harald H. Pirwitz	47	-47	12	12
Felix Thalmann (through 31/12/2013)	79	0	30	109
Frank Zweigle	0	0	0	0
Subtotal	172	-47	58	183
Grand total for CEWE Stiftung & Co. KGaA	469	-47	159	581

	2012			
Bonus bank (not including interest) in KEUR	Beginning balance	Disbursements	Additions	Ending balance
Executive Board of CEWE COLOR Holding AG				
Dr Rolf Hollander (Chief Executive Officer)	104	0	52	156
Dr Reiner Fageth	31	0	16	47
Andreas F. L. Heydemann	31	0	16	47
Dr Olaf Holzkämper	31	0	16	47
Subtotal	197	0	100	297
Dr Michael Fries (through 31/12/2013)	31	0	15	46
Harald H. Pirwitz	32	0	15	47
Felix Thalmann (through 31/12/2013)	50	0	29	79
Frank Zweigle	0	0	0	0
Subtotal	113	0	59	172
Grand total for CEWE Stiftung & Co. KGaA	310	0	159	469

	2013					
	Fixed remuneration ¹	Variable remuneration ²	Grand total remuneration	Stock ownership in units	Option rights in units	Additions bonus bank
Executive Board remuneration, –Stock ownership, Option rights in KEUR						
Executive Board of CEWE COLOR Holding AG prior to the legal form change						
Dr Rolf Hollander (Chief Executive Officer)	499	206	705	46,375	8,500	53
Dr Reiner Fageth	213	62	275	2,800	6,000	16
Andreas F. L. Heydemann	204	47	251	5,000	8,500	16
Dr Olaf Holzkämper	209	62	271	2,500	8,500	16
Subtotal	1,125	377	1,502	56,675	31,500	101
Dr Michael Fries (through 31/12/2013)	180	62	242	0	8,500	16
Harald H. Pirwitz	239	112 ³	351	3,000	8,500	12
Felix Thalmann (through 31/12/2013)	225	146 ⁴	371	50	2,500	30
Frank Zweigle	49	0	49	0	3,000	0
Subtotal	693	320	1,013	3,050	22,500	58
Grand total for CEWE Stiftung & Co. KGaA	1,818	697	2,515	59,725	54,000	159

	2012					
	Fixed remuneration ¹	Variable remuneration ²	Grand total remuneration	Stock ownership in units	Option rights in units	Additions bonus bank
Executive Board remuneration, –Stock ownership, –Option rights in KEUR						
Executive Board of CEWE COLOR Holding AG						
Dr Rolf Hollander (Chief Executive Officer)	499	209	708	46,375	8,500	52
Dr Reiner Fageth	198	62	260	2,800	6,000	16
Andreas F. L. Heydemann	179	62	241	5,000	8,500	16
Dr Olaf Holzkämper	186	62	248	2,500	8,500	16
Subtotal	1,062	395	1,457	56,675	31,500	100
Dr Michael Fries (through 31/12/2013)	180	62	242	1,000	8,500	15
Harald H. Pirwitz	220	58	278	8,000	8,500	15
Felix Thalmann (through 31/12/2013)	225	119	344	50	2,500	29
Frank Zweigle	46	0	46	0	3,000	0
Subtotal	671	239	910	9,050	22,500	59
Grand total for CEWE Stiftung & Co. KGaA	1,733	634	2,367	65,725	54,000	159

1 including in-kind benefits

2 bonuses and other special payments, not including bonus bank awards

3 including payable disbursement amount from withheld bonus bank balances in the amount of KEUR 47 plus interest in the amount of KEUR 4

4 including a one-time performance-based special payment in the amount of KEUR 30

The insured portion of the existing D&O insurance policy for Executive Board members was so designed that 10 % of a potential loss remains with the insured party up to an amount of one and one half times the fixed annual remuneration. It was left to the discretion of the individual Executive Board member to obtain personal coverage at their own expense.

The following regulations apply to Executive Board members in the event of a premature termination of the employment relationship: in the event of a dismissal for cause, the contract is terminated at the time of the dismissal. If the dismissal is not for cause, or the Executive is not accountable for this, the fixed remuneration is paid through the end of the contract term. The rules for a proportional disbursement apply to disbursements for any positive bonus bank balances. Dr Rolf Hollander additionally receives a onetime severance payment in the amount of one year's income or a pro rata temporis lower amount if his retirement begins correspondingly earlier. There are no severance payment agreements with the members of the Executive Board in the event of an acquisition offer (Section 315 para. 4 No. 9, see also page 124).

Finally, a post-contractual non-compete agreement was concluded with all Executives. To the extent that said non-compete agreement is triggered, the Executives are entitled to one-half of all contractual payments (compensation payment) last earned at Neumüller CEWE COLOR Stiftung for a maximum period of two years for each year during which the non-compete clause applies to them. The compensation is paid monthly on a pro-rata basis. Based on the application of this provision, Dr Michael Fries has received such a compensation payment of approximately EUR 11,000 since his departure on 31 December 2013. In 2014, the two departed Executives, Drs Fries and Thalmann, are owed variable remuneration as bonuses amounting to an expected total of EUR 182,000 for 2013, in addition to an expected total of EUR 171,000 plus contractual interest for bonus bank balances coming due.

Within the scope of the merger of CEWE COLOR AG & Co. OHG into CEWE Stiftung & Co. KGaA as part of the legal form change (i. e. the asset transfer and the assumption of the operational business), all rights and obligations from employment relationships, among other things, were transferred in October 2013 along with all previously existing entitlements for payments from the company pension fund. This applies regardless of whether or not the vesting conditions had been met at that time.

Pension obligations existed and continue to exist for the members of the Executive Board, some of which involved the conclusion of reinsurance policies. The amount of the pension entitlements is determined by two forty-fifths of the last-earned fixed income for each year of service as an Executive of Neumüller CEWE COLOR Stiftung, but must not exceed two thirds. Until the conversion of the employment agreements for Drs Fageth and Holzkämper and Mr Heydemann in October 2013, the applicable rule was that the fixed incomes for their activities as Executives in the former CEWE COLOR Holding AG, Oldenburg was used as the reference value for Drs Fageth and Holzkämper. The retirement provisions were also structured uniformly in a stepwise manner, but no later than with the contract conversion.

This involved fixing a static value for the retirement entitlements attained up to and including 2013, and granting an annual retirement increase of two forty-fifths of the last earned fixed income for the employment period starting on 1 January 2014. The total amount of the retirement entitlement is limited to two thirds of the last-earned fixed income.

The company pension entitlements were newly regulated as part of the legal form change. This involved fixing a static value of already earned pension entitlements as of 31/12/2013. In future, annual pension entitlement increases will be granted for time served as an Executive starting on 1/1/2014. In certain cases, a retirement claim

already existed in connection with managerial assignments prior to the appointment as an Executive of the foundation. This was also transferred into an entitlement for pension payments. The shown past-service payments correspond to the increase of Executive pension entitlements under the previously employed methods. Starting in 2014, these will be shown in accordance with the new commitments to Executives.

A surviving dependent benefit is not fundamentally part of granted commitments. However, surviving dependent benefits were instituted for Dr Fageth, Dr Fries, Mr Thalmann and Dr Holzkämper. The benefits are cost-neutral from an actuarial point of view due to the decline in pension payments compared with the previous regulations. The past-service cost for retirement payments in 2013 is shown below as based on a discount rate of 3.1 % (prior year: 3.1 %) according to the projected-unit-credit procedure pursuant to IFRS. The total pension obligation provisions for Executives amounted to EUR 9.852 million (prior year: EUR 9.112 million).

	2013				2012			
	Earned pension entitlements	Pension entitlements Dec. 31, 2013	Past-service costs for retirement payments	Pension obligation provisions	Earned pension entitlements	Pension entitlements Dec. 31, 2012	Past-service costs for retirement payments	Pension obligation provisions
Executive pensions of Neumüller Stiftung in KEUR								
Executive Board of CEWE COLOR Holding AG prior to the legal form change								
Dr Rolf Hollander (Chief Executive Officer)	0	267	199	5,483	0	267	147	5,344
Dr Reiner Fageth	3	15	21	165 ¹	2	12	11	298
Andreas F. L. Heydemann	34	68	28	1,162	0	34	19	860
Dr Olaf Holzkämper	2	8	20	84 ¹	2	6	9	150
Subtotal	39	358	268	6,894	4	319	186	6,652
Dr Michael Fries (through Dec. 31, 2013)	6	30	80	375	6	24	39	276
Harald H. Pirwitz	9	81	152	1,463	9	72	109	1,221
Felix Thalmann (through Dec. 31, 2013)	8	73	123	1,120	8	65	69	963
Frank Zweigle	0	0	0	0	0	0	0	0
Grand total for CEWE Stiftung & Co. KGaA	59	542	623	9,852	27	480	403	9,112

¹ Static entitlements to the retirement claims earned up to that time were defined as of Dec. 31, 2013 during the harmonization of the retirement payments performed as part of the legal form change. By omitting the income dynamics on these entitlements in comparison to the previously used assessments, the obligation scope will exhibit a short-term decline as of Dec. 31, 2013.

Beyond the commitments to Executives, Dr –Hollander and Mr Heydemann will each receive a retirement pension within the scope of the standard company retirement plan based on a direct commitment, starting at age 65 upon their retirement. This includes a surviving-dependent benefit of 50 % of the respective pension. Within the scope of the standard company retirement plan, Drs Fageth and Holzkämper are paid an economically equivalent pension from an employer-financed retirement fund. This direct commitment or retirement fund commitment is backed by insurance policies.

Finally, as part of the company retirement plan, an additional life insurance policy with a capital payout in the event of premature was installed for an insured amount of EUR 38,000 each as a surviving dependent benefit in case of premature death or as a retirement benefit in the event of survivorship. The annual expenses for this amount to EUR 1 million (prior year: EUR 1 million) for each Executive. No loans or advances were granted and no contingent liabilities were entered into in favour of members of the Executive Board.

	2013			2012		
	Earned pension entitlements	Pension entitlements Dec. 31, 2013	Past-service costs for retirement benefits	Earned pension entitlements	Pension entitlements Dec. 31, 2012	Past-service costs for retirement benefits
Company retirement plan <i>in KEUR</i>						
Executive Board of CEWE COLOR Holding AG prior to the legal form change						
Dr Rolf Hollander (Chief Executive Officer)	0.0	3.0	2.0	0.0	3.0	1.0
Dr Reiner Fageth	0.0	3.0	2.0	0.0	3.0	1.0
Andreas F.L. Heydemann	0.0	3.0	1.5	0.0	3.0	1.0
Dr Olaf Holzkämper	0.0	3.0	2.2	0.0	3.0	1.0
Subtotal	0.0	12.0	7.7	0.0	12	4.0
Dr Michael Fries (through Dec. 31, 2013)	0.0	1.1	1.6	0.0	3.0	1.6
Harald H. Pirwitz	0.0	3.0	3.0	0.0	3.0	2.9
Felix Thalmann (through Dec. 31, 2013)	0.0	1.6	1.8	0.0	3.0	1.7
Frank Zweigle	0.0	0.0	0.0	0.0	0.0	0.0
Grand total for CEWE Stiftung & Co. KGaA	0.0	17.7	14.1	0.0	21	10.2

Remuneration report for the Supervisory Board

The change of CEWE COLOR Holding AG into the legal form of a KGaA leaves the corporate body status of the members of the Supervisory Board unaffected in accordance with the grandfather regulations in the conversion statutes. However, the merger associated with this step resulted in a transfer of assets and the assumption of the operational business by CEWE Stiftung & Co. KGaA. The re-assignment of the domestic employees to CEWE Stiftung Co. KGaA has subjected the company to the regulations of the co-determination laws since the legal form change. Accordingly, the Supervisory Board now comprises twelve members instead of the original six.

The remuneration of the members of the Supervisory Board is defined in the charter and is composed of a fixed and three variable elements. The fixed remuneration is EUR 6,000 annually, whereby the Chairman of the Supervisory Board is paid twice and the Deputy Chairman is paid one and a half times this amount. Moreover, each member of the Supervisory Board is paid an attendance fee of EUR 1,000 for each attended meeting. These amounts are payable after the expiry of each fiscal year.

Each member of the Supervisory Board additionally receives a performance-based and a dividend-dependent remuneration annually. The performance-dependent remuneration is assessed according to the undiluted earnings per limited partner share pursuant to IFRS, amounting to EUR 250.00 for each EUR 0.05 of the portion of earnings in excess of EUR 0.25 earnings per limited partner share. The dividend-dependent remuneration is calculated as follows: whenever a dividend is resolved in excess of EUR 0.25 per limited partner share, the remuneration is EUR 500.00 for each EUR 0.05 of the portion of the dividend in excess of EUR 0.25 per limited partner share. Here too, the Chairman of the Supervisory Board is paid twice and his Deputy Chairman one and a half times the performance-based and dividend-dependent remunerations. The remuneration is payable to all members ten days after the general shareholder meeting that resolves to exonerate the Supervisory Board for the respective fiscal year. Members of the Supervisory Board who serve on the Supervisory Board for only part of a fiscal year are paid a remuneration proportional to the time served.

The following remunerations were paid to members of the Supervisory Board:

	2013							2012						
	Fixed remuneration in KEUR	Attendance fees in KEUR	Performance-dependent remuneration in KEUR	Dividend-dependent remuneration in KEUR	Total remuneration in KEUR	Stock ownership Quantity	Option rights Quantity	Fixed remuneration in KEUR	Attendance fees in KEUR	Performance-dependent remuneration in KEUR	Dividend-dependent remuneration in KEUR	Total remuneration in KEUR	Stock ownership Quantity	Option rights Quantity
Supervisory Board remuneration, stock ownership, option rights														
Supervisory Board of CEWE COLOR Holding AG prior to the legal form change														
Hubert Rothärmel (Chairman until June 6, 2012)	0.0	0.0	10.8	10.0	20.8	0*	0*	5.0	2.0	26.5	23.0	56.5	50,000	0
Otto Korte (Chairman starting on June 6, 2012)	12.0	5.0	20.6	19.0	56.6	0	0	9.5	5.0	13.3	11.5	39.3	0	0
Prof. Dr Hans-Jürgen Appelrath (Deputy Chairman until Nov. 06, 2013)	9.0	5.0	16.8	15.5	46.3	0	0	7.8	4.0	13.3	11.5	36.5	0	0
Hartmut Fromm (Deputy Chairman until June 6, 2012)	0.0	0.0	8.1	7.5	15.6	0	0	3.8	1.0	19.9	17.3	41.9	0	0
Prof. Dr Christiane Hipp (starting on June 6, 2012)	6.0	4.0	7.6	7.0	24.6	0	0	3.5	3.0	0.0	0.0	6.5	0	0
Dr Joh. Christian Jacobs (until Feb. 28, 2013)	1.0	1.0	13.0	12.0	27.0	0	0	6.0	1.0	13.3	11.5	31.8	0	0
Corinna Linner (starting on June 6, 2012)	6.0	5.0	7.6	7.0	25.6	0	0	3.5	3.0	0.0	0.0	6.5	0	0
Prof. Dr Michael Paetsch	6.0	4.0	13.0	12.0	35.0	0	0	6.0	5.0	13.3	11.5	35.8	0	0
Dr Hans-Henning Wiegmann (starting on Apr. 01, 2013)	4.5	3.0	0.0	0.0	7.5	0	0	0.0	0.0	0.0	0.0	0.0	0	0
Subtotal	44.5	27.0	97.5	90.0	259.0	0	0	45.0	24.0	99.4	86.3	254.6	50,000	0
Employee representatives as Supervisory Board members appointed by way of resolution by the District Court Oldenburg on 29 October 2013 pursuant to Section 104 Stock Act (Aktengesetz – AktG).														
Vera Ackermann (Deputy Chairwoman starting on Nov. 06, 2013)	1.0	1.0	0.0	0.0	2.0	0	0	0.0	0.0	0.0	0.0	0.0	0,0	0
Michael Bühl	1.0	1.0	0.0	0.0	2.0	201	2,000	0.0	0.0	0.0	0.0	0.0	0,0	2,000
Angelika Eßer	1.0	1.0	0.0	0.0	2.0	34	0	0.0	0.0	0.0	0.0	0.0	0,0	0
Udo Preuss	1.0	1.0	0.0	0.0	2.0	10	0	0.0	0.0	0.0	0.0	0.0	0,0	0
Stefan Soltmann	1.0	1.0	0.0	0.0	2.0	0	0	0.0	0.0	0.0	0.0	0.0	0,0	0
Thorsten Sommer	1.0	1.0	0.0	0.0	2.0	34	0	0.0	0.0	0.0	0.0	0.0	0,0	0
Subtotal	6.0	6.0	0.0	0.0	12.0	279	2,000	0.0	0.0	0.0	0.0	0.0	0,0	2,000
Supervisory Board for CEWE Stiftung & Co. KGaA	50.5	33.0	97.5	90.0	271.0	279	2,000	45.0	24.0	99.4	86.3	254.6	50,000	2,000

* No longer queried due to unavailable corporate body status.

CEWE Stiftung & Co. KGaA reimburses any VAT incurred by Supervisory Board members on their remuneration. The above-mentioned amounts are quoted without VAT. As was also the case during the prior year, no member of the Supervisory Board held option rights during fiscal year 2013.

Members of the Supervisory Board are also covered by the D & O insurance policy. A deductible of 10 % of a potential loss up to a total amount of one and a half times the fixed Supervisory Board remuneration was arranged on their behalf. No loans or advances were granted to members of the Supervisory Board. Neither did the company enter into contingent liabilities in their favour.

Compensation report for former members of the Executive and Supervisory Boards

No remuneration was granted to former members of the Supervisory Board. As of the cut-off date on 31 December 2013, there were pension provisions of EUR 5.138 million (prior year: EUR 5.241 million) on behalf of former members of the Executive Board of CEWE COLOR Holding AG and Neumüller CEWE COLOR Stiftung. The pension income for fiscal year 2013 was EUR 479 million (prior year: EUR 472 million). The pension provisions formed for this group of persons was transferred to CEWE COLOR Versorgungskasse e. V., Wiesbaden, on 1 April 2007. It is reflected in the group financial statements. No loans, advances, and contingent liabilities were granted to former members of the Supervisory and Executive Boards of Neumüller CEWE COLOR Stiftung, the former CEWE COLOR Holding AG or the current CEWE Stiftung & Co. KGaA.

Expense reimbursements and liability remuneration to the general partner

As the general partner, Neumüller CEWE COLOR Stiftung has a claim against the company for compensation and the assumption of expenses incurred in connection with the general management activities, including the remuneration and pension payments for its corporate bodies. Neumüller CEWE COLOR Stiftung is also paid an annual remuneration, independent of profit and loss, of EUR 50,000 plus any payable VAT for assuming the general management duties and personal liability. For 2013, the claim amounted to a time-proportional EUR 12,500 for its period as general partner since 1 October 2013.

Miscellaneous

The company maintains a financial loss liability group policy for all Executives, General Managers and international and domestic senior managers of CEWE group. It is concluded or renewed annually. The policy covers the personal liability risk for the event that the group of persons is sued for financial damages while exercising its function (D & O policy). In line with statutory regulations governing the appropriateness of Executive Board compensation (VorstAG), the coverage for members of the Executive and Supervisory Boards of CEWE Stiftung & Co. KGaA was structured in the manner described above. There is also an insurance policy in the form of a special criminal liability legal services policy for all employees (annual cost: EUR 52,000, prior year: EUR 52,000) and an accident policy (annual cost: EUR 3,000, prior year: EUR 3,000) for all senior managers. This insurance policy also covers the statutory representatives and the members of the supervisory body against breaches that they commit or are accused of having committed while exercising their professional duties.

DECLARATION PERTAINING TO CORPORATE MANAGEMENT

Declaration pertaining to corporate management

The declaration pertaining to corporate management pursuant to Section 289a of the German Commercial Code [Handelsgesetzbuch] includes a compliance declaration pursuant to Section 161 of the Stock Act [Aktiengesetz], relevant details pertaining to corporate management practices, a description of the working methods of the Executive and Supervisory Boards, and the composition of their committees. Pursuant to Section 3.10 of the German corporate governance code, the declaration pertaining to corporate management of CEWE Stiftung & Co. KGaA also reports about the company's corporate governance (corporate governance report).

In this management report, the company provides its first report about corporate management under the new legal form of a stock-based limited partnership. The German corporate governance code (DCGK) is primarily oriented towards the circumstances of a stock corporation. Since it is therefore not tailored to the legal form of a stock-based limited partnership, CEWE Stiftung & Co. KGaA has decided to apply the spirit of the code in such a way that the interests of the limited-partner stockholders are safeguarded in the manner intended by the code.

For ease of understanding, the following is intended to generally explain the corporate form of a KGaA before dealing with the specific situation at CEWE and thereby address the general shareholder meeting and stockholder rights in particular.

A stock-based limited partnership [Kommanditgesellschaft auf Aktien (KGaA)] is a company with independent status as a legal person, where at least one shareholder has unlimited liability towards the company's creditors (personally liable shareholder) and the remaining shareholders hold the capital stock in the form of proportionally

denominated shares without personal liability for the company (limited partner shareholders, Section 278 para. 1 Stock Act [Aktiengesetz – AktG]). It is generally regarded as a hybrid form of a stock corporation and a partnership with its focus in the stock act. Features characteristic of a business partnership include the existence of a personally liable shareholder, who typically also manages the business; the absence of its own Executive Board; and – compared with Supervisory Board of a stock corporation – a Supervisory Board with restricted rights and obligations. A wide range of recommendations in the code of conduct that are tailored to stock corporations therefore only apply to a KGaA within limits.

Regarding the compliance declaration pursuant to Section 161 Stock Act [Aktiengesetz]

You can find the full text of the compliance declaration pursuant to Section 161 Stock Act [Aktiengesetz – AktG] in the annual report on pages 15 ff. and in the Internet at: <http://ir.cewe.de/cgi-bin/show.ssp?companyName=cewe&language=German&id=0>

Regarding the relevant statements on corporate management practices

CEWE Stiftung & Co. KGaA acknowledges its social responsibility and fully believes that social responsibility is an important factor for the company's long-term success. CEWE group traditionally manages its business in compliance with national and international laws and generally accepted ethical principles. In this connection, the CEWE group has developed a mission statement that signifies its corporate culture, which hallmarked by integrity, trustworthiness and responsibility. The core values and principles of this mission statement can be reviewed in the Internet at: www.cewe.de/de/unternehmen/compliance/leitbild.html.

 Page 114ff. | Compliance declaration

 <http://company.cewe.de/de/unternehmen/compliance/verhaltensgrundsaeetze.html>

 www.bme.de/Compliance

 <http://company.cewe.de/de/unternehmen/compliance/leitbild.html>

CEWE Stiftung & Co. KGaA has also summarized key guidelines in a code of conduct that enshrines ethical values and appropriately formulated business principles marked by integrity and loyalty. This code of conduct applies internationally to all our employees and serves to implement the following principles of conduct:

Our actions are determined by integrity and legally compliant conduct. Our business relationships are factually based and devoid of illicit methods.

We avoid conflicts between the interests of CEWE group and our personal interests. We do not tolerate abuse of our employees' own position for personal gain on behalf of others or to the detriment of CEWE group.

More information about the code of conduct can found at the following publicly accessible website:

<http://company.cewe.de/de/unternehmen/compliance/verhaltensgrundsaeetze.html>

CEWE Stiftung & Co. KGaA provides supplementary support to the principles of the compliance initiative of the Federal Association for Materials Management, Purchasing and Logistics, a registered association [Bundesverband Materialwirtschaft, Einkauf und Logistik e.V. (BME)]. Further information about the principles of the Federal Association for Materials Management, Purchasing and Logistics (BME) can be found at: www.bme.de/Compliance.

The working methods of management and the Supervisory Board and regarding the composition and working methods of the Supervisory Board committees.

Based on the regulations of the Stock Act [Aktiengesetz], the charter of CEWE Stiftung & Co. KGaA and rules of procedure for the various committees, CEWE Stiftung & Co. KGaA maintains rules for the man-

agement and monitoring of the said committees which comply with the requirements of the code. The protection afforded by the code to the capital providers, who absorb the entrepreneurial risk, is being achieved.

Management

The personally liable shareholder, Neumüller CEWE COLOR Stiftung, holds 20,000 bearer shares (issued in the owner's name) in the registered capital of CEWE Stiftung & Co. KGaA, amounting to approximately 0.27 %, with the limited partner shareholders holding the rest. The personally liable shareholder, Neumüller CEWE COLOR Stiftung (Management) manages the business via its Executive Board and via its General Managers appointed as special representatives pursuant to Section 30, German Civil Code [Bürgerliches Gesetzbuch – BGB] in accordance with the law, the charter of CEWE Stiftung & Co. KGaA and its own charter. Based on the unrestricted its unlimited liability, Neumüller CEWE COLOR Stiftung has a vital interest in the orderly and efficient operation of the business affairs of CEWE Stiftung & Co. KGaA and exercises appropriate influence. The Executive Board of the foundation adopts its resolutions in meetings conducted at least four times per year. Every member of the foundation's Executive Board promptly notifies the other members about important measures and transactions from his/her own business area. Certain duties are assigned to individual Executives through a schedule of business responsibility allocations.

Among other things, management is responsible for preparing the year-end financial statements of CEWE Stiftung & Co. KGaA and the group and for approving the quarterly and semi-annual financial statements of the group. Management also ensures compliance with legal regulations, regulatory statutes and the regulations applicable internally to the company, and works toward compliance with these by all companies of CEWE group. Management shall routinely, promptly and comprehensively inform the Supervisory Board about all strategy, budgeting, business performance, risk circumstances,

 Page 13 | Supervisory Board report

 Page 114 | Corporate Governance

risk management and compliance issues relevant to the company, thereby comprehensively complying with its reporting duties. In addition, management shall routinely provide a comprehensive and prompt written and verbal report about all transactions of material significance to the company. Other details are regulated by the rules of procedure of the foundation's Executive and Supervisory Boards and the charter of Neumüller CEWE COLOR Stiftung.

Supervisory Board

Management reports to the Supervisory Board at least quarterly about business progress and the company situation. In addition, management reports to the Supervisory Board at least once annually about the annual budgets and the company's strategic concepts. The members of the Executive Board of Neumüller CEWE COLOR Stiftung are invited to the Supervisory Board meetings, provided the Supervisory Board does not resolve otherwise from case to case. The standing agenda for each meeting of the Supervisory Board addresses the following topics:

- Corporate Governance
- Compliance
- Risk situation of the company

The Supervisory Board and the foundation's Board of Trustees are involved in good time in all material decisions made by the foundation's Executive Board Management. The Supervisory Board shall also regularly discuss strategy and budgeting issues and the current business performance outside of meetings. The Supervisory Board is in regular contact with management for the purpose of obtaining early information about the current business performance and significant business transactions. The Supervisory Board routinely reviews whether conflicts of interest could arise with members of the foundation's Executive Board with respect to the activities on behalf of CEWE Stiftung & Co. KGaA.

At CEWE Stiftung & Co. KGaA, the full Supervisory Board was initially always involved with all topics during the reporting period. As the period wore on, the Supervisory Board subsequently installed an audit committee as a first step, followed by a nominating committee. Since the appointment of the audit committee and the nominating committee, these bodies now perform the duties respectively assigned to them by the rules of procedure adopted by the full Supervisory Board. The Supervisory Board and its committees routinely audit their own efficiency and incorporate the findings into their future work.

More information can be found in the Supervisory Board report (in the annual report on pages 113 ff., and in the Internet at: www.cewe.de/de/investor-relations/geschaeftsberichte) and the corporate governance report (in the annual report on pages 114 ff., and in the Internet at: <http://ir.cewe.de/cgi-bin/show.ssp?companyName=cewe&language=German&id=6000>)

Board of Trustees of Neumüller CEWE COLOR Stiftung

At CEWE, part of the authority that normally rests with the Supervisory Board of a stock corporation is assumed by Neumüller CEWE COLOR Stiftung, and in this case by the foundation's Board of Trustees. The Board of Trustees is therefore also described in the following.

The Board of Trustees has six members.

The Board of Trustees advises and monitors the Executive Board. It obtains information about the affairs of Neumüller CEWE COLOR Stiftung and of CEWE Stiftung & Co. KGaA and for this purpose is empowered to review and audit the accounting records and other records maintained by the company, including the assets. Pursuant to Section 15 para. 2 of the charter of CEWE Stiftung & Co. KGaA, management needs the approval of the Board of Trustees for transactions that exceed the normal course of business operations. The charter of

Neumüller CEWE COLOR Stiftung also requires the approval of the Board of Trustees to be obtained for certain exceptional measures intended by management. The Board of Trustees is convened as needed, but meets at least four times per year.

The general shareholder meeting of CEWE Stiftung & Co. KGaA

The ordinary general shareholder meeting of CEWE COLOR Holding AG as the legal predecessor to CEWE Stiftung & Co. KGaA was conducted on 5 June 2013 in Oldenburg. The representation of 56.9 % of the capital stock again constituted a stable capital representation, but failed to fully reach the average share representation of 62.1 % of the general shareholder meetings of recent years. In particular, the ordinary general shareholder meeting resolves to approve the year-end financial statements, the use of unappropriated profits, the exoneration of members of management and the members of the Supervisory Board, and the selection of the financial statement auditor. The general shareholder meeting is also empowered to adopt resolutions to change the charter. The limited partner

shareholders of CEWE Stiftung & Co. KGaA exercise their rights at the general shareholder meeting. They can exercise their voting right personally, or by way of an authorized party or a company proxy. All documents and information for the upcoming general shareholder meeting (including a summary outline of shareholder rights) are made available on our website, among other sources.

Regarding the corporate governance report

During fiscal year 2013, the Executive Board and Supervisory Board of CEWE COLOR Holding AG or the management and Supervisory Board of CEWE Stiftung & Co. KGaA again dealt intensively with the topics of corporate governance, specifically the German corporate governance code. Corporate governance constitutes the prudent management and control practices of companies with a long-term, value-adding outlook. We therefore not only almost fully implement the recommendations of the code, but also its suggestions. The principles and rules of the code also govern the corporate policies of CEWE Stiftung & Co. KGaA.

Concluding declaration by the Executive Board of the personally liable shareholder regarding the report about relationships to affiliated companies

The status of the personally liable shareholder principally results in the assumption of a dependency by CEWE Stiftung & Co. KGaA on its general partner, Neumüller CEWE COLOR Stiftung, as defined by Section 17, Stock Act [Aktiengesetz – AktG]. Since no control agreement pursuant to Section 291 Stock Act [Aktiengesetz – AktG] exists with CEWE Stiftung, the Executive Board of the personally liable shareholder, Neumüller CEWE COLOR Stiftung, as the corporate general management body of CEWE Stiftung & Co. KGaA, has prepared a report about the relationships to affiliated companies pursuant to Section 312 Stock Act [Aktiengesetz – AktG].

The Executive Board issued the following declaration at the end of the report:

“We hereby declare that with respect to the legal transactions itemized in this report, our company received appropriate consideration in return for each legal transaction, measured against the circumstances known to us when the legal transactions were performed or the measures were taken or omitted, and that the company was not detrimentally affected by taking or omitting the measures.”

Details about relationships to affiliated companies and persons

Following the legal form change of CEWE COLOR Holding AG into CEWE Stiftung & Co. KGaA and the merger of CEWE COLOR AG & Co. OHG into CEWE Stiftung & Co. KGaA, Neumüller CEWE COLOR Stiftung exercises the role of a managing limited partner. It has no holdings in the company's capital. A company management and expense assumption agreement exists with CEWE Stiftung & Co. KGaA to define this relationship. The agreement specifies that the company will be reimbursed for all expenses incurred in connection with general management activities, in particular for the corporate bodies of Executive Board, General

Management and the Board of Trustees. It is also entitled to an appropriate annual remuneration independent of profit or losses for its general management and representation services and for assuming the personal liability risk.

Individual lease relationships for real estate used for operational purposes exist between the group and the community of heirs, whose estate executor is Mr Otto Korte, a member of the Supervisory Board. For more information, we refer to the explanations pertaining to IAS 24 provided in the attachments (see page 207 ff.).

Oldenburg, 3. March 2014

CEWE Stiftung & Co. KGaA

On behalf of the personally liable shareholder, Neumüller CEWE COLOR Stiftung
– The Executive Board –



Dr. Rolf Hollander
(Chief Executive Officer)



Dr. Reiner Fageth



Carsten Heitkamp



Andreas F. L. Heydemann



Dr. Olaf Holzkämper



Thomas Mehls



Harald H. Pirwitz



Frank Zweigle

EXECUTIVE BOARD AND GENERAL MANAGEMENT

of Neumüller CEWE COLOR Stiftung as personally liable shareholder of CEWE Stiftung & Co. KGaA

Page 214 | Structure and corporate bodies

<http://company.cewe.de/de/unternehmen/firmenstruktur/vorstand.html>



Dr. Rolf Hollander

Chief Executive Officer of Neumüller CEWE COLOR Stiftung



Dr. Reiner Fageth

Executive Board member of Neumüller CEWE COLOR Stiftung
Responsible for the areas technology, research & development



Dr. Olaf Holzkämper

Executive Board member of Neumüller CEWE COLOR Stiftung
Responsible for the areas finance & controlling, business performance, investor relations, and on-site print



Andreas F. L. Heydemann

Executive Board member of Neumüller CEWE COLOR Stiftung
Responsible for the areas materials management, IT, legal, internal audit, and sustainability



Carsten Heitkamp

Executive Board member of Neumüller CEWE COLOR Stiftung
Responsible for the German operations, HR, and logistics



Thomas Mehls

Executive Board member of Neumüller CEWE COLOR Stiftung
Responsible for the areas international and domestic marketing, Online Photo Service, CEWE PRINT, Viaprinto and new business acquisitions



Patrick Berkhouwer

Managing Director of
Neumüller CEWE COLOR Stiftung (Foundation)
Responsible for the areas international and expansion



Harald H. Pirwitz

Executive Board member of Neumüller CEWE COLOR Stiftung
Responsible for the areas international and domestic sales



Frank Zweigle

Executive Board member of Neumüller CEWE COLOR Stiftung
Responsible for the administrative affairs of the foundation

“Whether you’re an employee or a shareholder of major investor – all those who are looking for a solid long-term investment with good performance will want to own a CEWE stock, just like I do. With CEWE you can rest assured that everyone is working on fulfilling this desire”

Ebenezer Dankyi, Internal Logistics, CEWE shareholder



CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement	146
Consolidated Statement of Comprehensive Income	147
Consolidated Balance Sheet	148
Consolidated Statement of Changes in Equity	150
Consolidated Cash Flow statement	152
Segment Reporting	154

NOTES WITH AUDITOR'S REPORT **155**

A. General Information	155
B. Accounting and Valuation Principles	162
C. Notes regarding the Income Statement	170
D. Notes regarding the Balance Sheet	178
E. Other Information	205

Financial Statement Affidavit	212
Auditor's Report	213
The CEWE Group – Structure and Organisation	214

CONSOLIDATED INCOME STATEMENT

for the 2013 financial year, CEWE Stiftung & Co. KGaA

<i>TEuro</i>	2013	2012	Change	Notes
Revenues from sales	528,569	507,190*	4.2 %	C 26
Increase in inventories of finished and unfinished goods	326	64	409 %	
Other internally generated assets	1,034	1,052	-1.7 %	
Other operating revenues	24,589	29,682	-17.2 %	C 27
Cost of materials	-190,017	-185,614*	-2.4 %	C 28
Gross profit/loss	364,501	352,374	3.4 %	
Personnel costs	-129,882	-122,380*	-6.1 %	C 29
Other operating expenses	-167,352	-163,903*	-2.1 %	C 30
Earnings before interest, taxes, depreciation and amortization (EBITDA)	67,267	66,091	1.8 %	
Depreciation and amortization of intangible assets and property, plant, and equipment	-37,902	-37,019	-2.4 %	C 31
Earnings before interest and taxes (EBIT)	29,365	29,072	1.0 %	
Financial result	-1,547	-2,203	29.8 %	C 33
Earnings before taxes (EBT)	27,818	26,869	3.5 %	
Taxes on income and earnings	-5,462	-7,254*	24.7 %	C 34
Other taxes	-737	-771	4.4 %	C 35
Net earnings	21,619	18,844	14.7 %	
Earnings per share (in EUR)				
undiluted	3.29	2.88	14.1 %	C 36
diluted	3.26	2.87*	13.7 %	C 36

*The prior-year figures have been adjusted (see explanations under Section A)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 2013 financial year, CEWE Stiftung & Co. KGaA

<i>TEuro</i>	2013	2012	Change	Notes
Net earnings	21,619	18,844	14.7 %	
Adjustment from currency translation	-3,954	2,801	—	A 5
Amounts which may be reclassified in the income statement in future periods	-3,954	2,801	—	
Actuarial gains (prior year: losses)	98	-4,055	—	
Income taxes on income and expenses recorded with no effect on income or expenses	0	1,030	—	C 34
Amounts not reclassified in the income statement	98	-3,025	—	
Income and expenses not affecting net income, after taxes	-3,856	-224	<-1,000 %	
Overall result	17,763	18,620	-4.6 %	

*The prior-year figures have been adjusted (see explanations under Section A)

CONSOLIDATED BALANCE SHEET

as of December 31, 2013, CEWE Stiftung & Co, KGaA

ASSETS	<i>TEuro</i>	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012	Change	Notes
Property, plant, and equipment		98,562	101,211	79,216	-2.6 %	D 37
Real estate held as investment property		4,277	4,484	4,839	-4.6 %	D 38
Goodwill		25,360	28,529	9,072	-11.1 %	D 39
Intangible assets		19,969	21,759	13,040	-8.2 %	D 40
Financial assets		1,153	322	214	258 %	D 41
Non-current receivables from income tax refunds		1,557	2,092	2,551	-25.6 %	D 42
Non-current financial assets		1,543	443	257	248 %	D 43
Other non-current receivables and assets		179	237	324	-24.5 %	D 43
Deferred tax assets		7,056	6,551*	5,383*	7.7 %	D 44
Non-current assets		159,656	165,628	114,896	-3.6 %	
Non-current assets held for sale		1,010	192	187	426 %	D 45
Inventory		59,131	62,652	48,026	-5.6 %	D 46
Current trade receivables		88,768	72,184	77,861	23.0 %	D 47
Current receivables from income tax refunds		2,127	1,639	971	29.8 %	D 48
Current financial assets		2,960	3,227	13,514	-8.3 %	D 49
Other current receivables and assets		3,793	4,661	4,104	-18.6 %	D 50
Cash and cash equivalents		14,031	13,370	30,764	4.9 %	D 51
Current assets		171,820	157,925	175,427	8.8 %	
Assets		331,476	323,553	290,323	2.4 %	

*The prior-year figures have been adjusted (see explanations under Section A)

LIABILITIES	<i>TEuro</i>	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012	Change	<i>Notes</i>
Registered capital		19,240	19,188	19,188	0.3 %	<i>D 52</i>
Capital reserve		56,643	56,228	56,228	0.7 %	<i>D 57</i>
Special items for shares held internally		-23,391	-23,939	-24,431	2.3 %	<i>D 58</i>
Retained earnings and unappropriated profits		87,945	78,993	69,261	11.3 %	<i>D 59</i>
Equity		140,437	130,470	120,246	7.6 %	
Long-term special items for investment subsidies		178	245	320	-27.3 %	<i>D 60</i>
Long-term provisions for pensions		17,917	17,363	12,622	3.2 %	<i>D 61</i>
Long-term deferred tax liabilities		3,280	3,988	641	-17.8 %	<i>D 62</i>
Long-term remaining provisions		350	549	812	-36.2 %	<i>D 63</i>
Long-term interest-bearing financial liabilities		4,212	23,473	16,699	-82.1 %	<i>D 64</i>
Long-term financial liabilities		3,000	4,228	0	-29.0 %	<i>D 65</i>
Long-term remaining liabilities		660	85	255	676 %	<i>D 66</i>
Long-term debts		29,597	49,931	31,349	-40.7 %	
Current special items for investment subsidies		25	74	95	-66.2 %	
Current tax provisions		4,180	2,955	5,567	41.5 %	<i>D 67</i>
Current remaining provisions		5,627	6,068	4,652	-7.3 %	<i>D 68</i>
Current interest-bearing financial liabilities		26,111	8,005	7,393	226 %	<i>D 69</i>
Current liabilities from goods and services		101,077	102,186	98,344	-1.1 %	<i>D 70</i>
Current financial liabilities		2,432	1,062	1,112	129 %	<i>D 71</i>
Current remaining liabilities		21,990	22,802	21,565	-3.6 %	<i>D 72</i>
Current debts		161,442	143,152	138,728	12.8 %	
Liabilities		331,476	323,553	290,323	2.4 %	

* The prior-year figures were adjusted (cf. Explanations under section A).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CEWE Stiftung & Co. KGaA

<i>TEuro</i>	Subscribed capital	Additional paid-in capital	Consolidated retained earnings	Special balance sheet item for stock option plans
Balance as of Jan. 1, 2012 (as previously reported)	19,188	56,228	70,492*	628
Effects from the retroactive application of IAS 19 (revised 2011)	—	—	—	—
Balance as of Jan. 1, 2012 (after adjustment)	19,188	56,228	70,492	628
Net earnings	—	—	18,844	—
Income and expenses not affecting net income	—	—	—	—
Overall result	—	—	18,844	—
Dividends paid	—	—	-9,188	—
Sales of treasury shares	—	—	—	—
Stock option plan 2010	—	—	—	319
Changes in equity arising from transactions with shareholders	—	—	-9,188	319
Balance as of Dec. 31, 2012	19,188	56,228	80,148	947
Net earnings	—	—	21,619	—
Income and expenses not affecting net income	—	—	—	—
Overall result	—	—	21,619	—
Dividends paid	—	—	-9,540	—
Sales of treasury shares	—	—	—	—
Increase in share capital	52	415	—	—
Stock option plan 2010	—	—	—	319
Other changes in equity	—	—	—	—
Changes in equity arising from transactions with shareholders	52	415	-9,540	319
Balance as of Dec. 31, 2013	19,240	56,643	92,227	1,266

*The prior-year figures have been adjusted (see explanations under Section A)

Actuarial gains and losses	Adjustment item from currency translations	Taxes on earnings not affecting net earnings	Other corrections	Retained earnings and balance sheet profit	Consolidated equity before deduction of special item for treasury shares	Special item for treasury shares	Consolidated equity
—	-1,132	514	—	70,502	145,918	-24,431	121,487
-1,826	—	585	—	-1,241	-1,241	—	-1,241
-1,826	-1,132	1,099	—	69,261	144,677	-24,431	120,246
—	—	—	—	18,844	18,844	—	18,844
-4,206	2,801	1,162	—	-243	-243	—	-243
-4,206	2,801	1,162	—	18,601	18,601	—	18,601
—	—	—	—	-9,188	-9,188	—	-9,188
—	—	—	—	—	—	492	492
—	—	—	—	319	319	—	319
—	—	—	—	-8,869	-8,869	492	-8,377
-6,032	1,669	2,261	—	78,993	154,409	-23,939	130,470
—	—	—	—	21,619	21,619	—	21,619
98	-3,954	—	—	-3,856	-3,856	—	-3,856
98	-3,954	—	—	17,763	17,763	—	17,763
—	—	—	—	-9,540	-9,540	—	-9,540
—	—	—	—	—	—	548	548
—	—	—	—	—	467	—	467
—	—	—	—	319	319	—	319
—	—	—	410	410	410	—	410
—	—	—	410	-8,811	-8,344	548	-7,796
-5,934	-2,285	2,261	410	87,945	163,828	-23,391	140,437

CONSOLIDATED CASH FLOW STATEMENT

for the 2013 financial year,
CEWE Stiftung & Co. KGaA, Oldenburg

 Notes E 75

TEuro	2013	2012 after adjustments	Adjustments*
EBIT	29,365	29,072	151
+/- Depreciation (+)/Revaluation (-)	37,902	37,019	0
= EBITDA	67,267	66,091	151
+/- Adjustments for:			
+ Depreciation (+)/Revaluation (-) Financial assets	0	18	0
+/- Unrealized foreign currency effects	-2,644	1,561	0
+/- Changes to other non-current liabilities	930	6,121	5,881
+/- Changes to other non-current receivables	58	87	0
+/- Income from disposal of non-current assets	-439	253	0
+/- Valuation of stock option plan in accordance with IFRS 2	319	319	319
+/- Non-cash market valuation of hedging transactions	157	-68	0
+/- Other non-cash transactions	1,368	-5,995	-5,932
= Non-cash adjustments	-251	2,296	268
+/- Decrease (+)/increase (-) in operating net working capital	-14,172	-6,393	0
+/- Decrease (+)/increase (-) in other net working capital (without income tax items)	1,117	427	0
= Working Capital derived Cash Flow	-13,055	-5,966	0
- Taxes paid	-6,140	-11,292	0
+ Interest earned	117	224	224
= Other operating cash flows	-6,023	-11,068	
= Cash flow from operating activities	47,938	51,353	643
- Outflows from investments in fixed assets	-35,265	-33,775	0
- Outflows from acquisition of consolidated holdings/acquisitions	-333	-23,548	0
- Outflows from investments in financial assets	-817	-95	0
+/- Inflows (+)/outflows (-) from investments in non-current financial instruments	-1,115	-300	0
+/- Inflows (+)/outflows (-) from investments in current financial instruments	0	11,000	0
+ Inflows from sales of property, plant, and equipment and intangible assets	2,406	870	0
= Cash flow from investment activities	-35,124	-45,848	0
= Free cash flow	12,814	5,505	643
- Dividends paid	-9,540	-9,188	0
+ Sales of treasury shares	548	492	0
+ Valuation of stock option plan in accordance with IFRS 2	0	0	-319
= Outflows to shareholders	-8,992	-8,696	-319
+/- Inflows (+)/outflows (-) from changes in financial liabilities	-1,155	-8,787	0
- Interest paid	-1,846	-2,453	-324
+/- Other financing transactions	0	-3,238	0
= Cash flow from financing activities	-11,993	-23,174	-643
Cash and cash equivalents at the start of the reporting period	13,370	30,764	0
+/- Effect of exchange rate-related changes in cash and cash equivalents	-160	275	0
+ Cash flow from operating activities	47,938	51,353	643
- Cash flow from investment activities	-35,124	-45,848	0
- Cash flow from financing activities	-11,993	-23,174	-643
= Cash and cash equivalents at the end of the reporting period	14,031	13,370	0

* The prior-year figures have been adjusted (see explanations under Section A)

	2012	Discrepancy in %
	28,921	1.0 %
	37,019	0.8 %
	65,940	1.8 %
	18	—
	1,561	—
	240	-84.8 %
	87	-33.3 %
	253	—
	0	—
	-68	—
	-63	—
	2,028	—
	-6,393	-122 %
	427	162 %
	-5,966	-119 %
	-11,292	45.6 %
	0	-47.8 %
	-11,292	—
	50,710	-6.7 %
	-33,775	-4.4 %
	-23,548	98.6 %
	-95	-760 %
	-300	-272 %
	11,000	—
	870	177 %
	-45,848	23.4 %
	4,862	133 %
	-9,188	-3.8 %
	492	11.4 %
	319	—
	-8,377	-3.4 %
	-8,787	86.9 %
	-2,129	24.7 %
	-3,238	—
	-22,531	48.2 %
	30,764	-56.5 %
	275	—
	50,710	-6.7 %
	-45,848	23.4 %
	-22,531	48.2 %
	13,370	4.9 %

SEGMENT REPORTING BY BUSINESS UNITS*

for the 2013 financial year, CEWE Stiftung & Co. KGaA

Financial year 2013	TEuro	Photofinishing	Retail	Online Printing	Consolidation	CEWE Group
External sales		367,737	100,991	59,841	—	528,569
Currency effects		480	-1,127	202	—	-445
External sales, adjusted for currency effects		368,217	99,864	60,043	—	528,124
Internal sales		2,982	227	—	-3,209	—
Total sales		370,719	101,218	59,841	-3,209	528,569
Scheduled depreciation		-26,673	-1,587	-6,388	—	-34,648
Unscheduled depreciation		-538	-16	-2,700	—	-3,254
EBIT after restructuring costs		36,267	76	-6,978	—	29,365
Restructuring costs		3,273	—	—	—	3,273
EBIT before restructuring costs		39,540	76	-6,978	—	32,638
Miscellaneous financial income/expense		90	—	67	—	157
Interest expense		-1,391	-4	-451	—	-1,846
Interest income		90	52	—	—	142
<hr/>						
Financial year 2012	TEuro	Photofinishing	Retail	Online Printing	Consolidation	CEWE Group
External sales		359,246**	104,960	42,984	—	507,190**
Internal sales		4,886	205	375	-5,466	—
Total sales		364,132**	105,165	43,359	-5,466	507,190**
Scheduled depreciation		-28,973	-1,967	-6,079	—	-37,019
EBIT=EBIT after restructuring costs		32,172	1,677	-4,777	—	29,072
Miscellaneous financial income/expense		—	12	-86	—	-74
Interest expense		-1,628	-5	-820	—	-2,453
Interest income		256	48	20	—	324

*The segment reporting is a constituent part of the selected explanatory information and will be shown here to enhance readability.

**The prior-year figures have been adjusted (see explanations under Section A)

NOTES

A. General Information

1 | About the company

The CEWE Stiftung & Co. KGaA, Oldenburg, (hereinafter: CEWE KGaA, formerly: CEWE COLOR Holding AG) is a publicly traded partnership limited by shares under German law.

The general assembly of shareholders of CEWE Holding AG, Oldenburg, (hereinafter: CEWE Holding) resolved on 5 June 2013 with a majority of 96.7 % of votes present that CEWE Holding change its legal form to a partnership limited by shares (KGaA) trading under the name CEWE Stiftung & Co. KGaA. This transformation resolution took effect upon entry in the commercial register on 1 October 2013. The shareholders of CEWE Holding received one common share of CEWE KGaA for each common share previously held in the company undergoing the change of legal form. The proportional share of each share of stock of nominal capital and the total nominal capital were unaffected by the change of legal form. The change in legal form by CEWE Holding to a KGaA resulted neither in the dissolution of the company nor in the establishment of a new legal entity, and the legal and economic identity of the company is unchanged.

The general partner of CEWE KGaA is the Neumüller CEWE COLOR Stiftung, Oldenburg (hereinafter: CEWE Stiftung), which already held a 0.25 % interest in CEWE COLOR AG & Co. OHG, Oldenburg. It exercises management responsibility for CEWE KGaA. The governance structure previously in place is now supplemented by a Supervisory Board appointed on the basis of codetermination, consisting of the six previous members chosen by the shareholders and six members representing the interests of employees.

Linked to the change of legal form is the merger of the former CEWE OHG auf die CEWE KGaA due to the exercise of a conversion right held since 1999 by CEWE Stiftung. With the recording of the change of legal form in the commercial register on 1 October 2013, CEWE OHG ceased to exist as a condition precedent to the merger and all its assets, rights, and obligations were transferred to CEWE KGaA. The present consolidated financial statements of 31 December 2013 are submitted by CEWE KGaA as the legal successor of CEWE Holding. CEWE KGaA (previously: CEWE Holding) is the parent company of the CEWE Group (hereinafter: CEWE). CEWE is a corporation

internationally active as a technological and market leader in the areas of photofinishing, photographic retail, and online printing.

The present consolidated financial statements and the consolidated management report for the 2013 financial year were prepared by the Executive Board of CEWE KGaA, and will be submitted to and published in the Electronic Federal Gazette.

2 | Bases for the preparation of the consolidated financial statements

The consolidated financial statements of CEWE KGaA for the reporting year from 1 January 2013 to 31 December 2013 were prepared in compliance with the International Financial Reporting Standards (IFRS) valid on the reporting date, and with the interpretations of the International Accounting Interpretation Committee (IFRIC) as applicable within the European Union, as well as with the provisions of § 315a Para. 1 HGB to be applied in a supplementary role.

The following standards, revisions, and interpretations were to be applied for the first time in the reporting year (Date in parentheses: date of publication in the official gazette):

- Changes to IAS 1 “Presentation of Financial Statements” (6 June 2012)
- Amendment to IAS 19, “Employee Benefits” (6 June 2012)
- Amendment to IFRS 7, “Financial Instruments: Disclosures” (29 December 2012)
- IFRS 13, “Fair Value Measurement” (29 December 2012)
- IFRIC Interpretation 20, “Stripping Costs in the Production Phase of a Surface Mine” (29 December 2012)
- Amendment to IAS 12 “Deferred Tax: Recovery of Underlying Assets” (29 December 2012)
- Amendment to IFRS 1 “First-Time Adoption of International Financial Reporting Standards” – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (29 December 2012)
- Amendment to IFRS 1 “Government Loans” (5 March 2013)
- Improvements to IFRS 2009–2011 (28 March 2013)

The following standards and interpretations had already been adopted into European law by 31 December 31 2013, but their application was not yet mandatory on the balance sheet date (Date in parentheses: date of publication in the official gazette):

- IAS 27 (amended 2012) "Separate Financial Statements" (29 December 2012)
- IAS 28 (amended 2012) "Investments in Associates" (29 December 2012)
- IFRS 10 "Consolidated Financial Statements" (29 December 2012)
- IFRS 11 "Joint Arrangements" (29 December 2012)
- IFRS 12 "Disclosure of Interests in Other Entities" (29 December 2012)
- Amendment to IAS 32, "Financial Instruments: Presentation" (29 December 2012)
- Amendments to IFRS 10, IFRS 11 and IFRS 12 by "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance" (5 April 2013)
- Amendments to IFRS 10, IFRS 12 and IAS 27 by "Investment Entities" (21 November 2013)
- Amendment to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets" (20 December 2013)
- Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting" (20 December 2013)

The following standards and interpretations had already been published by 31 December 2013, but had not yet been adopted into European law by that date (Date in parentheses: date of publication by IASB):

- IFRS 9 "Financial Instruments" (12 November 2009 and 28 October 2010)
- IFRIC Interpretations 21 "Levies" (20 May 2013)
- Amendment to IAS 19 "Employee Benefits" (21 November 2013)
- Improvements to IFRS 2010–2012 (12 December 2013)
- Improvements to IFRS 2011–2013 (12 December 2013)

At its November 2013 meeting, the IASB decided that IFRS 9 would enter into effect at the earliest for reporting periods beginning as from 1 January 2017. The amendments to IAS 32 and IAS 39 are to be applied at the latest for financial years commencing as from 1 January 2014. The date at which the standards will become legally binding will depend on the endorsement procedure of the EU.

Since 1 January 2013, IFRS 10, IFRS 11, IFRS 12 including the agreed amendments, and the amended IAS 27 and IAS 28 (together the "consolidation package") are to be applied. The IFRS as applicable within the European Union provides for the mandatory application of these regulations only for financial years starting as from 1 January 2014. The IFRS applicable in the EU thus deviate from the regulations of the IASB. However, an earlier application is permissible, provided that all five standards of the consolidation package are applied simultaneously. CEWE chose to exercise this option.

IFRS 10 created a new standard for incorporation of subsidiary companies in the consolidated financial statements. The initial application of IFRS 10 had no effect on the scope of consolidation.

IFRS 11, "Joint Arrangements", created a new accounting standard for joint ventures and joint operations. Its application did not result in any effect on the consolidated balance sheet.

IFRS 12, "Disclosure of Interests in Other Entities", regulates obligations of disclosure concerning an entity's interests in subsidiaries, joint arrangements, and affiliated companies, as well as structured entities. The disclosures required of CEWE by IFRS 12 are made under the headings "Scope of Consolidation" and "Shareholdings".

In addition, the amended IAS 36 has also been voluntarily adopted early. This resulted in no direct effects on the asset, financial, and income situation, but did result in amendments to the Notes of the present consolidated financial statements. Insofar as further new standards not yet in effect for 2013 may be implemented on a voluntary basis, no such option will be exercised. The evaluation of the effects of IFRS 9 on the consolidated financial statements is not yet fully complete. The application of the other published, but non-binding (as of the reporting date) standards is not expected to have a material effect on the asset, financial, and income situation. It is possible that some standards may require additional disclosures to be made in the Notes. The new standards will only be applied after the conclusion of the EU endorsement procedure.

Standard IFRS 13, "Fair Value Measurement", establishes uniform guidelines for the proper determination of fair value, and defines this as an „exit price“. As a result of the new guidelines of IFRS 13, the Group has re-evaluated its methods for determining fair value. The initial application of IFRS 13 had no material effect on the determination of fair value. The prescribed disclosures in the Notes were made for those items assessed at fair value, or for which fair value is to be reported.

Changes to reporting methods and corrections

According to IAS 19 as amended in 2011, actuarial gains and losses from defined benefit obligations are to be recognized directly in equity in the year they are realized, rather than using the corridor method previously used in accordance with IAS 19 (92). It is mandatory that the amendments to IAS 19 be applied with retroactive effect to financial statements for financial years commencing as from 1 January 2013, and thus were taken into account in the interim statements for 2013.

As of 1 January 2012, an unrealized actuarial loss in the amount of 1,826 TEuro existed in accordance with the corridor method, which was recorded with retroactive effect in the retained earnings of the opening balance for the year 2012.

Retained earnings also increased by 585 TEuro due to the deferred taxes on this amount to be taken into account prior to January 1, 2012 with no effect on earnings.

For the 2012 financial year, an actuarial loss in the amount of 4,206 TEuro was calculated, resulting in a further decrease in retained earnings. In contrast, retained earnings increased by 1,225 TEuro due to the deferred taxes on this amount to be taken into account with no effect on earnings. Using the corridor method, actuarial losses totalling 151 TEuro with effect on earnings were calculated, which were cancelled out. Personnel costs were thereby retroactively decreased, and annual net profit increased. On the other hand, retained earnings rose as a result of deferred taxes in the amount of 132 TEuro to be taken into account with no effect on earnings, with corresponding effects on the income statement in the item „Taxes on income and earnings“.

CEWE has adjusted the amounts reported in the preceding year to reflect the effects from the amendments to IAS 19, thus pension provisions are reported at an increase of 5,881 TEuro, and the corresponding deferred taxes increased by 1,678 TEuro. In the course of these retroactive changes, the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement, balance sheet amounts as of 1 January and 31 December 2012, and the key figures affected by the adjustment were all adjusted accordingly.

Regarding the effects on amounts, we refer to the explanations concerning the individual items in Sections D and C.

For the purpose of improved presentation, reporting changes were made in the balance sheet for the reporting year, moving from current provisions to current and miscellaneous liabilities. This amended reporting affects liabilities to employees (e. g. holiday pay), which were in some cases not uniformly reported throughout the Group.

The uniform treatment of employee liabilities emphasizes the economic significance of the individual items, so that more relevant information about the financial position of the CEWE Group can be provided. The only effects are reflected on the balance sheet. The comparison figures were also adjusted accordingly.

In the past, non-material, sales-related expenditures were deducted from sales revenues. Due to the increased business volume of these items, they are now reported under "Other operating expenses". The figure reported for the financial year was therefore changed in the interest of more appropriate presentation. The only effects are reflected on the balance sheet; the comparison figures from the preceding year were adjusted accordingly.

Similarly, items reported in the prior year under "Cost of materials" were retroactively adjusted. The result is a shift for the prior year from the "Cost of materials" item to "Other operating expenses". The only effects are reflected on the income statement.

The effects of the adjustments on the consolidated balance sheet and consolidated statement of income for 2012 are depicted in the relevant locations in the Notes, in Sections D and C. These adjustments had no effect on earnings per share.

In the 2012 financial year, the conditions of the on-going stock option plan were fulfilled. In determining the diluted earnings per share, the diluting effect on the stock option program is taken into account in accordance with IAS 3,45. The prior year's figures were adjusted accordingly.

The consolidated financial statements were prepared on the basis of historical acquisition and production costs. Historical acquisition or production costs are generally based on the fair value of the consideration given in exchange for the asset.

The fair value according to IFRS 13 is the price that would be demanded in a regular, arm's-length transaction between market participants on the valuation date in question for the sale of an asset or for the assignment of a debt. This applies regardless of whether the price is directly observable, or has been estimated using a valuation method.

In determining the fair value of an asset or a debt, CEWE takes into account particular characteristics of the asset or debt (e.g. the condition and location of the asset, or restrictions on its sale and use) if market participants would similarly take these characteristics into account in setting a price for the acquisition of the asset or assignment of the debt on the valuation date. In the present consolidated financial statements, this measure of fair value is used for all valuations and/or mandatory disclosures. This does not apply to:

- Share-based payments within the scope of IFRS 2, „Share-based Payment“
- Leases within the scope of IAS 17, „Leases“, and
- Valuation standards resembling fair value but not corresponding directly to it, e.g. the „net realizable value“ of IAS 2, „Inventories“, or the „recoverable amount“ in IAS 36, „Impairment of Assets“.

The fair value is not always available in the form of a market price. Instead, it must often be determined on the basis of various valuation parameters. Depending on the availability of observable parameters and the significance of these parameters for determining the fair value as a whole, the fair value is assigned to one of Levels 1, 2, or 3. This division is made in accordance with the following conditions:

- Level 1 input parameters are quoted prices on active markets for identical assets or debts to which the company has access on the valuation date.
- Level 2 input parameters are input parameters other than the quoted prices of Stage 1 which are either directly observable for determining the value of the asset or debt, or which can be indirectly derived from other prices.
- Level 3 input parameters are parameters not directly observable for determining the value of the asset or debt.

With the exception of the derivatives carried on the balance sheet at fair value, all assets and debts are valued in the present financial statements at their amortized cost. For assets and debts carried at amortized cost, the book values of the financial assets and debts on the balance sheet represent a reasonable approximation of the fair value.

Derivatives reported on the balance sheet are carried at fair value. The market values determined by the credit institutions are arrived at by discounting the expected future cash flows throughout the remaining term of the contracts on the basis of observable market interest rates or yield curves (Level 2 according to IFRS 7).

The income statement was prepared according to the total cost method. Unless otherwise stated, all values are given in thousands of Euro.

3 | Scope of consolidation

The consolidated financial statements of 31 December 2013 include, in addition to CEWE Stiftung & Co. KGaA, those domestic and foreign companies over which CEWE Stiftung & Co. KGaA is able to exert a controlling influence, either directly or indirectly. The Group has control of a company if it has a right to or faces exposure to risk from fluctuating yields from its holdings in the company, and if the Group also has the ability to use its powers of control over the company in which it is a shareholder in such a manner as to affect the yield of the company in question. The financial statements of subsidiary companies are incorporated into the consolidated financial statements as of the point in time at which the relationship of control begins, and continue to be so incorporated until the relationship of control ends.

As of 31 December 2013, the scope of consolidation includes – in addition to CEWE Stiftung & Co. KGaA, Oldenburg, as the controlling company – 10 German and 21 foreign companies. Also reflected in the consolidated financial statements are the pension obligations transferred to the CEWE COLOR Versorgungskasse e. V., Wiesbaden, in accordance with IAS 19. Insofar as this pension fund should be unable to meet its obligations from its own resources, resources will be provided by CEWE KGaA.

Not included in the scope of consolidation on the basis of its insignificant economic importance was Bilder-planet.de GmbH, Cologne, as its assets represent only 0.01 % of the consolidated balance sheet total. and its revenues from sales represent 0.00 % of total Group revenue. Saxoprint B. V., Dordrecht, the Netherlands, which was not included on the prior year's balance sheet due to its insignificant economic importance, was deleted from the commercial register on 27 June 2013.

The newly established CEWE-PRINT s. r. l., Milan (Italy) was fully consolidated for the first time in the third quarter. The company is primarily intended to distribute printed products and advertising materials to business clients in Italy.

Until the merger on 1 October 2013, CEWE OHG was included in the scope of consolidation. Due to its 99.75 % stake in the company, CEWE Stiftung & Co. KGaA and its legal predecessor were exposed to fluctuating yields, All material decisions were made in consultation with the decision-making bodies of the legal predecessor of the CEWE Stiftung & Co. KGaA. The protection of the interests of shareholders, including regarding yield, was assured at all times.

In the preceding year, the CEWE Group on 2 February 2012 acquired 100 % of the shares of the online print shop Saxoprint GmbH, Dresden, with five domestic and foreign distribution companies. Initial consolidation was carried out as of 1 February 2012; Saxoprint B. V., Dordrecht, the Netherlands was not included in the scope of that consolidation due to its minimal significance. The fair value of the assets acquired was 40.6 millionEuro, while the debts assumed had a fair value of 29.6 millionEuro; accordingly, the total net assets acquired amounted to 11.0 millionEuro. In addition to a sum of 22.0 millionEuro payable immediately, the purchase price also comprised a security retention amount of 3.0 millionEuro, and contingent purchase price elements in the amount of 2.8 millionEuro, resulting – after deduction of total net assets acquired – in goodwill of 17.8 millionEuro.

4 | Principles of consolidation

The consolidated financial statements were developed using the financial statements of the German and international financial statements of the subsidiary companies included in the scope of consolidation using uniform accounting and valuation methods. For all companies whose financial statements are taken into account in the consolidated financial statements, the reporting date of each individual financial statement is the same as for the consolidated financial statement, 31 December 2013.

Subsidiary companies acquired are entered on the balance sheet using the acquisition method. The purchase costs of the acquisition correspond to the fair value of the assets relinquished, the equity instruments issued, and the liabilities created or assumed at the time of the transaction. They also include the fair value of all recognized assets or liabilities resulting from an agreement for contingent consideration. Assets, liabilities, and contingent liabilities identifiable in the course of a corporate merger are recorded at their fair value at the time of acquisition when initially consolidated.

Costs related to an acquisition are recognized when incurred.

Any contingent consideration is valued at its fair value at the time of acquisition. Subsequent changes to the fair value of a contingent consideration classified as an asset or liability are evaluated in keeping with IAS 39, and a resulting gain or loss recorded either as earnings or loss, or as other income.

Goodwill is recorded at the value given by the excess of the purchase costs of the acquisition and, if applicable, the value of the non-controlling shares of the acquired company, as well as the fair value of all previously held equity holdings on the date of acquisition, over the Group's share of the company's net assets at fair value.

In the event that additional shares are acquired in an already fully consolidated company, the acquisition is recorded with no effect on income. The recognition of assets, liabilities, and goodwill of the already consolidated company does not change. The annual impairment tests for goodwill are carried out in accordance with the discounted cash flow method. This method is based on the future expected cash flows from the most recent management forecast, carried forward with long-term growth rates and assumptions regarding future changes in margin and earnings, and discounted by the business entity's cost of capital. Tests are performed at the level of the cash-generating unit. An impairment test will additionally be carried out during the course of the year if circumstances suggest that the value of goodwill may have suffered long-term impairment.

Internal group sales, expenditures, and earnings as well as loans, receivables, and liabilities between the consolidated companies are eliminated. Intra-group earnings from deliveries within the group are consolidated, to the extent that they are material for representing an accurate image of the asset, financial, and earnings positions. The intra-group provision of goods and services is calculated on the basis of market prices and also transfer prices calculated on an „arm's length“ basis. If necessary, a tax accrual will be made for consolidation transactions recognized in income.

Stock option plans were recorded at fair value as issued equity instruments for future work performance in accordance with IFRS 2. The resulting effects were distributed as expenses throughout the term, carried as personnel costs, and booked against equity. Should the conditions for the options not be met, the item is to be dissolved in equity without effect on income.

Companies no longer classified as companies within the scope of consolidation are excluded from consolidation. The time that such an exclusion shall take effect is determined by the point in time at which control of the financial and commercial policies of that company is lost. Expenditures and income relating to the consolidated company prior to its removal from the scope of consolidation will still be included in the consolidated statement of profit and loss.

Disposal value is calculated as all assets and liabilities representing the consolidated company at the time directly preceding its exit from the scope of consolidation. The effect on earnings from the deconsolidation is calculated from a comparison of the proceeds from the sale of liquidation of the company and its disposal value. The application of the consolidation methods is unchanged from the prior year.

5 | Currency translation

The annual financial statements of the foreign corporate affiliates are converted into Euro using the concept of the functional currency. As the subsidiary companies conduct their business with full independence in financial, economic, and organizational terms, the functional currency is in each case the national currency of the country in which each subsidiary is based. The reporting currency and functional currency of the Group is the Euro.

Assets and liabilities of the foreign subsidiaries included within the scope of consolidation are converted using the average exchange rates on the balance sheet date (balance sheet exchange rate), while income and expenditures are converted using the annual average of the relevant average exchange rates (profit and loss rate).

Goodwill accruing to foreign subsidiaries from capital consolidation will continue to be recorded at historical acquisition cost.

Equity is also converted at historical cost. Translation differences arising from this are not shown on the income statement, but as a separate equity item. Currency differences from the translation of long-term loans to corporate affiliates are also recorded in equity with no effect on income.

The currency translation is based on the following material exchange rates:

		2013		2012	
		Balance sheet exchange rate	Profit and loss rate	Balance sheet exchange rate	Profit and loss rate
Currency translation					
CHF	Swiss franc	1.2276	1.2311	1.2072	1.2053
CZK	Czech koruna	27.4270	25.9797	25.1400	25.1491
DKK	Danish krone	7.4593	7.4579	7.4610	7.4437
GBP	British pound sterling	0.8337	0.8493	0.8161	0.8109
HRK	Croatian kuna	7.6265	7.5786	7.5575	7.5217
HUF	Hungarian forint	297.0400	296.8730	292.3000	289.2494
NOK	Norwegian krone	8.3630	7.8067	7.3483	7.4751
PLN	Polish zloty	4.1543	4.1975	4.0740	4.1847
SEK	Swedish krona	8.8591	8.6515	8.5820	8.7041
USD	U. S. dollar	1.3791	1.3281	1.3194	1.2848

B. Accounting and Valuation Principles

6 | General Information

The annual financial statements of the companies within the scope of consolidation are prepared according to uniform principles of accounting and valuation. Where accounting and valuation options are available, they have been exercised in the preparation of the consolidated financial statements in the same manner as in the individual financial statements. The principles of accounting and valuation applied have not changed since the prior year.

In order to prepare the consolidated financial statement, the Executive Board must make a number of judgments and estimates, as well as assumptions having an effect on the application of the accounting standards within the Group and the reporting of assets and liabilities, as well as of income and expenses. The amounts actually realized may differ from those estimated. Estimates and the assumptions underpinning them are subject to a process of continual review. The estimates given below and their related assumptions may have an effect on the consolidated financial statements.

Insofar as fixed assets (property, plant, and equipment) and intangible assets are acquired in the course of corporate mergers, the fair value of these assets on the date of acquisition and their expected useful life are to be estimated. Both the determination of fair value and of useful life is based on judgments by the management.

In order to determine impairment of fixed assets, intangible assets, and goodwill, estimates must be made concerning the cause, point in time, and amount of the impairment, and if permissible, a revaluation carried out. The evaluation of indications that an impairment has occurred, the projection of future cash flows, and the determination of the fair value of assets all depend on forecasts of expected future cash flows, useful life, discount rates, and residual values. The development of future cash flows is determined primarily by the development of future demand for the products. If actual demand turns out to be below expectations, this would have a negative impact on revenues and cash flows. This in turn could result in further impairment charges having a negative effect on future earnings.

In order to minimize the risk of default on receivables, impairment charges are recognized on doubtful receivables. These impairment charges are based on the maturity structure of the receivables, the current market situation, and past experience. In the event that the financial situation of the customers deteriorates, actual defaults on receivables may be higher than forecast.

The CEWE Group is required to pay corporate income tax in several countries (primarily in Europe). Material assumptions must therefore be made in order to determine the income tax provisions that must be made for the Group as a whole. Income taxes are determined by calculating for each taxable entity the expected actual income tax as well as the deferred taxes resulting from temporal discrepancies between the balance sheet items of the consolidated financial statement and the financial statements prepared for tax purposes. To this end, assumptions must be made regarding the interpretation of the applicable tax regulations in Germany and abroad. It must also be estimated whether it will be possible to earn sufficient taxable income to incur a tax liability for a given type of tax and tax jurisdiction. For some business transactions and calculations, the eventual tax liability cannot be conclusively determined. The group calculates the amount of provisions for expected tax audits on the basis of estimates of whether and in what amount additional income tax shall be payable. In the event that the actual taxation of these business transactions differs from initial assumptions, this will have an effect on the actual and deferred taxes for the period in which the level of tax is conclusively determined. Were the final values (in those segments in which estimates are employed) to differ by 10 % from the estimates made by the management, the Group would have to:

- increase its liabilities from actual income taxes by 173 TEuro and its deferred tax liabilities by 328 TEuro, in the event of a discrepancy unfavourable to the corporation, or
- decrease its liabilities from actual income taxes by 173 TEuro and its deferred tax liabilities by 328 TEuro, in the event of a favourable discrepancy.

Pensions and similar obligations are valued on the basis of actuarial models and procedures. These valuations rest largely on assumptions concerning discounting factors, projections of trends in salaries and pensions, and life expectancies. Significant changes to pensions and similar obligations may result insofar as these assumptions turn out to vary significantly from actual developments due to changed market and economic conditions.

Recognition and valuation of other provisions and contingent liabilities depends in large measure on the complexity of the underlying business transaction and on estimates made. To this end, assumptions must be made concerning the probability with which a contingency shall be realized and the amount of the eventual liability, which in turn depend on past experience, projections of cost trends, and other information. Changes to these projections may have a significant effect on income.

Certain items have been combined on the income statement and on the balance sheet. They are reported separately in the Notes. The Group classifies assets and liabilities as current if they are projected to be realized or settled within twelve months of the balance sheet date.

7 | Recognition of revenues and expenses

The regular business activities of the CEWE Group involve the provision of photo finishing and other printing services, and in trade in photographic hardware and photo finishing products and services. All revenues resulting from these regular business activities are recorded on the income statement as revenues from sales. All other revenues are recorded under the „other operating revenues“ item. Sales revenues from the sales of products and the provision of services and other operating revenues are realized upon performance of the service or upon transfer of risk to the customer. Operating expenses are recognized when a good or service is utilized or when it is incurred. Revenue-related expenditures or provisions are recognized upon realization of the corresponding revenues from sales; this also includes estimated amounts for rebates and discounts and other deductions from sales revenues. Interest income and expense are recognized in the period they are received or incurred.

8 | Property, plant, and equipment

Fixed assets (property, plant, and equipment) are carried at acquisition or production cost, and, insofar as subject to wear and tear, subject to scheduled linear depreciation. Production costs include all directly attributable costs, as well as an appropriate share of the production-related common costs, i. e. overhead. Financing costs are not capitalized, as none of the assets in question have a generation or production phase extending over a longer period of time. The basis for depreciation is reduced by an estimated residual value representing the amount the company can expect to realize from disposal of the

asset at the end of its useful life minus its costs of disposal. The residual value as of the balance sheet date is calculated as through the asset in question had already reached the age and level of wear and tear as at the time of its expected disposal. The residual values are re-estimated on a regular basis. For sold and scrapped fixed assets, the historical acquisition or production costs and accumulated depreciation are written off. The profit or loss resulting from the disposal of the asset is calculated as the difference between the net proceeds from disposal of the asset and its book value, and recorded on the income statement of the period in which the item is derecognized under „Other operating revenues or expenditures“.

9 | Real estate held as investment property

Real estate held as investment property includes real estate and buildings used to generate rental income or kept in the expectation of capital gains, and not used for the company's own production, the supplying of goods or provision of services, for administrative purposes, or for sale in the regular course of business.

Such properties are initially valued at amortized acquisition or production cost, including ancillary costs. The book value includes the costs for replacement investments of an existing property held for investment purposes at the time these costs are incurred, insofar as the criteria for recognition are met. In subsequent evaluations, real estate held as investment property is recognized at its amortized acquisition cost.

Real estate held as investment property is derecognized upon its sale, or when it is permanently no longer suitable for use and no future economic benefit is expected from its disposal. Profit or loss from the decommissioning or sale of real property held as an investment is recognized in the year of decommissioning or sale.

Properties are allocated to the portfolio of real estate held as investment property when a change in use occurs which is substantiated by termination of the company's own use of the property or commencement of an operating lease with another party.

10 | Goodwill

Goodwill is not subject to scheduled depreciation, but is evaluated for impairment of value on an annual basis. Such an evaluation is also carried out whenever any event occurs which might indicate a possible impairment. To this end, the fair value of the cash-generating units is determined, net of any sales costs. Insofar as a need for recognition of an impairment loss is identified, unscheduled revaluations will be made. No positive revaluation of goodwill may be made.

11 | Intangible assets

Intangible assets are industrial property rights and similar rights, software acquired in exchange for consideration, self-produced software, customer bases and customer lists, trademark rights, and advance payments made for assets of the aforementioned classes. Self-produced intangible assets and those acquired for consideration are capitalized in accordance with the conditions of IAS 38, "Intangible Assets".

Intangible assets acquired for consideration are carried at acquisition cost, while self-generated intangible assets from which the Group can be expected to realize a future economic benefit and which can be reliably determined and valued, are capitalized with their costs of production and depreciated linearly over their useful lives. These production costs include all directly attributable costs, as well as an appropriate share of the production-related common costs, i. e. overhead. Financing costs are not capitalized, as none of the assets in question have a generation or production phase extending over a longer period of time. Other development costs are also not capitalized, as the conditions for capitalization are generally not met. Intangible assets are impaired in value if the recoverable value of the asset – the higher of fair value minus disposal costs and value in use – is less than its book value. The self-generated intangible assets primarily comprise newly developed distribution and product-specific software systems, which may be used throughout the Group.

12 | Impairment

Scheduled depreciation of assets is primarily determined on the basis of the following useful asset depreciation range:

Useful asset depreciation range	<i>In years</i>	Dec. 31, 2013	Dec. 31, 2012
Asset			
Customer base and customer lists		5	5
Software and other intangible assets		3 to 7	3 to 7
ERP software		5	5
Buildings		25 to 40	25 to 40
Machinery			
Binding equipment and machinery		8	8
Offset printing presses		8	8
Digital printing presses		4 to 6	4 to 6
Film developing machines		6 to 8	6 to 8
Sorting systems		5 to 8	5 to 8
IT equipment		3 to 7	3 to 7
Vehicles		5	5
Office furniture		13	13

The determination of ordinary useful life is made on the basis of previous experience with the use of the asset in question, its current and future expected utility, and specific technological developments.

Unscheduled depreciation (impairment) is recorded when evidence arises that the recoverable value of an asset is significantly lower than its book value, e. g. in the case of market values that have declined to an unusual extent, or limited future utility of the asset.

13 | Financial assets

Financial assets are valued at their acquisition cost. Impairment losses are recorded when a long-term reduction in value is to be expected. Reinsurance policies included among financial assets are carried at their actuarial present value. These do not constitute plan assets.

14 | Non-current assets held for sale

Non-current assets held for sale are assets or groups of assets with book values intended to be realized within the next 12 months primarily by sale, rather than by operational use. They are valued at the lower of book value or fair value minus disposal costs. Insofar as the fair value shall increase at a later point in time, a revaluation reflecting the appreciation shall be carried out.

15 | Inventory

Inventory is recorded at acquisition or production cost. Production costs include specific materials and production costs, as well as a proportionate share of common materials and production costs (i. e., overhead). Administrative costs are taken into account insofar as they may be attributed to production. Purchased inventory is valued at its weighted average value using the average value method. Insofar as this value exceeds the net realizable value on the reporting date, the latter is used. Inventory that is rarely used for reasons of obsolescence or technical progress is subject to marketability write-downs. No long-term production orders are pending.

16 | Primary financial instruments

Primary financial instruments consist of financial assets (receivables, other assets, loans extended, and cash and cash equivalents) as well as financial liabilities (financial debts, trade payables, and other liabilities). They are valued and recorded according to the requirements of IAS 39. According to this, a financial instrument is recognized when consideration is received in the form of cash or financial assets. Recognition or derecognition is made at fair value, taking into account transaction costs. Non-current, non-interest bearing receivables and other assets are subject to discounting. In accordance with IAS 39, the subsequent valuation is dependent on the following categorization of the financial instruments:

Financial assets

Financial interests reported as belonging to financial assets are valued at their acquisition cost.

Loans and receivables not quoted on active markets are valued at their amortized cost of acquisition. These include non-current financial receivables, trade receivables, and miscellaneous current financial receivables and assets. Should doubts exist concerning the likelihood that a given receivable can be collected, it shall be recorded at the lower collectable amount. Objective defaults result in derecognition of the receivable in question. In addition to necessary individual impairments, discernible risks from overall credit risk are taken into account through a generalized impairment loss allowance. Receivables denominated in foreign currencies are converted using the exchange rate on the reporting date.

Financial assets available for sale are valued at amortized acquisition cost. These are financial investments reported under "Financial assets" for which no quoted market price is available and the fair value of which cannot be determined with certainty.

Cash and cash equivalents are recorded at present value. Balances in foreign currencies are converted using the exchange rate on the reporting date.

Financial liabilities

Financial liabilities generally establish a claim for repayment in cash or by means of another financial asset. These include, in particular, trade accounts payable, amounts owed to financial institutions, derivative financial liabilities, and other, miscellaneous financial liabilities.

Financial liabilities are valued at amortized acquisition cost.

17 | Derivative financial instruments

Derivative financial instruments such as interest rate and foreign currency options, interest rate swaps, combined interest rate and currency swaps, and commodity futures transactions are used within strictly defined limits to hedge against exchange rate, interest rate, and commodity price risks. In accordance with the basic principles of risk management, no such financial derivatives are held for trading purposes. Derivative financial instruments are initially recorded at acquisition cost, and later carried at market value. Gains or losses are recorded based on the type of position being hedged. At the time a hedging transaction is concluded, the derivatives are classified as hedges for an intended transaction (cash flow hedge), as hedges for the fair value of a reported asset or liability (fair value hedge), or as hedges for a net investment in an economically

independent foreign subsidiary company. Changes in the market value of derivatives intended to secure a cash flow and suitable and effective for that purpose are carried in equity. Insofar as their effectiveness is less than 100 %, the ineffective changes in value are recognized in income. Upon settlement of the hedged transaction, the amounts previously recognized in equity are reversed with effect on income. In the case of derivative instruments used to hedge a fair value, changes in the present value of the derivatives and the hedged position are recognized immediately in income. In the case of a completely effective hedge, the expenses and income from the changes in value of the derivative completely compensate for those of the underlying transaction. Hedging for foreign net items is disclosed analogously to cash flow hedges. If the hedging instrument is a derivative, the actual currency gains and losses from the derivative or from the translation of the credit are carried under equity. The relationships between the hedging instruments and the hedged positions as well as the risk management objectives of the hedging transactions are documented at the time the transaction is concluded. This approach links all derivatives classified as hedging instruments to specific planned transactions. In addition, the estimate of whether the derivatives used as hedging instruments are highly effective in compensating for changes in cash flow for the hedged transaction is documented. The market values of cross-currency swaps are calculated based on market conditions at the reporting date. Generally accepted valuation methods are used for determining market values. Derivatives not subject to hedge accounting are carried at fair value.

18 | Deferred taxes

In accordance with IAS 12, deferred tax asset and liability items are created for all temporary discrepancies in assets and liabilities between the tax balance sheet and IFRS balance sheet, for tax credits and losses brought forward, and for consolidation transactions with an effect on profit or loss. They are calculated for the reporting date using the national tax rates currently in effect or scheduled to be introduced in future. The effect on deferred taxes of changes in tax rates is recognized upon entry into force of the statutory change. Deferred tax assets from losses brought forward are only taken into account to the extent that their realization is sufficiently substantiated and probable. Changes in deferred taxes on the balance sheet result in deferred tax expenditures or credits. Insofar as items resulting in a change in deferred taxes are recorded directly against equity, the change in deferred taxes will also be recorded directly in equity.

Deferred tax liabilities are reported as provisions. They are formed on the basis of the internationally accepted liability method and show the tax effects of 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 deferrals are calculated using the tax rates currently expected to be in effect when the temporary discrepancies are reversed.

Deferred tax assets and liabilities are netted out insofar as both relate to the same tax authority.

Average tax rates for calculation of deferred taxes	<i>Information in %</i>	2013	2012
Germany		30.88	30.88
Belgium		33.99	33.99
Denmark		25.00	25.00
France		34.43	34.43
Great Britain		23.00	24.00
Croatia		20.00	20.00
the Netherlands		25.00	25.00
Norway		28.00	28.00
Poland		19.00	19.00
Sweden		22.00	26.30
Switzerland		25.00	25.00
Slovakia		22.00	23.00
Czech Republic		19.00	19.00
Hungary		10.00	10.00
USA		40.85	42.31

19 | Equity capital

Subscribed capital is carried under equity at its nominal value. The premium from the initial share issue is valued as additional paid-in capital with the difference between the nominal value of the bearer shares issued and the issue amount generated. The company received consideration for the new shares issued in the course of exercising conversion rights. The amount of this compensation is carried at the amount of its nominal value under subscribed capital, and the premium in excess of this amount under additional paid-in capital.

Subscribed capital and additional paid-in capital relate to CEWE Stiftung & Co. KGaA, Oldenburg, and are disclosed in the same manner as for this company. Due to the special item for treasury shares, deducted openly from equity capital, the treasury shares are disclosed at their full original acquisition and incidental acquisition costs on the date of their repurchase as deductible items (see Point D 58). Retained earnings and net profits are reported in accordance with statute and with the articles of association of the CEWE Stiftung & Co. KGaA, Oldenburg, and are carried at their nominal value. They also contain the differences to IFRS accounting that result in addition to the HGB results. Also disclosed are effects resulting from the fair value measurement of hedging transactions and the valuation of stock option plans (see Point D 55), as well as currency translation differences and actuarial gains and losses recognized in equity and not affecting income. Option premiums received in connection with the option rights granted are also included in retained earnings. Changes to hidden reserves recognized in conjunction with successive purchases of shares are transferred to retained earnings.

20 | Pension obligations

Pension provisions are calculated using the actuarial projected unit credit method for defined-benefit pension obligations prescribed by IAS 19, as revised in 2011. In this method, the future obligation is discounted to present value based on the vested claims from pension commitments as of the balance sheet reporting date, taking into account additional parameters. Discrepancies between the estimates made and actual developments, as well as changes to the underlying actuarial assumptions, result in actuarial gains and losses. These are charged to equity in the year in which they occur, with no effect on income. Current service costs as well as interest expense included in pension expenses are reported under "Personnel costs".

The abovementioned information applies only to those employees entitled to a pension, for whom a pension obligation must be recognized as a liability.

Expected mortality is determined in accordance with the current "Heubeck-Richttafeln 2005 G" mortality tables or comparable foreign mortality tables, as applicable. A reinsurance policy is carried to cover unscheduled payments that may become necessary. For pension obligations in France, plan assets are set aside with which these obligations may be satisfied.

21 | Special item for investment subsidies

Public subsidies for assets are reported as deferred income under the "Special item for investment subsidies" heading. Investment allowances and subsidies are recognized on a pro rata temporis basis over the course of the period in which they are received in accordance with the pattern of depreciation of the subsidized assets.

22 | Provisions

Other provisions for taxes and miscellaneous provisions are formed when a legal or de facto obligation exists as a result of a past event. A precondition is that this obligation must be expected to result in a future outflow of resources, and the amount of such outflow can be reliably estimated. A provision is recognized if the probability of such an occurrence is greater than 50 %, using as a basis the amount required to fulfil the obligation that is most likely to actually be incurred. Provisions for obligations not expected to result in an outflow of assets in the following year are, if material, carried at the present value of the expected outflow. The discount rates used reflect standard capital market interest rates. The valuation of provisions is reviewed as of each reporting date.

23 | Share-based payments

IFRS 2 is followed with regard to the balance sheet treatment of stock option plans as special forms of compensation by means of real options, which, if exercised, must be fulfilled by the company using treasury shares. The fair value of the options on the grant date is determined on the basis of market price (price quoted on the Deutsche Börse AG, Frankfurt), taking into account the conditions of issue and generally recognized valuation techniques for financial instruments. The exercise price, term of the option, current market value of the underlying asset (CEWE shares), expected volatility of the market price, expected dividends from the shares, and the risk-free interest rate for the term of the option are all taken into account in the valuation process. The required vesting period and, potentially, the early exercise of the option by the holder are considered particularities of the right to exercise a stock option. The value of the stock options so calculated is allocated as expense over the term of the option, taking into account the expected period of service and fluctuations among option holders. It is reported under personnel costs, and in equity under "Other retained earnings". The options premiums received in the course of granting options rights are recorded in retained earnings.

24 | Research costs and development costs not eligible for capitalization

Research costs and development costs not eligible for capitalization are recognized in income when incurred.

25 | Contingent liabilities and claims

Contingent liabilities are liabilities resulting from a potential obligation on the basis of a past event, and the existence of which is contingent on the occurrence or non-occurrence of one or more uncertain future events not fully within the power of the company to control. Contingent liabilities may arise from a present obligation, which is based on past events, but was not recorded on the balance sheet because

- the fulfilment of this obligation is not likely to result in an outflow of resources providing an economic benefit, or
- the amount of the obligation cannot be forecasted with sufficient certainty.

If an outflow of resources providing an economic benefit for the company is unlikely, no contingent liability is disclosed.

Contingent claims are not recorded on the balance sheet, and are only stated if an inflow of resources providing an economic benefit is probable. They include potential assets resulting from past events and the existence of which must yet be confirmed by the occurrence or non-occurrence of uncertain future events not fully within the power of the company to control.

C. Notes to Profit and Loss Statement

26 | Revenues from sales

Revenues from sales according to business	<i>TEuro</i>	2013	Percentage	2012	Percentage
Revenues from photofinishing		367,737	69.6 %	359,246 *	70.8 %
Change from previous year in %		2.4 %			
Revenues from retail sales		100,991	19.1 %	104,960	20.7 %
Change from previous year in %		-3.8 %			
Revenues from online printing		59,841	11.3 %	42,984	8.5 %
Change from previous year in %		39.2 %			
Total		528,569	100.0 %	507,190	100.0 %

* The prior-year figures have been adjusted

Revenues are shown after all sales deductions. Other income not resulting from sales or provisions of typical products, goods and services (ordinary business activities of the CEWE Group) is indicated as other operating income.

Revenues from sales	<i>TEuro</i>	2012
Published consolidated financial statements		503,346
Retroactive change in reporting		3,844
Adjusted consolidated financial statements		507,190

* The change in reporting concerns commission-like expenditures

27 | Other operating income

Other operating income	<i>TEuro</i>	2013	2012
Other income from sales to third parties		7,693	7,795
Income from expenses charged on		6,571	7,587
Rental income		1,978	1,881
Income from recoveries of impaired receivables		1,270	695
Income from currency translations		1,214	1,619
Income from the reversal of provisions		1,024	2,955
Income from insurance settlements		712	440
Income from the reversal of special items for investment subsidies		118	92
Other miscellaneous operating income		4,009	6,618
Other operating income, total		24,589	29,682

Income from expenses charged on includes, in particular, expenses for sales aids, advertising services, and logistical and other transport services.

Income from sales to third parties relates to the sales of recovered and purified fine silver, proceeds from the sale of aluminium from the sale of printing plates used in offset printing, and income from the sale of fixed assets.

Income from currency translation consists primarily of gains from exchange rate changes between the date on which a transaction occurs and its settlement date, or the valuation of the monetary item at the exchange rate on the reporting date. Exchange rate losses from these transactions are carried under other operating expenses (see Point C 30).

Income from the reversal of provisions concerns various individual items within the scope of ordinary business activities. Provisions were reversed if, according to the circumstances on the reporting date, their expected utilization was minimal or unlikely.

Other miscellaneous operating income for the 2013 financial year includes income from the reversal of other liabilities for sales deductions, income from vehicle use, and income from the consolidation of income and expenditures. In the preceding year, customs duty credits for previous years were also reported.

As in the previous year, the Group received no financial subsidies from the public sector in 2013.

28 | Cost of materials

Cost of materials	TEuro	2013	2012
Expenses for raw materials, consumables and supplies and purchased goods		-177,512	-178,106 *
Cost of purchased services		-12,505	-7,508
Total cost of materials		-190,017	-185,614

* Previous year's figure was adjusted

Expenditures for raw materials, consumables and supplies and for purchased goods in the photofinishing segment include, in particular, the purchase of photographic paper, photographic pouches, chemicals and other packaging, whereas in the online printing segment, primarily expenses for printing plates, paper and freight are shown. In the retail segment, this item includes the purchase of merchandise for sale.

Expenses for purchased services include third-party work in the photofinishing and online printing segments.

Cost of materials	TEuro	2012
Published consolidated financial statements		-186,234
Retroactive change in reporting		620
Adjusted consolidated financial statements		-185,614

29 | Personnel costs

Personnel costs	TEuro	2013	2012 *
Salaries and wages		-108,356	-101,709
Social security contributions		-19,629	-18,995
Expenses for pension plans and fringe benefits		-1,897	-1,676
Total personnel costs		-129,882	-122,380

* The prior-year figures have been adjusted

Total wages for hourly workers were 25,192 TEuro (previous year: 25,192 TEuro), while salaries totalled 71,285 thousand EUR (previous year: 64,777 TEuro). Expenditures for redundancy schemes in the amount of 2,430 TEuro are included under personnel costs (previous year: 0 TEuro) (See point C32, "Restructuring expenses", for further information).

Personnel costs	<i>TEuro</i>	2012
Published consolidated financial statements		-122,531
Retroactive change in reporting		151
Adjusted consolidated financial statements		-122,380

Expenses for pension plans and support costs relate primarily to inflows to pension provisions; pension provisions were increased by the amount of 740 TEuro for members of the controlling bodies of the general partner, Neumüller CEWE COLOR Stiftung, Oldenburg. For further details, we refer to the comments on the non-current provisions for pensions (see point D 61).

Number of employees	2013	2012
Salaried employees	1,916	1,931
Blue-collar employees	1,188	1,244
Trainees	124	130
Total employees	3,228	3,305
Number of employees by segment	2013	2012
Photofinishing	2,146	2,183
Retail	629	685
Online Printing	453	437
Total employees	3,228	3,305

The figures are based on the annual average. As of 31 December 2012, a total of 3,781 persons were employed by the group (31 December 2012: 3,895 employees).

The initial valuation upon recognition of the current stock option plan (IFRS 2.10 et seq.) gives a present value of 1,277 TEuro, which is taken into account on a pro-rata basis through the end of the lock-up period on 31 May 2014 as other personnel costs in the amount of 319 TEuro. For more information on the structure of the stock option plan, we refer to the Notes regarding equity (see point C 88). A Monte Carlo simulation was used for valuation. In this, the log-normally distributed process for the price of CEWE stock is simulated in order to reflect the performance target in the form of an increase in the average closing price by at least 15 % compared to the underlying price on ten successive trading days.

The possibility of early exercise of options is also taken into account in the simulation using a modified version of the method proposed by Hull and White, taking into account the exercise window and the so-called advance exercise behaviour of the option holders. In the simulation, 3.00 % of the stock options were exercised each year after the lock-up period at a suitable opportunity as a result of option holders leaving the company. The risk-free interest rate for the term was assumed as being 1.97 % as of 30 April 2010. Discrete dividends were included in the calculation, with publicly available estimates being used as the basis for calculation. Finally, the historical volatility was included and estimated at 39.25 % as at 30 April 2010. No direct payments for benefits were incurred.

30 | Other operating expenses

Other operating expenses	TEuro	2013	2012*
Sales and marketing costs		-98,655	-95,190
Administrative costs		-20,749	-19,395
Costs of premises		-18,731	-18,260
Operating costs		-9,151	-9,174
Vehicle costs		-3,259	-3,361
Currency translation expenses		-1,841	-1,200
Depreciation and impairment of current assets		-1,806	-1,053
Other operating expenses		-13,160	-16,270
Other operating expenses total		-167,352	-163,903

*The prior-year figures have been adjusted

Key components of sales and marketing costs are expenditures on courier services incurred in the retail segment, shipping costs in the photofinishing mail order business, and marketing expenses. The impairment charges against current assets relate primarily to individual impairment charges to receivables (2013: 1,271 TEuro, 2012: 301 TEuro) resulting from estimated defaults on future repayments.

The stated losses from currency translation consist primarily of losses from exchange rate changes between the date on which a transaction occurs and its settlement date, and the valuation of the monetary item at the exchange rate on the reporting date. Currency gains from these transactions are carried under other operating expenses (see point C 27).

Included in other operating expenses for the year under review are, in addition to expenses for purchased services and external employees in the amount of 1,649 TEuro (previous year: 2,049 TEuro), in particular incidental costs of monetary transactions totalling 2,982 TEuro (previous year: 2,781 TEuro) and losses from the disposal of non-current assets totalling 1,016 TEuro (previous year: 306 TEuro).

The auditor's fees for the consolidated financial statements totalled 605 TEuro (previous year: 661 TEuro) and are reported under administrative expenses. The following amounts were invoiced for the specific services rendered (Section 314 (1) no. 9 HGB):

Auditor's fees	TEuro	2013	2012
Audits of financial statements		236	225
Other confirmation and valuation services		60	60
Tax consultancy services		152	181
Other services rendered		157	195
Total		605	661

The auditor's fees include fees for conducting the audit of the consolidated financial statements, as well as of the separate financial statements of the CEWE Stiftung & Co. KGaA, Oldenburg, and its German subsidiaries. Professional fees for other accounting services primarily relate to auditing reviews with respect to the quarterly financial statements.

Tax consultancy services comprise the preparation of tax returns, the review of tax assessments, the conducting of appeals and legal proceedings, assistance on the occasion of tax audits as well as the assessment and evaluation of tax issues.

Other services include, e. g., attendance at the general shareholders' meeting, audit-related advisory services, project-related special consulting work and audits, and minor inquiries regarding accounting.

Other operating expenses	TEuro	2012
Published consolidated financial statements		-159,439
Retroactive change in reporting ¹		-4,464
Adjusted consolidated financial statements		-163,903

¹The amendment relates to discounts under revenues from reported expenditures in the Online Photo Service sector (3,844 TEuro) as well as under Cost of materials for reported expenditures (620 TEuro)

31 | Depreciation of intangible assets and of property, plant, and equipment

The breakdown of amortisation, depreciation and unscheduled depreciation may be seen in the statement of changes in non-current assets. In the 2013 financial year, a depreciation charge was taken against goodwill in the amount of 3,069 TEuro (2012: no depreciation of goodwill).

32 | Restructuring expenses

Personnel and materials costs were incurred throughout the reporting year in the course of the adaptation and reorganization of the Group. In the first quarter of 2013, the Board of Management of CEWE Holding resolved to merge the photofinishing facility operated in Dresden and the facility in Grodno (Poland) with other facilities. The Dresden location was shut down in August. Connected with these mergers is extraordinary depreciation in the amount of 541 thousand EUR, personnel expenses of 2,430 TEuro, and 302 TEuro of other operating expenses. No corresponding personnel and materials costs were incurred in 2012.

Potential expenses incurred for the closure of unprofitable retail branches are not restructuring expenses as defined by IAS 37, but operating expenses incurred during the course of the normal financial year.

33 | Financial result

Financial results	TEuro	2013	2012
Other interest and similar income		142	324
Interest and similar expenses		-1,846	-2,453
Total net interest		-1,704	-2,129
Income and expenditures from hedging transactions and derivatives / depreciation of financial assets / income from shareholdings		157	-74
Total other financial income / expense		157	-74
Financial results, total		-1,547	-2,203

The expenditures for hedging transactions and derivatives include effects to be recognized in income from the fair value measurement of +157 TEuro (previous year: -68 TEuro). Other interest and similar income includes interest on time deposits in the amount of 36 TEuro (previous year: 45 TEuro).

34 | Taxes on income and earnings

Effective and deferred taxes on income and earnings	<i>TEuro</i>	2013	2012 *
Effective taxes, Germany ¹		-5,850	-5,900
Effective taxes, foreign ²		-875	-1,623
Total effective taxes		-6,725	-7,523
Deferred taxes, Germany		1,508	253
Deferred taxes, foreign		-245	16
Total deferred taxes		1,263	269
Total taxes on earnings and income		-5,462	-7,254
¹ of which not pertaining to the present period, Germany		321	-135
² of which not pertaining to the present period, foreign		228	162

* The prior-year figures have been adjusted

Taxes on earnings	<i>TEuro</i>	2012
Published consolidated financial statements		-7,122
Retroactive change in reporting [*]		-132
Adjusted consolidated financial statements		-7,254

* Amendments reflect changes to the rules concerning pension provisions

Taxes on income and earnings in Germany consist of corporation tax including the solidarity surcharge, as well as trade tax. The figure for taxes on earnings assessed abroad includes comparable taxes levied on the foreign subsidiary companies.

There were no major effects from tax rate changes or from the introduction of new national or foreign taxes.

Regarding the effect of the change of legal form connected with the merger with CEWE OHG, reference is made to the Notes regarding the tax result on Page 84 of the management report.

The disclosed income tax expense is broken down as follows based on expected income tax expenses:

Reconciliation of income tax expenses	<i>TEuro</i>	2013	2012 *
Earnings before taxes		27,818	26,869
Theoretical tax rate		30.0 %	30.0 %
Expected income tax expenses		8,345	8,061
Increase and decrease in income tax charge due to:			
Discrepancies from application of local tax rates		-893	-381
Discrepancies due to differing assessment bases			
- tax-exempt income (-)		-122	-240
- other tax additions and deductions		-607	-287
- non-deductible expenses (+)		866	436
- Write-offs on non-deductible items		701	—
Recognition and measurement of deferred taxes			
- Non-recognition of deferred tax assets on losses carried forward		147	402
- Increase/subsequent recognition of deferred taxes		-2,140	—
Non-periodic effects			
- Use of non-recognized loss brought forward (-)		-1,103	-403
- Other non-periodic effects		170	-35
Other effects		98	-299
Income tax expense shown		5,462	7,254

* Previous year's figure was adjusted.

A theoretical tax rate of 30.0 % (previous year: 30.0 %) was used to calculate total income tax expenditure. It consists of a corporation tax rate of 15.0 % (previous year: 15.0 %), 5.5 % for the solidarity surcharge on the corporation tax liability (previous year: 5.5 %) and a flat rate average of around 14 % for trade tax (previous year: 14 %) plus minor rounding differences.

Tax refund claims from previous years were legally fixed in consequence of a statutory amendment as of 31 December 2006. The refund is being paid in equal annual instalments of 560 TEuro over a ten-year period from 2008. As these are non-interest-bearing claims, these tax refunds are discounted and capitalized at their present value. As of 31 December 2012, an accounting interest rate of 2.59 % (previous year: 2.04 %) was used to calculate their present value. The item is shown in the balance sheet in part as non-current income tax receivable in the amount of 1,557 TEuro (previous year: 2,092 TEuro) and in part as a current receivable in the amount of 560 TEuro (previous year: 560 TEuro).

Deferred tax assets and liabilities were attributable to the difference in values of the following items of the balance sheet and to losses brought forward:

Classification of deferred tax items	31 Dec. 2013		31 Dec. 2012		
	TEuro	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Losses carried forward and tax credits		3,723	—	1,824	—
Property, plant, and equipment		663	-984	995	-905
Intangible assets		572	-2,210	1,168	-3,039
Inventory		345	—	193	—
Receivables and other assets		65	-2,623	66	-1,467
Special item for investment subsidies		13	-717	37	-895
Pension provisions		3,224	-51	1,611	—
Adjustment of pension provisions in acc. w. IAS 19		—	—	1,678	—
Other provisions		1,066	—	495	—
Other liabilities		690	—	802	—
Deferred taxation on temporary differences		10,361	-6,585	8,869	-6,306
Netting		-3,305	3,305	-2,318	2,318
Balance sheet item		7,056	-3,280	6,551	-3,988

The total loss carry-forward for tax losses not yet used amounts to 59,623 TEuro (previous year: 66,850 TEuro) and relates primarily to the company in France. Deferred taxes were balanced with the losses carried forward for tax losses in the amount of 22,246 TEuro (previous year: 14,169 TEuro).

Decisive for the capitalization of deferred taxes for loss carry-forwards is whether they will be able to be recognized in future, which is largely dependent on future tax profits during those periods in which tax loss carry-forwards can be claimed. The capitalization is based those profit expectations which are assessed as being more likely than unlikely. For companies which have suffered losses for at least two years, deferred tax assets amounting to 1,141 TEuro (previous year: 1,314 TEuro) were included on the balance sheet. The amounts capitalised in the previous year were retained, as the realization of the losses carried forward is to be expected despite of the existing loss situation. Corresponding utilization concepts have been worked out for existing loss carry-forwards. Of the losses carried forward, 55,615 TEuro (previous year: 63,348 TEuro) may be brought forward without restriction. The remaining losses carried forward may be carried forward until 2018 at the latest.

Total income tax expense in equity:

	TEuro	2013	2012 *
Total income tax expense in equity		2013	2012 *
Income tax expense reported in income statement		-5,462	-7,254
Tax expenditure directly recognised in equity		—	1,030
Total income tax expense in equity		-5,462	-6,224

* Amendments relate to the deferred taxes from actuarial losses. The scope of the adjustment is 1,225 TEuro

35 | Other taxes

Other taxes for the Group include, in particular, property and vehicle taxes, as well as various foreign taxes. The latter includes 210 TEuro (previous year: 206 TEuro) for the “taxe professionnelle” levied in France.

36 | Earnings per share

	TEuro	2013	2012 *
Earnings per share		2013	2012 *
Consolidated earnings net of outside interests		21,619	18,844 *
Weighted average number of shares, undiluted (in units)		6,577,047	6,540,960
Undiluted earnings per share (in Euro)		3.29	2.88
Consolidated earnings		21,619	18,844
+ Earnings accruing to outside shareholders having subscription rights		—	33
+ Interest expense from shareholder loans of OHG		—	10
- Current and deferred taxes		—	-5
Adjusted consolidated earnings		21,619	18,882
Weighted average number of shares, diluted (in pieces)		6,577,047	6,560,960
Diluting effect of stock options issued		48,994	27,916
Diluted earnings per share (in EUR)		3.26	2.87 *

* Previous year's figure was adjusted.

The undiluted earnings per share are calculated as the consolidated earnings divided by the weighted average number of outstanding shares during the financial year less the number of treasury shares.

The diluted earnings per share as of 31 December 2013 are provided for the purpose of comparison. Treasury shares are not included when calculating diluted earnings per share. Diluted earnings per share of 2.88 Euro were reported in the 2012 annual report.

D. Notes on the Balance Sheet

Total fixed assets of the CEWE Stiftung & Co. KGaA

Changes in 2013 <i>TEuro</i>	Property, plant, and equipment	Real estate held for investment purposes	Goodwill	Intangible assets	Non-current financial assets	Total
Acquisition and production costs						
Balance as of Jan. 1	318,093	21,178	64,710	85,062	729	489,772
Currency translation adjustments	-2,682	—	-102	-867	—	-3,651
Inflows	27,326	369	—	6,341	832	34,868
Outflows	-46,406	13	—	-1,071	-1	-47,465
Repostings	-1,323	-119	—	145	—	-1,297
Balance as of Dec. 31	295,008	21,441	64,608	89,610	1,560	472,227
Depreciation						
Balance as of Jan. 1	216,882	16,694	36,181	63,303	407	333,467
Currency translation adjustments	-1,698	—	-102	-700	—	-2,500
Scheduled inflows	26,327	455	—	7,866	—	34,648
Unscheduled inflows	85	—	3,169	—	—	3,254
Outflows	-44,660	15	—	-855	—	-45,500
Repostings	-490	—	—	27	—	-463
Balance as of Dec. 31	196,446	17,164	39,248	69,641	407	322,906
Book value on Dec. 31	98,562	4,277	25,360	19,969	1,153	149,321

Changes in 2012 <i>TEuro</i>	Property, plant, and equipment	Real estate held for investment purposes	Goodwill	Intangible assets	Non-current financial assets	Total
Acquisition and production costs						
Balance as of Jan. 1	289,605	21,055	45,210	68,940	603	425,413
Changes to the scope of consolidation	21,543	—	17,810	10,532	418	50,303
Currency translation adjustments	2,259	—	43	435	—	2,737
Inflows	28,089	123	1,647	6,791	209	36,859
Outflows	-23,073	—	—	-1,966	-501	-25,540
Repostings	-330	—	—	330	—	—
Balance as of Dec. 31	318,093	21,178	64,710	85,062	729	489,772
Depreciation						
Balance as of Jan. 1	210,389	16,216	36,138	55,900	389	319,032
Currency translation adjustments	1,432	—	43	340	—	1,815
Scheduled inflows	27,525	478	30	8,986	18	37,037
Unscheduled inflows	—	—	—	—	—	—
Outflows	-22,464	—	—	-1,953	—	-24,417
Repostings	—	—	-30	30	—	—
Balance as of Dec. 31	216,882	16,694	36,181	63,303	407	333,467
Book value on Dec. 31	101,211	4,484	28,529	21,759	322	156,305

37 | Property, plant, and equipment

For changes in fixed assets, please refer to the attached statement of changes in fixed assets. The scheduled and unscheduled depreciation of fixed assets included therein is recognized on the income statement under item „Depreciation and amortization of intangible assets and property, plant, and equipment“.

The book value of the temporarily unused fixed assets is of secondary importance; the same is true of fixed assets that have been permanently withdrawn from use. It is assumed that the fair value of the property, plant, and equipment does not differ materially

from its book value. No fixed assets have been mortgaged or pledged. The volume of obligations to acquire fixed assets (purchase obligations) totals 1,457 TEuro (previous year: 435 TEuro).

Intra-group sales of fixed assets (e. g. digital printing presses, DigiFoto equipment, etc.) are depicted using the “net method”. This means that the purchase price paid by the buyer is recognised in both the separate and the consolidated financial statements as new cost of acquisition. Historical acquisition and production costs are derecognised.

Changes in property, plant, and equipment, 2013 TEuro	Land, leasehold rights, and buildings, including buildings on third-party land	Technical equipment and machinery	Other equipment, operating, and office equipment	Advance payments and assets under construction	Total
Acquisition and production costs					
Balance as of Jan. 1	49,028	196,436	71,628	1,001	318,093
Currency translation adjustments	-808	-747	-1,123	-4	-2,682
Inflows	1,306	11,406	7,005	7,609	27,326
Outflows	-3,086	-34,192	-9,100	-28	-46,406
Repostings	-931	6,830	-55	-7,167	-1,323
Balance as of Dec. 31	45,509	179,733	68,355	1,411	295,008
Depreciation					
Balance as of Jan. 1	24,629	141,952	50,301	—	216,882
Currency translation adjustments	-236	-636	-826	—	-1,698
Scheduled inflows	1,327	16,536	8,464	—	26,327
Unscheduled inflows	—	—	85	—	85
Outflows	-2,308	-33,466	-8,886	—	-44,660
Repostings	-312	-37	-141	—	-490
Balance as of Dec. 31	23,100	124,349	48,997	—	196,446
Book value on Dec. 31	22,409	55,384	19,358	1,411	98,562

Changes in property, plant, and equipment, 2012 TEuro	Land, leasehold rights, and buildings, including buildings on third-party land	Technical equipment and machinery	Other equipment, operating, and office equipment	Advance payments and assets under construction	Total
Acquisition and production costs					
Balance as of Jan. 1	47,252	178,928	62,530	895	289,605
Changes to the scope of consolidation	11	20,331	1,162	39	21,543
Currency translation adjustments	601	764	879	15	2,259
Inflows	1,150	16,223	9,843	873	28,089
Outflows	-35	-20,068	-2,953	-17	-23,073
Repostings	49	258	167	-804	-330
Balance as of Dec. 31	49,028	196,436	71,628	1,001	318,093
Depreciation					
Balance as of Jan. 1	22,942	143,585	43,862	—	210,389
Currency translation adjustments	160	621	651	—	1,432
Scheduled inflows	1,556	17,469	8,500	—	27,525
Outflows	-29	-19,723	-2,712	—	-22,464
Balance as of Dec. 31	24,629	141,952	50,301	—	216,882
Book value on Dec. 31	24,399	54,484	21,327	1,001	101,211

38 | Real estate held for investment purposes

The properties held as financial investments comprise commercial properties in Bad Schwartau, Nuremberg and Berlin, leased to third parties and no longer used by the company for operating purposes. The buildings not used by the company are stated at their amortised acquisition costs according to IAS 40. The useful lives that constitute the basis for scheduled straight-line depreciation range between 25 and 50 years. The additions in the current financial year exclusively concern subsequent acquisition costs.

In the financial year, rental income from these properties amounted to 1,185 TEuro (previous year: 1,006 TEuro). Including depreciation, maintenance, and ancillary costs, expenses incurred by the leased properties amounted to 1,159 TEuro (previous year: 1,508 TEuro). It continues to be assumed that, on the whole, fair value corresponds with book value. A rough internal estimate of fair value resulted in classification as a Level 2 asset. It should also be noted that current prices on an active market available are not available in this case.

A valuation is being carried out using a discounted cash flow method. To determine the fair value, the present value of the future cash flow received by the company from the use of the property is calculated. Both future cash flows and an appropriate discount rate are to be estimated for the relevant calculations. The estimates take into account future cash flows, temporal expectations with regard to value- or time-related changes, and the interest rate effect (to be represented by the current market risk-free interest rate), as well as risks related to the uncertainties of retaining the property. The inherent risk arising from the property is represented using an item-specific cash flow planning method.

	TEuro	2013	2012
Changes in real estate held for investment purposes			
Acquisition and production costs			
Balance as of Jan. 1		21,178	21,055
Inflows		369	123
Outflows		13	—
Repostings		– 119	—
Balance as of Dec. 31		21,441	21,178
Depreciation			
Balance as of Jan. 1		16,694	16,216
Scheduled inflows		455	478
Outflows		15	—
Balance as of Dec. 31		17,164	16,694
Book value on Dec. 31		4,277	4,484

39 | Goodwill

Goodwill results from the acquisition of business operations and from capital consolidation. The changes in goodwill by business segments are as follows:

Changes in goodwill, 2013	<i>TEuro</i>	Photo- finishing	Retail	Online Printing	Total
Acquisition and production costs					
Balance as of Jan. 1		5,970	382	22,177	28,529
Depreciation		-453	-16	-2,700	-3,169
Balance as of Dec. 31		5,517	366	19,477	25,360

Changes in goodwill, 2012	<i>TEuro</i>	Photo- finishing	Retail	Online Printing	Total
Balance as of Jan. 1		5,970	382	2,720	9,072
Changes to the scope of consolidation		—	—	17,810	17,810
Inflows		—	—	1,647	1,647
Balance as of Dec. 31		5,970	382	22,177	28,529

As part of the impairment test, the recoverable value of a cash-generating unit is compared with its book value.

Impairment tests were carried out for the cash-generating units using income-oriented considerations. The recoverable amounts of the cash-generating units are determined using their individual value in use. This corresponds to the present value of future cash flows that are expected to be generated from a cash-generating unit. When determining the value, it was assumed that the profit centres being valued are active in geographically distinct regional markets. The cash flow estimates were made on the basis of expectations for the relevant market that also formed the basis for the operating budget. The approaches used to determine the recoverable amount were provided by the financial plans, approved by the corporate bodies and valid at the time of the impairment test, for the cash-generating unit, and an additional estimation period totalling five years. Forecasts and estimates are based on assumptions regarding developments in sales volume and changes in sales prices, purchase prices, employee expenses, and interest rates and overall technical developments in the market in question. These assumptions are based

on past experience. In order to determine the perpetual annuity, the last year was carried forward in the detailed planning. A growth rate of 0.0 % was assumed.

Capital cost rates are based on the concept of weighted average cost of capital (WACC). The after-tax value in use is calculated by discounting the cash flows with a capital cost determined individually for each cash-generating unit.

The goodwill attributable to the viaprinto cash-generating unit was reduced by 2,700 thousand EUR in the financial year in consequence of changes in enterprise planning. viaprinto is a distribution channel for the online printing segment. In order to determine the value in use, a discount rate of 6.16 % was used (previous year: 8.37 %). Assorted goodwill was written off with effect on income in the photofinishing and retail segment.

If one examines the range of the discount rate with regard to goodwill as divided by segment, the following may be seen:

Segment 2013	Goodwill <i>TEuro</i>	Range of discount rate in %
Photo finishing	5,517	5.9–10.0 %
Retail	366	6.2–8.1 %
Online printing	19,477	6.2–8.1 %
Total	25,360	5.9–10.0 %

Segment 2012	Goodwill <i>TEuro</i>	Range of discount rate in %
Photofinishing	5,970	9.1–12.5 %
Retail	387	9.1–10.5 %
Online Printing	22,177	9.1 %
Total	28,529	9.1–12.5 %

40 | Intangible assets

Software and similar industrial property rights include purchased ERP software, various office software for workstations, and initial and subsequent capitalization of self-generated assets for internal use and for market support in the areas of production, distribution, and commercial printing. Internally generated assets of 758 TEuro (previous year: 800 TEuro) were capitalized from software developed in-house.

No unscheduled depreciation of intangible assets was made (see also point C 31).

Purchasing obligations for intangible assets existed in the amount of 134 TEuro (previous year: 106 TEuro).

Changes in intangible assets, 2013 <i>TEuro</i>	Purchased software	Internally generated intangible assets	Customer base, customer lists, and trademark rights	Advance payments made	Total
Acquisition and production costs					
Balance as of Jan. 1	40,188	19,622	24,738	514	85,062
Currency translation adjustments	-292	—	-575	—	-867
Inflows	4,143	758	1,118	322	6,341
Outflows	-684	-387	—	—	-1,071
Repostings	640	—	19	-514	145
Balance as of Dec. 31	43,995	19,993	25,300	322	89,610
Depreciation					
Balance as of Jan. 1	27,988	17,688	17,627	—	63,303
Currency translation adjustments	-236	—	-464	—	-700
Scheduled inflows	4,852	808	2,206	—	7,866
Outflows	-593	-262	—	—	-855
Repostings	27	—	—	—	27
Balance as of Dec. 31	32,038	18,234	19,369	—	69,641
Book value as of Dec. 31	11,957	1,759	5,931	322	19,969

The book value of the temporarily unused intangible assets is of secondary importance; the same is true of intangible assets that have been permanently withdrawn from use. CEWE currently owns customer bases, customer lists, and trademark rights in the three business segments of photofinishing, retail, and online printing. In the previous year, additional intangible assets were acquired in particular through the acquisition of the online print shop Saxoprint GmbH, Dresden. The other customer bases, customer lists, and trademark rights were acquired from previous purchases of smaller competitors. We are of the opinion that these are of importance for the future development of our business, but in no specific instance crucial.

Uncapitalized research and development expenses for intangible and other assets were incurred in the amount of 10,729 TEuro (previous year: 11,181 TEuro). They comprise primarily personnel expenses and other operating expenses.

Changes in intangible assets, 2012 <i>TEuro</i>	Purchased software	Internally generated intangible assets	Customer base, customer lists, and trademark rights	Advance payments made	Total
Acquisition and production costs					
Balance as of Jan. 1	30,959	19,701	17,736	544	68,940
Changes to the scope of consolidation	4,799	—	5,733	—	10,532
Currency translation adjustments	157	—	278	—	435
Inflows	4,264	800	1,221	506	6,791
Outflows	-1,087	-879	—	—	-1,966
Repostings	1,096	—	-230	-536	330
Balance as of Dec. 31	40,188	19,622	24,738	514	85,062
Depreciation					
Balance as of Jan. 1	24,489	17,356	14,055	—	55,900
Currency translation adjustments	120	—	220	—	340
Scheduled inflows	4,461	1,203	3,322	—	8,986
Outflows	-1,082	-871	—	—	-1,953
Repostings	—	—	30	—	30
Balance as of Dec. 31	27,988	17,688	17,627	—	63,303
Book value on Dec. 31	12,200	1,934	7,111	514	21,759

41 | Financial assets

The group's financial assets include interests in non-consolidated investments totaling 942 TEuro (previous year: 125 TEuro). The inflows pertain to shareholdings in young e-commerce companies. Other loans in the amount of 211 TEuro (previous year: 197 TEuro) relate to the repurchase value of the corporate reinsurance policy.

Development of non-current financial assets 2013	Non-current interests in affiliates	Non-current investment interests	Non-current other loans	Total
<i>TEuro</i>				
Acquisition and production costs				
Balance as of Jan. 1	43	489	197	729
Inflows	—	817	15	832
Outflows	—	—	-1	-1
Balance as of Dec. 31	43	1,306	211	1,560
Depreciation				
Balance as of Jan. 1	18	389	—	407
Balance as of Dec. 31	18	389	—	407
Book value on Dec. 31	25	917	211	1,153

Development of non-current financial assets 2012	Non-current interest in affiliates	Non-current investment interests	Non-current other loans	Total
<i>TEuro</i>				
Acquisition and production costs				
Balance as of Jan. 1	28	391	184	603
Changes to the scope of consolidation	18	—	400	418
Inflows	—	95	114	209
Outflows	—	—	-501	-501
Repostings	-3	3	—	—
Balance as of Dec. 31	43	489	197	729
Depreciation				
Balance as of Jan. 1	—	389	—	389
Unscheduled inflows	18	—	—	18
Balance as of Dec. 31	18	389	—	407
Book value on Dec. 31	25	100	197	322

42 | Non-current receivables from income tax refund

Due to the fact that they are non-interest bearing and in consideration of the length of the return period, the corporation deducted corporate tax credits amounting to a total of 2,242 TEuro (previous year: 2,802 TEuro). The cash value amounted to a total of 2,117 TEuro as of the balance sheet date, whereby the non-current portion amounted to 1,557 TEuro (previous year: 2,092 TEuro). The current portion is accounted for within the current assets. Particular reference is made to this in the comments regarding taxes from income and profits (see point C34).

43 | Non-current receivables and assets

The non-current financial assets include deposits and securities. The non-current other receivables and assets relate exclusively to accrued income.

44 | Deferred tax assets

Deferred tax assets 2013 Composition and development TEuro	From temporary differences	From tax loss carry-forwards	Total
Balance as of Jan. 1	4,727	1,824	6,551
Allocations	176	2,214	2,390
Reversals	-1,571	-314	-1,885
Balance as of Dec. 31	3,332	3,724	7,056

Deferred tax assets 2012 Composition and development* TEuro	From temporary differences	From tax loss carry-forwards	Total
Balance as of Jan. 1	2,626	2,172	4,798
Changes to the scope of consolidation	0	411	411
Allocations	2,431	160	2,591
Reversals	-330	-919	-1,249
Balance as of Dec. 31	4,727	1,824	6,551

* Previous year's figure was adjusted. In accordance with IAS19, the incidental tax accruals from the adjustments in the amount of 1,678 TEuro to the previous year's figure resulted in changes in the pension provisions.

Deferred tax assets primarily show valuation differences for pension provisions and other provisions, as well as impacts on earnings from consolidation. The capitalisation of deferred taxes from existing loss carry-forwards are only made in such cases where the expected results of the relevant group company allow for the utilisation of losses with sufficient probability and within a reasonable timeframe. Deferred taxes in the amount of 2,167 TEuro were consolidated over to the available high-trade tax loss carry-forwards acquired by the CEWE Stiftung & Co. KGaA. For details, please refer to the notes on income taxes (see point C34).

45 | Non-current assets held for sale

In the 2013 financial year, the Board of Management decided to eliminate unnecessary production structures in neighbouring foreign countries. To this effect, production was closed at the site in Graudenz, Poland. The production was absorbed by the much larger site in Koźle and land that was no longer needed for production (834 TEuro) was held for sale during the financial year; sales negotiations are underway. At the time of the reporting date, its value had not depreciated.

46 | Inventory

Inventory	TEuro	Dec. 31, 2013	Dec. 31, 2012
Raw material, consumables and supplies		15,451	17,041
Unfinished goods, work in progress		311	131
Finished products and merchandise		43,356	45,438
Advance payments made		13	42
Total		59,131	62,652

The decrease in raw materials, consumables and supplies related primarily to inventories of photographic paper. The decrease in "Finished products and merchandise" particularly concerns the stocks of the merchandise for the group's retail companies.

Write-downs of inventories total 525 TEuro (previous year: 108 TEuro),

Depreciation of unfinished and finished goods and merchandise are carried in the profit and loss account under the item cost of materials. In the year under review, the inventories of Japan Photo Holding Norge AS, Oppegård, Norway, having a book value of 418 TEuro (previous year: 476 TEuro) were pledged to hedge rent deposits.

47 | Current trade receivables

Current trade receivables from supply and services	<i>TEuro</i>	Dec. 31, 2013	Dec. 31, 2012
Trade receivables not impaired		87,479	67,339
<i>thereof amount covered by insurance</i>		84,247	50,416
Gross amount of impaired accounts receivable		4,688	12,479
Value adjustments set up		3,399	7,634
Total		88,768	72,184

Direct trade receivables from supply and service are all of short-term nature and vis-à-vis external third parties. Valuation adjustments of trade receivables developed as follows over the course of the year:

Write downs from trade receivables from supply and services	<i>TEuro</i>	Development in the financial year 2013	Development in the financial year 2012
Balance on Jan. 1		7,634	8,569
Currency difference		-32	20
Allocation		1,497	628
Reversal		-1,270	-462
Use		-4,430	-1,121
Balance as of Dec. 31		3,399	7,634

Additions to valuation adjustments are shown in the profit and loss account under the item "Other operating expenses"; reversals are shown in "Other operating income". Direct defaults of trade receivables are also shown under "Other operating expenses" and total 444 TEuro in the year under review (previous year: 744 TEuro).

With respect to trade receivables neither impaired nor in default of payment, there are no indications on the reporting date that the debtors will not be able to meet their payment obligations. Accounts receivable not subject to impairment exist vis-à-vis trading partners and end consumers. In the year under review, customer receivables of Japan Photo Holding Norge AS, Oppegård, Norway having a book value of 120 TEuro (previous year: 136 TEuro) were pledged. In accounting, valuation adjustments of receivables are recognized separately; this also applies correspondingly for additions, claims and reversals. A final derecognition is made when the receivable can no longer be collected for legal reasons or other facts and circumstances.

48 | Current receivables from income tax refunds

This related primarily to refund claims from advance tax payments made during the current year for the year under review. A portion consists of the long-term refund claim for corporation tax paid in advance, and due in annual instalments since 2008. (see point D42).

49 | Current financial assets

Current financial assets include the following:

Current financial assets	<i>TEuro</i>	Dec. 31, 2013	Dec. 31, 2012
Creditors with debit accounts		522	399
Loans to customers		16	351
Receivables from employees		42	40
Other current financial receivables and assets		2,380	2,437
Total		2,960	3,227

50 | Other current receivables and assets

Other current receivables and assets include the following:

Other current receivables and assets	<i>TEuro</i>	Dec. 31, 2013	Dec. 31, 2012
Current prepaid expenses		1,907	2,759
Tax refund claims		1,886	1,865
Other		0	37
Total		3,793	4,661

51 | Cash and cash equivalents

The item discloses bank balances that are exclusively current in nature, as well as cash in hand. Balances in Euro from interest at different banks at average interest rates from 0.0 % und 0.5 % (previous year: between 0.0 % und 0.5 %). Balances in foreign currency (2013: 10,908 TEuro, previous year: 11,079 TEuro) bore interest in line with the specific rates negotiated; they are measured at the exchange rate at the reporting date.

52 | Subscribed capital

Subscribed capital and capital reserve of the group relate to CEWE Stiftung & Co. KGaA, Oldenburg, and are disclosed in the same manner as for this company.

During the change in legal form, the shareholders of the CEWE Holding received one common share of the CEWE KGaA for the corporation undergoing the change in legal form. The value of each individual share of share capital, as well as the amount of the share capital remains unchanged. The change of legal form of the CEWE Holding into a KGaA did not result in the dissolution of the company or formation of a new legal entity, and the legal and economic identity of the company was retained. The Neumüller CEWE COLOR Stiftung exercised its stock option rights on 15 April 2013 and applied it to 20,000 bearer stocks from the conditional capital under the condition precedent of the registration of the transformation of legal form. Upon the effective date of the change in legal form, the Neumüller CEWE COLOR Stiftung took over the 20,000 bearer shares as of 1 January 2014, as a result of exercising its stock option rights from the conditional capital with entitlements to dividends.

Share capital, after the effective date of the change in legal form and in accordance with the new version of the statute, as well as the stock share rights, now totals 19,240,052.00 Euro and is divided into 7,400,020 bearer shares, of which 7,380,020 are shares with full dividend rights for the 2013 financial year and 20,000 are shares with full dividend rights for the 2014 financial year. For details, please refer to page 30 of the management report.

Each holder of a bearer share of the CEWE Stiftung & Co. KGaA is entitled to a vote. The total number of voting right now amounts to 7,400,020 shares.

The outstanding shares developed as follows:

Outstanding shares	<i>Figures given in units</i>	Development of the financial year 2013	Development of the financial year 2012
Balance as of Jan. 1		6,544,805	6,529,316
Disposal of treasury shares		16,796	15,489
Stock option shares		20,000	—
Balance as of Dec. 31		6,581,601	6,544,805

53 | Contingent capital

A contingent capital of 52 TEuro was in place until 1 October 2013 to secure the option rights of the holders of subscription commitment certificates from the Neumüller CEWE COLOR Stiftung. The contingent capital was divided into 20,000 no-par bearing shares with profit-sharing rights from the start of the financial year following the exercise of the subscription right (§ 160, para. 1, nr. 5 Stock Corporation Act). When this stock option was exercised on 1 October 2013, the 20,000 bearer stocks held by the Neumüller CEWE COLOR Stiftung were assigned a reinstatement value of 52 TEuro resulting in conditional capital contributing to an increase in stock capital by 52 TEuro.

54 | Authorised capital

The Board of Management of the Neumüller CEWE COLOR Stiftung is authorised to increase the basic capital by 27 May 2014 with the consent of the Supervisory Board by issuing new bearer shares against cash and/or non-cash contributions on one or several occasions; however, up to a maximum of 9,590 TEuro (authorised capital). The Supervisory Board is authorised to adapt the version of the articles of association according to the extent of the capital increase from authorised capital or following the expiration of the period of authorisation.

55 | Stock option plans

Based on the resolution of the general meeting of 30 June 2005, the Board of Management and Supervisory Board issued the Stock Option Plan 2010 with a volume of up to 200,000 no-par shares on 8 April 2010. During the acquisition period from 14 to 30 April 2012, the executives purchased a total of 95,500 of the options offered; the Board of Management and managing directors bought a total of 104,500, representing 52.3 % of all 200,000 options granted. The provisions of the resolution of the general meeting of 30 June 2005 were observed.

Total scope of the stock option plans

The following option rights were granted within the scope of stock option plan:

Upon issue, options were granted to:			
Board of Management	31,500		
Managing directors of CEWE Group	73,000		
Other executives of CEWE Group		95,500	
Total	104,500	95,500	200,000
Strike price	31.05	31.05	

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

Structure of the stock option plan 2010

The options were offered to top-level executives in Germany and abroad at an option premium of 0.50Euro per option. Following the expiration of the lock-up period, the options may only be exercised if the final knock-down prices of the CEWE share in

Xetra trading of Deutsche Börse AG amounted to at least 115 % of the basic price on ten consecutive stock trading days.

Strike prices and exercise periods

The Stock Option Plan 2010 has a term of five years and started on 1 June 2010, thus ending on 31 May 2015 at the latest. The four-year lock-up period ends on 31 May 2014. The basic price was fixed at 27.00Euro. Thus, the strike price as performance target is at 31.05Euro (115 % above the basic price). The stock options may be exercised after the end of the waiting period, because the necessary prerequisite, i. e. exceeding the performance target on ten consecutive stock trading days, was fulfilled in 2012.

Exercise periods

After the expiration of the lock-up period and achievement of the performance target, option rights may only be exercised within six four-week exercise periods. This is also the case for the subsequent sale of shares from option transactions. The exercise periods commence in each case with the publication of the results for the past financial year, press briefing on annual results, general meeting and dates on which quarterly figures are published. The Compliance Officer of the CEWE Group ensures compliance with these periods.

56 | Reports on shareholdings

The following notifications on shareholdings in the CEWE Stiftung & Co. KGaA, Oldenburg were made to the company:

Shareholder disclosures	Shareholder	Shareholding (\$ 21)	as of	Reporting threshold	Date of publication
6 June 2013	ID Sparinvest A/S, Randers, Denmark	1.20 %	31 May 2013	3 % short	11 June 2013
18 June 2013	ID Sparinvest A/S, Randers, Denmark	3.01 %	17 June 2013	exceeded by 3 %	21 June 2013
21 June 2013	Sparinvest Holding SE, Luxembourg, Luxembourg	1.24 %	31 May 2013	3 % short	21 June 2013
21 June 2013	Sparinvest Holding SE, Luxembourg, Luxembourg	3.01 %	17 June 2013	exceeded by 3 %	21 June 2013

57 | Additional paid-in capital

The figures show the premium generated in excess of the nominal amount of the shares (29,175 TEuro) for the issue of the 600,002 bearer shares (after the 1:10 share split implemented in 1999; now 6,000,020 bearer shares), the addition resulting from the capital reduction (1,560 TEuro) and amount resulting from the conversion of the atypical silent shares (27,868 TEuro) reduced by 2,375 TEuro in the course of the 2007 financial year, as well as the share premium accrued from the Stiftung's Stock Option Plans (415 TEuro). For details, please refer to the statement of changes in equity.

58 | Special items for treasury shares

Special items for treasury shares	Total	Buy-back	Total	Sales	Total	Sales	Total
	Effective date 12 Dec 2011	29 March 2011 to 28 Oct 2011	Effective date 12 Dec. 2011	4 April 2012 to 16 Aug 2012	Effective date 31 Dec. 2012	10 April 2013 to 18 June 2013	Effective date 31 Dec 2012
Buy-back period							
Number of treasury shares held	612,807	237,897	850,704	-15,489	835,215	-16,796	818,419
Interest in share capital as of effective date in TEuro	1,593	619	2,212	-40	2,172	-44	2,128
Interest in share capital as of effective date in %	8.31 %	3.22 %	11.53 %	0.21 %	11.32 %	-0.23 %	11.09 %
Average purchase price per share in Euro	28.80	28.66	28.70	31.76	28.68	32.60	28.58
Total value of redeemed shares in TEuro	17,647	6,784	24,431	-492	23,939	-548	23,391

Treasury shares are carried under a separate equity item as a so-called counter equity item. They are measured at their original acquisition costs and incidental acquisition costs, thus reducing equity (cost method). The special item for treasury shares included in the balance sheet includes transaction costs of 15 TEuro.

Based on the resolution of the general meeting of 28 May 2008, CEWE KGaA started a share repurchase programme on 16 June 2015.

The repurchase authorisation for treasury shares was renewed by a resolution of the general meeting of 2 June 2010, and is now effective until 15 June 2015.

In the 2011 financial year, the company sold a total of 10,890 no-par shares to employees within the scope of the Employee Stock Option Plan and, based on the resolution of the general meeting of 2 June 2010, repurchased a further 248,787 no-par shares by 28 October 2011. As a result, the company acquired 237,897 treasury shares in 2011.

In the 2012 financial year, the company sold a total of 15,489 no-par shares to employees within the scope of the Employee Stock Option Plan. The shares required for this process were withdrawn from CEWE KGaA.

Furthermore, the Board of Management resolved in February 2013 to offer the employees of the domestic subsidiaries of CEWE KGaA company shares at a preferential price as staff shares. A total of 16,796 shares were required for this project. The shares required for this process were withdrawn from the portfolio of the CEWE KGaA.

The number of shares held according to the German Stock Corporation Act [Act] as of 31 December 2013 by CEWE KGaA totalled 705,667 shares (previous year: 722,463 shares). The 112,754 shares held by the CEWE COLOR Versorgungskasse e. V., Wiesbaden, are not considered as being treasury shares in the meaning of the German Stock Corporation Act. According to IAS 19, they are to be included in the consolidated financial statements. Accordingly, the special item for treasury shares pursuant to IAS 32 shows 818,419 no-par shares at a total value 23,391 TEuro.

In detail, the treasury shares developed as follows:

Development of treasury shares <i>Figures given in units</i>	CEWE Stiftung & Co, KGaA		CEWE COLOR Versorgungskasse e. V.		CEWE Group	
	2013	2012	2013	2012	2013	2012
Balance as of Jan. 1	722,463	737,952	112,752	112,752	835,215	850,704
Purchase of treasury shares	-16,796	-15,489	—	—	-16,796	-15,489
Balance as of Dec. 31	705,667	722,463	112,752	112,752	818,419	835,215

59 | Revenue reserves and net earnings

Net earnings correspond to the item "Generated group equity" and include the respective earnings after taxes and annually distributed dividend. After the allocation to revenue reserves pursuant to § 58 Para. 2 [Act], the net earnings of CEWE KGaA totalled 20,457 TEuro (previous year: 10,521 TEuro) on 31 December 2012. Distribution freezes exist for the treasury shares held by the company (2013: 705,667 no-par shares; previous year: 722,463 no-par shares). In 2013, the dividends distributed totalled 9,540 TEuro. This corresponds to a distribution of 1.45 Euro for each no-par share with dividend rights.

The components of the other retained revenue reserves can be taken from the consolidated statement of changes in equity. The special item for Stock Option Plans includes the on-going allocations to the Stock Option Plan 2010. The adjustment item from currency conversion relates to all currency differences generated by the conversion of the financial statements of foreign business operations. Income taxes considered as not affecting profit or loss exclusively related to the currency differences recognised in the adjustment item from currency conversion with no effect on profit or loss concerning long-term intra-group loans in the year under review.

60 | Non-current special items for investment grants

The special item for investment grants disclose investment grants and investment subsidies from funds of the common task "Improvement to the regional economic structure", which have already been granted.

61 | Long-term pension provisions

Long-term pension provisions	<i>Figures in Euro</i>	Development of the financial year 2013	Development of the financial year 2012 *
As of Jan. 1		17,363	12,622
Consumption:		-594	-587
Addition		1,272	5,351
Dissolution		-124	-23
As of Dec. 31		17,917	17,363

*Figures for prev. year were partially adapted

<i>Figures in Euro</i>	published Group statement	Retroactive changes to presentation	adjusted Group statement
Balance sheet for Jan. 1, 2012	10,796	1,826	12,622
Balance sheet for Dec. 31, 2012	11,482	5,881	17,363

*The change to the representation concerns the effects of the new version of IAS 19

There are different kinds of company benefit plans for current and former employees of CEWE as well as their surviving members of the family in the countries Germany, the Netherlands, and France. The company's retirement benefits are based on defined benefits and to a lesser extent on defined contributions. Furthermore, employees have the opportunity to participate in remuneration conversion plans. The provisions are valued according to Projected-Unit-Credit method.

For defined benefits, the company (or an external care provider) promises the beneficiaries a certain benefit; in contrast to the defined contributions, the payments to be provided by the company are not defined a priori. In Germany, top management benefits are designed in the form of final pay plans; in addition, some of the top employees were given fixed pension benefits. In France, capital benefits backed up by liability insurances are granted depending on the service duration. The expenses for the benefits are distributed over the service period of the employees based on actuarial calculations and according to the regulations of IAS 19 must be distributed into running service expenditures, amortization from actuarial profits/losses, and interest expenditures. On the respective balance sheet effective date (31 December of the respective year), the

actuarial interest rate is determined using current capital market data and long-term trend assumptions based on the best-estimate principle. CEWE has several defined benefit plans and has generally provided aggregated information for these plans since these plans are not exposed to risks that vary significantly from each other. The company is usually exposed to the following actuarial risks due to the plans in Germany and France: Investment risk, interest change risk, longevity risk, and salary risk.

Investment risk: The cash value of the defined benefit liability from the plan is determined using a discount rate based on the returns of first-rank, fixed-interest company loans. If the revenue from the plan assets falls below this interest rate, this results in a coverage shortage of the plan.

Interest change risk: A decrease of the loan interest rate leads to an increase in the plan liability.

Longevity risk: The cash value of the defined benefit liability from the plan is determined based on the best estimate of the mortality of the beneficiaries both during and after the employment relationship. An increase of the expected lifetime of the beneficiaries leads to an increase of the plan liability.

Salary risk: The cash value of the defined benefit liability from the plan is determined based on the future salaries of the beneficiaries. Thus salary increases of the beneficiaries lead to an increase of the plan liability.

No other services to these employees are planned after the end of the employment relationship.

In Germany there are no plan assets as defined in IAS 19 rev. 2011 for insuring the benefit. However, obligations to retirees and former employees with vested pension rights are partly insured by the assets of the CeWe Color Insurance Health-care Fund e. V. In France, the achievable care benefits are insured by the conclusion of corresponding liability insurances (asset and liability risks are therefore directly amalgamated).

In contrast, firmly defined contributions (e. g. w. r. t the underlying income) are promised and paid for defined contributions. The employer has no other actual obligations beyond the payment of the contributions. For defined contributions, no provisions must be formed in the balance sheet. One simply records the amount to be paid by the company as expense in the profit and loss report.

We will now describe the essential indicators for the defined benefit pension plan:

Development of liabilities	<i>Figures in Euro</i>	2013	2012 *
Cash value of vested pension claims at the beginning financial year		17,583	12,829
Running service expenditure		735	481
Interest expenditures		532	683
Actuarial (profits)/losses		-98	4,203
Payment of benefits		-603	-613
Cash value of vested pension claims at the end of the financial year		18,149	17,583
– of which directly defined (w/o plan assets)		16,993	16,470
– of which backed up by plan assets		1,156	1,113

* Figures for prev. year were partially adapted

In France, there are earmarked assets in the form of liability insurances for the pension liabilities.

In summary, we see the following development of these assets:

Development of plan assets	<i>Figures in Euro</i>	2013	2012
Fair value of plan assets at beginning of financial year		221	217
Expected revenue of plan assets		6	7
Actuarial profits/(losses)		—	-1
Employer contributions		23	23
Payment of benefits		-9	-25
Fair value of plan assets at end of financial year		241	221

In total, we get the following financing status:

Financing status	<i>Figures in Euro</i>	2013 IAS 19 rev.	2012 IAS 19 old
Cash value of vested pension claims at the end of the financial year		18,149	17,583
Fair value of plan assets at end of financial year		-241	-221
Unredeemed losses		—	-5,807
Unredeemed plan changes		—	-86
Balance sheet value at end of financial year		17,908	11,469
Experience-based adjustment of cash value of vested pension claims (DBO)		-60	-46
Experience-based adjustment of fair value of plan assets		-2	1

The total expenditures recorded in the profit/loss calculation for defined benefit pension plans (expenditures minus revenue) is constituted as follows:

Net pension expenditures	<i>Figures in Euro</i>	2013 IAS 19 rev.	2012 IAS 19 old
Running service expenditure		735	481
Interest expenditures		532	683
Expected revenue from plan assets		-6	-7
Amortization of actuarial losses		—	132
Amortization for effects of plan decreases/compensation payments		—	7
Total		1,261	1,296

In 2014 we expect expenditures of at least the same level. For the effects from the conversion of the initial application of the changes to IAS 19 for the financial year 2013 we refer to the explanations on the principles of the Group financial report (Item A2).

In the financial year 2013m there were actuarial profits of 98,000 Euro (prev. year: actuarial losses of 4,203,000 Euro), which are recorded under miscellaneous results. The premises for the actuarial assessment of the cash values of the vested pension claims and the net pension expenditures are based on the situation in the country in which the pension plan was founded.

The calculations assume current biometric probabilities determined actuarially. Furthermore, we use assumptions about the future fluctuation depending on age and service time as well as company-internal retirement probabilities and salary and pension trends.

In terms of the cash value of the vested pension claims, we get the following weighted assessment assumptions:

Weighted assumptions for determining the cash value of vested pension claims	<i>Figures in %</i>	Dec. 31, 2013	Dec. 31, 2012
Actuarial interest rate		3.10	3.10
Salary trend/future salary increases		2.50	2.50
Pension trends		2.00	2.00
Fluctuation		1.50	1.50

As biometric probability we used the probabilities valid in the respective countries. We assumed the retirement time to be the earliest time at which the benefits can be claimed.

The plan assets consist of liability contracts for the French liabilities. Thus, the investment strategy and the expected revenue are based on the contract provisions and legal regulations. The contributions for 2014 in the French plan will probably be 23,000 Euro. The actual revenue of the plan assets was 6,000 Euro (prev. year: 8,000 Euro).

Cash value of liabilities and fair value of plan assets	<i>Figures in Euro</i>	2013	2012	2011	2010
Cash value of liabilities		18,149	17,583	12,829	12,913
Fair value of plan assets*		241	221	217	215
Difference		17,908	17,362	12,612	12,698

* Not including the financial instruments of the CEWE COLOR Health-care Fund e. V., Wiesbaden

Experience-based adjustments	<i>Figures in Euro</i>	2013	2012	2011	2010
Plan debt		-60	-46	161	167
Plan assets		-2	1	4	—

In the financial year 2013, expenditures of 1,942,000 Euro were made for defined contributions. Contributions of 8,174,000 Euro were paid to legally mandated or state contribution-oriented plans. There is no legal of factual liability of CEWE for paying these future benefits.

Sensitivity analysis

When holding the other assumptions constant, the reasonably possible changes on the financial report effective date for one of the essential actuarial assumptions would have influenced the defined benefit liability with the following amounts:

Sensitivity analysis	Increase	Decrease
Discount rate (1 % change)	-11.1 %	+13.5 %
Future salary increase (0.5 % change)	+0.4 %	-0.4 %
Future pension increase (0.5 % change)	+4.8 %	-4.4 %

While the analysis does not consider the complete distribution of the cash flows expected by the plan, it does provide an approximation for the sensitivity of the described assumptions.

We expect the following payments of pension benefits for the coming 10 financial year:

Payment of pension benefits	<i>in TEuro</i>	Amount
Financial year 2014		798
Financial year 2015		937
Financial year 2016		1,046
Financial year 2017		1,203
Financial year 2018		1,117
Financial years 2019–2023		5,661

62 | Long-term accrued taxes

Long-term accrued taxes	<i>Figures in Euro</i>	Development of the financial year 2013	<i>Development of the financial year 2012</i>
As of Jan. 1		3,988	641
Changes to consolidation group		—	4,059
Changes to currencies		—	13
Consumption:		-748	-313
Addition		226	383
Transfer		—	3
Dissolution		-186	-798
As of Dec. 31		3,280	3,988

The changes in the accrued/deferred taxes concern mainly the change of temporary differences. The maturity of the accrued/deferred taxes lies mainly between one and five years.

63 | Long-term miscellaneous provisions

Long-term miscellaneous provisions 2013	<i>Liabilities in employee area</i>	<i>Impending loss provisions</i>	Total
As of Jan. 1	57	492	549
Consumption:	—	-187	-187
Addition	—	20	20
Transfer	-22	-10	-32
As of Dec. 31	35	315	350

Long-term other provisions 2012	<i>Liabilities in employee area</i>	<i>Impending loss provisions</i>	Total
As of Jan. 1	157	655	812
Transfer	-100	-163	-263
As of Dec. 31	57	492	549

The long-term liabilities in the employee area concern almost exclusively domestic retirement benefits. The position of "Impending loss provisions" contains impending losses, formed for long-term running rental contracts for the lab closed in Hamburg in 2002. It concerns the risk of sub-lease losses in view of the best estimate of the respective local commercial real estate market. The current value of the liabilities is determined by discounting (current year: 3.76 %; prev. year 4.22 %). The compounding and the adjustment of the interest rate result in a negative interest effect of 42,000Euro (prev. year 81,000 Euro). Transfers concern the reclassification in the short-term area.

64 | Long-term financial liabilities

At the start of the year, the renegotiation of the credit facilities was completed. This affects a total of seven banks both in the private and public sector. The drawn loans have terms of one to six years (prev. year: one to seven years). At the end of the year, the total line of credit of the CEWE Group was 116.8 million Euro (prev. year 89.6 million Euro). After subtracting the total used credit (30.3 million Euro, prev. year 31.5 million Euro) and considering the existing liquidity (14.0 million Euro, prev. year 13.4 million Euro), the total liquidity potential was 100.5 million Euro (prev. year 71.5 million Euro). In addition to the fixed credits (25.2 million Euro, prev. year 18.7 million Euro), there are long-term up to seven approved, revolving lines of credit and a running renewed one-year lines of credit which serve for financing the liquidity requirements which fluctuate strongly seasonally throughout the year. There are no fundamental limitations in terms of the use of the lines of credit. If they are used to finance company acquisitions, the participating credit institutes must be informed if a total volume of 35 million Euro is exceeded. This ensures that CEWE can meet its payment obligations at any time.

All long-term approved credits are subject to the bank-standard covenant agreements for an adjusted equity capital rate of 22.5 % and a net debt level of 3.0, to be determined at the end of the respective financial year. No significant collateral was used. The interest conditions for current account lines of credit are based on EONIA as base interest rate plus the standard market margin in Germany; for other financing it is mainly based on the 1 to 3 month EURIBOR as base interest rate, plus the standard market margin in Germany. Apart from that, we refer to the explanations concerning the short-term financial liabilities (Item D69) and the explanations in the management report (pp. 86).

65 | Long-term financial liabilities

The long-term financial liabilities concern the security deposit from the purchase price for the Saxoprint GmbH.

66 | Long-term miscellaneous liabilities

The long-term miscellaneous liabilities concern long-term management bonus claims of the members of the Board.

67 | Short-term tax provisions

This item contains reserved revenue tax liabilities and liabilities for other taxes. The development is as follows:

Short-term tax provisions 2013			
<i>Figures in TEuro</i>	Revenue Tax	Other taxes	Total
As of Jan. 1	2,885	70	2,955
Changes to currencies	-43	—	-43
Consumption:	-1,040	-70	-1,110
Addition	2,398	—	2,398
Dissolution	-20	—	-20
As of Dec. 31	4,180	—	4,180

Short-term tax provisions 2012			
<i>Figures in TEuro</i>	Revenue Tax	Other taxes	Total
As of Jan. 1	5,168	399	5,567
Changes to consolidation group	202	—	202
Changes to currencies	24	3	27
Consumption:	-2,636	-239	-2,875
Addition	1,522	70	1,592
Transfer	-559	-144	-703
Dissolution	-836	-19	-855
As of Dec. 31	2,885	70	2,955

68 | Short term other provisions

Reserved liabilities in the employee area contain in particular liabilities from vested claims from old age part-time, still existing vacation claims from the financial year, management bonus claims, overtime claims, outstanding contributions to insurance carriers (e.g. professional associations), and other miscellaneous provisions concerning on-going legal disputes and other liabilities. The transfers are reallocations from the long-term area. The impending loss provisions concern in particular the short-term share of the provision described under D63 for the sub-lease and impending losses from the interest swap. In connection with the acquisition of the Saxoprint Group in the prev. year, the company has undertaken to pay an additional amount to the seller. The amount of this additional payment depends on the amount of the commercial law EBTs of the Saxoprint GmbH, Dresden for the years 2012 to 2014. There are three Earn-Out components, which each are disbursed cumulatively depending on the respective result. According to the contract, the result-dependent variable purchase price can range in a bandwidth between 0 Euro and at most 5,000 TEuro. Based on the probable company planning for the years 2012 to 2014, we determined a likely variable purchase price of 4,097 TEuro. The settlement of the Earn-out component 2012 resulted in a disbursement of 333 TEuro, which was paid in 2013. The settlement for 2013 has resulted in a disbursement amount of 2,333 TEuro, which is listed in the short-term financial liabilities for the balance sheet effective date.

<i>Figures in Euro</i>	published Group statement	Retroactive changes to presentation	adjusted Group statement
Balance sheet for Jan. 1, 2012	7,416	-2,764	4,652
Balance sheet for Dec. 31, 2012	8,835	-2,767	6,068

Short-term other provisions 2013 <i>Figures in Euro</i>	Conditional purchase price liabilities	Restructuring	Process costs	Audit of annual financial report incl. internal financial report costs	Tax returns	Archiving costs	Impending loss provisions	Remuneration of Board of Supervisors	Expenditures for members of the Board of Trustees	Liabilities in employee area	Other liabilities	Total
As of Jan. 1 after adjustments	3,447	—	118	368	115	276	337	191	186	295	735	6,068
Changes to currencies	—	—	—	-4	—	—	—	—	—	—	-23	-27
Consumption:	—	—	-42	-313	-55	—	—	-191	-186	-186	-601	-1,574
Addition	317	1,181	347	306	262	5	—	254	212	—	800	3,684
Transfer	-2,333	—	—	—	—	—	10	—	—	22	—	-2,301
Dissolution	—	—	-25	-26	—	—	-71	—	—	—	-101	-223
As of Dec. 31	1,431	1,181	398	331	322	281	276	254	212	131	810	5,627

Short-term other provisions 2012 <i>Figures in Euro</i>	Conditional purchase price liabilities	Restructuring	Process costs	Audit of annual financial report incl. internal financial report costs	Tax returns	Archiving costs	Impending loss provisions	Remuneration of Board of Supervisors	Expenditures for members of the Board of Trustees	Liabilities in employee area	Other miscellaneous liabilities	Total
As of Jan. 1 after adjustments	728	—	1,198	371	40	257	160	204	171	185	1,338	4,652
Changes – consolidation group	—	—	—	23	—	14	—	—	—	—	137	174
Changes to currencies	—	—	—	5	—	—	—	—	—	—	43	48
Consumption:	-728	—	-59	-370	-22	-1	-207	-204	-171	-75	-735	-2,572
Addition	3,447	—	38	348	97	6	221	191	186	85	813	5,432
Transfer	—	—	—	—	—	—	163	—	—	100	-333	-70
Dissolution	—	—	-1,059	-9	—	—	—	—	—	—	-528	-1,596
As of Dec. 31	3,447	—	118	368	115	276	337	191	186	295	735	6,068

The provisions list was restructured due to considerations of materiality.

69 | Short-term financial liabilities

The short-term financial liabilities are explained in the following table:

Short-term financial liabilities	<i>Figures in Euro</i>	As of Dec. 31, 2013	As of Dec. 31, 2012
Loans from banks		21,052	6,232
Current accounts at banks		5,059	1,773
Total		26,111	8,005

The increase of bank loans results from the restructuring of fixed credits that will become due in 2014.

70 | Short-term trade account payables

102.186 The trade account liabilities are 101,077 TEuro (prev. year: 102,186 TEuro).

71 | Short-term financial liabilities

The short-term financial liabilities include in particular the settlement of the Earn-Out clause from the acquisition of the Saxoprint Group. For a more detailed explanation we refer to the short-term miscellaneous provisions.

Short-term financial liabilities	<i>Figures in Euro</i>	Dec. 31, 2013	Dec. 31, 2012
Earn-out component		2,333	—
Liabilities to shareholders		95	1,058
Liabilities from accrued Interest payments		4	4
Total		2,432	1,062

72 | Short-term miscellaneous liabilities

The effects from the restructuring can be seen in the following table:

<i>Figures in Euro</i>	published Group statement	Retroactive changes to presentation	adjusted Group statement
Balance sheet for Jan. 1, 2012	18,801	2,764	21,565
Balance sheet for Dec. 31, 2012	20,035	2,767	22,802

Short-term other liabilities	<i>Figures in Euro</i>	Dec. 31, 2013	Dec. 31, 2012
Liabilities from salaries and wages offsetting		12,081	11,280
Taxes liabilities		6,581	7,592
Social security liabilities		2,002	1,808
Deferred income		58	14
Other liabilities		1,268	2,108
Total		21,990	22,802

73 | Financial risk management

In the course of its business operations, the corporation is exposed to financial risks. These include, in particular, liquidity, currency, interest rate, and credit risks. These risks are managed and limited by the management. Monitoring is carried out by a Group-wide risk management program.

Liquidity risk is the risk that the group will no longer be able to meet its financial obligations. This risk is counteracted by liquidity planning and by cash management, in that inflows and outflows of funds are subject to continual monitoring. The primary sources of liquidity are business operations and external financing. Outflows of funds are used primarily for funding working capital and investments.

As of 31 December 2013, the CEWE Group has the following credit lines at its disposal:

Credit lines, 2013	<i>million Euro</i>	Germany	Abroad	Total as of Dec. 31
of which with a remaining term < 1 year		45.40	0.00	45.40
of which with a remaining term >1 year		71.40	0.00	71.40
Total		116.80	0.00	116.80

Credit lines, 2012	<i>million Euro</i>	Germany	Abroad	Total as of Dec. 31
of with a remaining term < 1 year		41.66	0.41	42.07
of which with a remaining term >1 year		47.57	0.00	47.57
Total		89.23	0.41	89.64

Of these credit lines, 86.5 million Euro (previous year: 58.1 million Euro) had not been utilized as of the reporting date, and was available along with the cash and cash equivalents in the amount of 14.03 million Euro (previous year: 13.37 million Euro) to cover future demands on liquidity. The increase in total credit line volume results from the assumption of loans and credit facilities in the course of the acquisition of Saxoprint in the previous year.

Payment flows and their associated interest payments show the expected payment outflows from the perspective of the balance sheet date of 31 December 2013:

Cash flows from financial liabilities, 2013	Dec. 31 2013 Book value	Less than 1 year	1 to 5 years	More than 5 years	Total
Liabilities to banks	30,323	26,667	4,202	398	31,267
Trade payables	101,077	101,077	—	—	101,077
Other financial instruments	20,945	20,766	179	—	20,945
Total	152,345	148,510	4,381	398	153,289

Cash flow from financial liabilities, 2012	Dec. 31 2012 Book value	Less than 1 year	1 to 5 years	More than 5 years	Total
Liabilities to banks	31,478	9,009	24,343	—	33,352
Trade payables	102,186	102,186	—	—	102,186
Other financial instruments	18,980	19,137	219	—	19,356
Total	152,644	130,332	24,562	—	154,894

Due to the international orientation of the CEWE Group, payment flows are generated in various currencies. Currency risks result from sales invoiced in a currency other than those of their associated costs, from assets and liabilities denominated in foreign currencies reported in the balance sheet, the fair value of which can be affected by a change in the exchange rates, and from pending transactions in foreign currencies, the future cash flows of which may have a negative effect due to exchange rate fluctuations. The risk management system continuously monitors risk positions resulting from currency risks. In order to limit these risks, business relationships denominated in Euro of companies in countries not belonging to the euro zone are minimized to the extent possible, outside the field of delivery and service. Following a detailed examination, hedge transactions are concluded on case-by-case basis with the Group's principal bank for transactions across currency zones.

The primary foreign currency market risk is represented by currency items open at the reporting date. Significant foreign currency items exist for the British and Czech subsidiaries. For a sensitivity analysis, the relevant foreign currency items are assessed using hypothetical exchange rates. In the event that two foreign currencies both depreciate by 30 % against the Euro, the following opportunities (positive values) or risks (negative values) would result:

Currency sensitivity	<i>TEuro</i>	2013	2012
Financial assets		-1,576	-1,961
Financial liabilities		1,528	1,631

In the event that two foreign currencies both appreciate by 30 % against the Euro, the following opportunities (positive values) or risks (negative values) would result:

Currency sensitivity	<i>TEuro</i>	2013	2012
Financial assets		2,926	3,643
Financial liabilities		-2,839	-3,028

The CEWE group is not exposed to significant interest rate risks vis-à-vis third parties. Interest rate-sensitive assets comprise loans to customers and employees as well as short-term credit balances with banks. Interest rate-sensitive financial liabilities include non-current liabilities to banks. Given current interest rate developments, no significant risk positions result. The objective of the interest hedging strategy is to regularly conclude new medium- to long-term credit agreements at fixed interest rates. In the event that the interest rates for variable interest-bearing assets and financial liabilities decrease by 10 %, the following opportunities (positive values) or risks (negative values), respectively, would result:

Interest rate sensitivity	<i>TEuro</i>	2013	2012
Interest income		-14	-32
Interest expense		11	5

In the event that the interest rates on variable interest-bearing financial assets and financial liabilities increase by 10 %, the following opportunities (positive values) or risks (negative values), respectively, would result:

Interest rate sensitivity	<i>TEuro</i>	2013	2012
Interest income		14	32
Interest expense		-11	-5

The following hedging transactions were entered into:

Derivative transactions	<i>TEuro</i>	Nominal volume		Remaining term > 1 year		Fair value	
		Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Interest rate derivatives							
Interest rate swaps		6,225	6,225	5,880	5,765	-179	-336

In the year under review, no derivatives were used for hedging foreign currency risks. The amount of the nominal volume allows conclusions to be drawn regarding the scope of the use of derivatives; it does not, however, reflect the group's risk exposure resulting from the use of derivatives. Risks from interest rate changes and exchange rates relating to the derivatives are measured using the value-at-risk method, in keeping with international banking standards. Based on historical volatilities, the maximum potential loss that could result from a change in market prices is calculated with a confidence interval of 99 % and a holding period of one day. Due to the lack of hedging relationships, the derivatives are measured at fair value with effect on earnings in accordance with IFRS 13. The fair value of the interest rate swaps can be seen from the relevant table. According to the valuation model of IFRS 13, the interest rate swaps continue to be classified as Level 2, i. e. no quoted prices are used for valuation, but rather valuation parameters, which may be observed for the liabilities, either directly or indirectly. Financial instruments are initially valued at their acquisition cost. No financial assets are currently available for sale. The financial liabilities measured at fair value and recognized in income related to derivative financial instruments. Financial assets valued at amortized cost resulted for the 2013 financial year in net results in the amount of -536 TEuro (previous year: -677 TEuro). The net results from these financial instruments include, in particular, impairment charges, income from receivables written off, and the results from the fair value valuation. Dividend and interest income are not included.

The hedging transactions from the current and the preceding period did not to serve to hedge acquisition costs or another book value of non-financial assets or liabilities. Derivative transactions will lead to liquidity outflows in the amount of 0 TEuro (previous year: 157 TEuro) within one year, and of 179 TEuro (previous year: 219 TEuro) within two to five years. Interest income not related to financial instruments not carried at fair value and recognized in income amounted to 142 TEuro (previous year: 324 TEuro), and corresponding interest expense to 1,846 thousand EUR (previous year: 2,453 TEuro). This results in a balance of -1,704 TEuro (previous year: -2,129 TEuro). In 2013, impairments of financial assets valued at amortized cost totalled 444 TEuro (previous year: 744 TEuro); these were posted to receivables due to depreciation.

The reconciliation of balance sheet items to the classes of financial instruments as of 31 December 2013 is as follows:

	TEuro	Balance sheet item as of Dec. 31, 2013	No valuation according to IAS 39	Valuation according to IAS 39			Total of items valued according to IAS 39	
				Valuation at acquisition cost	Amortised acquisition costs (category: Loans and receivables)	Fair value (remainder)	Book value	Fair value
Financial instruments								
Non-current assets								
Financial assets		1,153	206	942	5	—	942	942
Non-current financial assets		1,543	—	—	1,543	—	1,543	1,543
Current assets								
Trade receivables		88,768	—	—	88,768	—	88,768	88,768
Current financial assets		2,960	—	—	2,960	—	2,960	2,960
Cash and cash equivalents		14,031	—	—	—	14,031	14,031	14,031
Non-current liabilities								
Non-current financial liabilities		4,212	—	—	4,212	—	4,212	4,212
Other non-current financial liabilities		3,000	—	—	3,000	—	3,000	3,000
Current liabilities								
Current financial liabilities		26,111	—	—	26,111	—	26,111	26,111
Current trade accounts payable		101,077	—	—	101,077	—	101,077	101,077
Current financial liabilities		2,432	—	—	2,432	—	2,432	2,432
Other current liabilities		21,990	21,932	—	—	58	58	58

Financial instruments	TEuro	Balance sheet item as of Dec. 31, 2012	Valuation according to IAS 39				Total of financial instruments valued according to IAS 39	
			No valuation according to IAS 39	Valuation at acquisition cost	Amortised acquisition costs (category: Loans and receivables)	Fair value (remainder)	Book value	Fair value
Non-current assets								
Financial assets		322	197	125	—	—	125	125
Non-current financial assets		443	—	—	443	—	443	443
Current assets								
Trade receivables		72,184	—	—	72,184	—	72,184	72,184
Current financial assets		3,227	—	—	3,227	—	3,227	3,227
Cash and cash equivalents		13,370	—	—	—	13,370	13,370	13,370
Non-current liabilities								
Non-current financial liabilities		23,473	—	—	23,473	—	23,473	23,473
Other non-current financial liabilities		4,228	—	—	4,228	—	4,228	4,228
Current liabilities								
Current financial liabilities		8,005	—	—	8,005	—	8,005	8,005
Current trade accounts payable		102,186	—	—	102,186	—	102,186	102,186
Current financial liabilities		1,062	—	—	1,062	—	1,062	1,062
Other current liabilities*		22,802	22,788	—	—	14	14	14

* Previous year's values adjusted in part.

For current financial instruments, the book value corresponds to the fair value. In the case of non-current financial instruments, the fair value corresponds to the nominal value, as these bear normal market interest.

The book values are determined in accordance with standard banking practices.

Credit risk is the risk that a contractual partner is unable to meet its obligations, and that the relevant receivable goes into default. As part of receivables management as a component of the risk management system, receivables are comprehensively analysed on a monthly basis at the level of the individual companies, and also at the Group head-quarters level as part of the report provided to the Group's central management. Credit insurance agreements are concluded for medium-sized and large customers. Insofar as no insurance policy or excess insurance exists, receivables will be tested for impairment on an individual basis should objective evidence arise that the receivable is overwhelmingly likely to be uncollectable, whether in whole or in part. The general default risk is countered by impairment allowances based on past experience. The maximum credit risk from potential insolvency of debtors from loans and receivables was 93,271 TEuro as of 31 December 2013 (previous year: 75,854 TEuro), and comprised the following:

Credit	<i>TEuro</i>	Dec. 31, 2013	Dec. 31, 2012
Non-current receivables		1,543	443
Trade receivables and other current receivables		91,728	75,411
Total		93,271	75,854

Impaired loans and receivables developed as follows:

<i>TEuro</i>	Dec. 31, 2013	Dec. 31, 2012
Gross value	4,688	12,479
Impairment adjustment	-3,399	-7,634
Total	1,289	4,845

A further 14,753 TEuro (previous year: 10,426 TEuro) was already in default, but had not yet been impaired. The maturity structure of the receivables in default was as follows:

<i>TEuro</i>	2013	2012
Up to 30 days	12,127	10,519
From 30 to 90 days	163	-152
Older than 90 days	50	59
Total	12,340	10,426

The items were closely monitored by receivables management; accordingly, after estimation of the individual risks, the partial impairments carried out in the abovementioned amount are expected to suffice.

The material capital items are presented below. Net financial liabilities result from the netting of gross financial liabilities with the cash and cash equivalents on hand at the reporting date.

<i>TEuro</i>	Dec. 31, 2013	Dec. 31, 2012 *
Total assets	331,476	323,553
Equity	140,437	130,470
Equity ratio (in %)	42.4 %	40.3 %
Non-current financial liabilities	4,212	23,473
Current financial liabilities	26,111	8,005
Cash and cash equivalents	14,031	13,370
Net financial liabilities	16,292	18,108

* Previous year's values adjusted in part.

The primary objective of the CEWE Group's capital management policies is to ensure that the financial health of the corporation and its ability to service its debt are preserved. With this in mind, the financing of the Group was restructured with its partner banks in early 2013 via CEWE OHG. In addition to securing the supply of long-term liquidity, the interest rate fluctuation risk was limited and a renewed flexible credit structure to cope with the seasonal nature of the business put in place. Other than setting uniform covenant rules with the participating banks, no collateral was provided. For further details, reference is made to the notes in the risk report on page 104.

The parameters agreed upon were a slightly modified form of equity ratio adopted by all the banks, as well as the ratio of net financial liabilities to operating results before depreciation (EBITDA), the net debt to equity ratio. Both parameters were chosen to provide sufficient margin for future fluctuations in the course of business as usual in the industry. In the long-term hypothetical retrospect as well, CEWE did not exceed or fall short of the binding threshold values at any point. In the event of a breach of the covenant, the creditor banks would be entitled to a price adjustment or to termination, if required. Compliance with the agreed parameters is continually monitored by the capital management department.

CEWE KGaA is not subject to any capital requirements according to its articles of association. For further information regarding authorized capital and obligations to sell or issue shares related to stock option plans, reference is made to the corresponding sections of these Notes (D 54, D 55, D 58)

E. Other Notes

74 | Shareholdings

CEWE is the owner of 100 % of the shares of all its subsidiary companies; a legal control relationship is thus given. The following table provides the disclosures mandated by IFRS 12:

Shareholdings	Shareholdings in %	Dec. 31, 2013 Fixed capital	Dec. 31, 2012 Fixed capital
1. CEWE Color AG & Co. OHG, Oldenburg ^{1,2}		—	99.75
2. Fotocolor GmbH, Eschbach, Freiburg		100.00	99.75
3. CEWE Beteiligungs GmbH, Oldenburg ³		100.00	99.75
4. CEWE S.A.S., Paris, France ⁴		100.00	99.75
5. CEWE Belgium NV, Mechelen, Belgium ⁵		100.00	99.75
6. CEWE COLOR Nederland B.V., Nunspeet, Netherlands		100.00	99.75
7. CEWE COLOR Magyarország Kft., Budapest, Hungary		100.00	99.75
8. CEWE COLOR a.s., Prague, Czech Republic		100.00	99.75
9. CEWE COLOR a.s., Bratislava, Slovakia		100.00	99.75
10. CEWE AG, Dübendorf, Switzerland ⁶		100.00	99.75
11. CEWE COLOR Nordic ApS, Skødstrup, Denmark		100.00	99.75
12. Fotojoker Sp. z o.o., Kozle, Poland		100.00	99.75
13. CEWE Sp. z o.o., Kozle, Poland ⁷		100.00	99.75
14. Japan Photo Holding Norge A/S, Oslo, Norway		100.00	99.75
15. CEWE-PRINT NORDIC A/S, Skødstrup, Denmark		100.00	99.75
16. Japan Photo Sverige AB, Göteborg, Sweden		100.00	99.75
17. CEWE COLOR Zagreb d.o.o., Croatia		100.00	99.75
18. CEWE COLOR Limited, Warwick, Great Britain		100.00	99.75
19. Zweite CEWE COLOR Beteiligungsgesellschaft AG, Dübendorf, Switzerland		100.00	99.75
20. Dignet GmbH & Co, KG, Cologne		100.00	99.75
21. Bilder-planet.de GmbH, Cologne ⁸		100.00	99.75
22. Dignet Management GmbH, Cologne		100.00	99.75
23. Wöltje GmbH & Co, KG, Oldenburg		100.00	99.75
24. Wöltje Verwaltungs-GmbH, Oldenburg		100.00	99.75
25. diron Wirtschaftsinformatik Beteiligungs-GmbH, Münster		100.00	99.75
26. CEWE COLOR Inc., New Jersey, USA		100.00	99.75
27. cewe-print GmbH, Oldenburg		100.00	99.75
28. Saxoprint GmbH, Dresden		100.00	99.75
29. Saxoprint Ltd., London, Great Britain		100.00	99.75
30. Saxoprint AG, Zürich, Switzerland		100.00	99.75
31. Saxoprint EURL, Paris, France		100.00	99.75
32. Saxoprint B.V., Dordrecht, Netherlands ⁸		0.00	99.75
33. CEWE Print S.r.l., Milan, Italy		100.00	—
34. Sell2you GmbH, Dresden		100.00	99.75

75 | Notes to the cash flow statement

The cash flow statement illustrates how cash and cash equivalents of the group have changed over the course of the 2013 and 2012 financial years. In keeping with IAS 7, a distinction is made between cash flow from operating activities, cash flow from investment activities, and cash flow from financing activities. The cash and cash equivalents reported comprise the balance sheet items for bank balances with a maturity of up to three months, and cash on hand, including any time deposits. The correspond to cash and equivalents as reported on the balance sheet.

As explained in Section 2, “Bases for the preparation of the consolidated financial statements” (A 2), the changes in reporting on the balance sheet had an impact on the cash flow statements for 2012. These are adjusted accordingly.

¹ Until 30 September 2013, the direct holding company; all other shares held indirectly through the holding company CEWE COLOR AG & Co. OHG, Oldenburg.

² The company merged with CEWE Stiftung & Co, KGaA, Oldenburg, as of 1 October 2013

³ From 23 January 2014, previously: CEWE Beteiligungsgesellschaft mbH

⁴ From 2 December 2013, previously: CEWE COLOR S.A.S

⁵ From 1 January 2014, previously: CEWE COLOR Belgium NV

⁶ From 29 January 2014, previously: CEWE COLOR Fotoservice AG

⁷ From 20 February 2014, previously: CEWE COLOR Sp.z. o. o.

⁸ not included in the consolidated financial statements

The inflows and outflows resulting from changes in financial liabilities consist of debt repayment, term-related debt rescheduling, and the taking out of loans, as follows:

Changes in financial indebtedness, 2013 <i>TEuro</i>	Current financial liabilities	Non-current financial liabilities	Gross financial liabilities
Balance as of 1 Jan.	8,005	23,473	31,478
Repayments	-10,476	—	-10,476
Reschedulings	19,261	-19,261	—
Loans taken out	9,321	—	9,321
Balance as of 31 Dec.	26,111	4,212	30,323

Changes in financial indebtedness, 2012 <i>TEuro</i>	Current financial liabilities	Non-current financial liabilities	Gross financial liabilities
Balance as of 1 Jan.	7,393	16,699	24,092
Repayments	-11,240	-5,226	-16,466
Reschedulings	6,095	-6,095	—
Loans taken out	5,757	18,095	23,852
Balance as of 31 Dec.	8,005	23,473	31,478

No additional long-term loans were taken out in 2013.

76 | Other financial liabilities

There exist no financing leases within the meaning of IAS 17, nor is CEWE Stiftung & Co. KGaA, Oldenburg, the lessor in any financing lease relationship.

However, passive leasing relationships do exist, which in economic terms represent operating lease relationship, thus the objects of the lease belong to the lessor, rather than CEWE Stiftung & Co. KGaA, Oldenburg. These primarily concern contracts for the use of production and office space, vehicles, and, in a few cases, agreements for the use of office equipment and IT hardware. The terms of these agreements are for from 1 to 34 years. The total of the minimum future lease expenditures as the lessee in non-cancellable operating lease agreements is:

Lease payments	<i>TEuro</i>	Dec. 31, 2013	Dec. 31, 2012
Total of minimum future lease expenditures		128,285	78,530
Payable within one year		12,250	11,712
Payable in from one to five years		51,474	54,309
Payable in more than five years		64,561	12,509

Assets leased out by means of operating leases have a book value totalling 4,278 TEuro (previous year: 4,509 TEuro). The lease agreements contain no provisions (e. g. extension, purchase, or price adjustment options), which would imply the existence of a financing lease to a lessee. The total minimum future lease income as lessor from uncancellable operating lease agreements is:

Lease income	<i>TEuro</i>	Dec. 31, 2013	Dec. 31, 2012
Total of minimum future lease income		9,628	10,579
Payable within one year		1,670	1,684
Payable in from one to five years		6,754	7,774
Payable in more than five years		1,204	1,121

This concerns the leasing out of commercial space and of equipment provided to clients on a rental basis. Lease payments received in the financial year amounted to 1,806 TEuro (previous year: 1,694 TEuro). They are recorded under "Other miscellaneous operating revenues". As part of a systematic contract management policy, any lease components in existing contracts are recorded and reported.

77 | Segment reporting

Segment reporting has been carried out since the 2009 financial year in accordance with the requirements of IFRS 8, "Operating Segments". The reporting and valuation methods of those segments subject to the reporting requirements corresponding to those explained in Section B. Intragroup sales and revenues between segments are carried out at prices comparable to those agreed with third parties, as is the case with all companies of the CEWE Group. Administrative expenses are calculated on the basis of cost allocation formulas. Earnings effects from consolidation are allocated among segments on the basis of the causation principle; where necessary, the allocation was made on the basis of the best possible estimate.

Various supplier relationships exist between the companies of the CEWE Group, as well as financing relationships and the provision of cash and cash equivalents.

Sales revenues are distributed across geographical regions as follows. The attribution of sales to external customers is based on the geographical location of the customer's business operations.

<i>TEuro</i>	2013	2012
Germany	254,146	224,176
International	274,423	283,014
of which Poland (more than 10 % of total sales revenues)	53,859	55,009
of which Norway (more than 10 % of total sales revenues)	54,223	52,630

The revenue categories are revenue from photofinishing, revenues from retail sales, and revenues from online printing. The distribution of these revenues may be seen in the relevant segment report.

Revenues from a single, major customer totalled more than 10 % during the reporting year, as in the year prior. Revenues from sales to this customer stemmed primarily from photofinishing services.

Intangible and tangible assets are distributed geographically as follows:

<i>TEuro</i>	2013	2012
in Germany	124,771	130,336
Abroad	23,397	25,647
Total	148,168	155,983

78 | Other notes

Contingent liabilities from existed from the granting of surety ships and guarantees to third parties, from risks associated with pending litigation, and from other circumstances in a total amount of 1,406 TEuro (previous year: 1,129 TEuro). The risk that these contingent liabilities will be realized is assessed as minimal to less than likely. The estimates of the amounts involved and probability of realization are continually monitored. No contingent claims existed. The information provided represents nominal values.

The CEWE Group defines related parties to include members of the Board of Management and the Board of Trustees of Neumüller CEWE COLOR Stiftung, as well as the community of heirs of Senator h. c. Heinz Neumüller, Oldenburg, and companies associated with them. Also belonging to the group are the immediate relatives and related companies of these persons.

In the reporting year, short-term benefits provided to members of the Board of Management totalled 2,515 TEuro (previous year: 1,557 TEuro). The information regarding the previous year relates to the current and former members of CEWE Holding. No other benefits on the occasion of retirement or other share-based compensation was provided.

For key members of the management, understood here as the members of the Board of Management of the controlling CEWE Stiftung, pension obligations have been incurred. For the financial year, services costs for these obligations were incurred in the amount of 268 TEuro (previous year: 186 TEuro). The present value of all defined-benefit commitments totalled 8,356 TEuro (previous year: 7,433 TEuro).

For further information on the remuneration of the Board of Management in the meaning of Sect. 314 (ba) sentences 5–9 HGB and of the Supervisory Board, please refer to the detailed notes on the remuneration report in the management report on page 126 (Sec. 315 (2) no. 4, sentence 2 HGB).

Transactions with other related companies and persons did take place in 2013. Material transactions comprise specific rental relationships between the Group and related companies of the community of heirs of Senator h. c. Heinz Neumüller, Oldenburg, concerning properties used for commercial purposes. The volume of related benefits totalled 2,570 TEuro for the year (previous year: 2,369 TEuro).

79 | Exercise of exemptions by subsidiary companies

The following subsidiary companies fully consolidated in the present consolidated financial statements have exercised their right to claim an exemption from the disclosure requirements of Sec. 325 of the German Commercial Code (HGB), and of the requirement of preparing a management report and notes in accordance with Sec. 264b HGB:

- Dignet GmbH & Co. KG, Cologne
- Wöltje GmbH & Co. KG, Oldenburg

A profit transfer agreement is in place between CEWE Stiftung & Co. KGaA and cewe-print GmbH, Oldenburg. cewe-print GmbH, Oldenburg is fully consolidated in the present consolidated financial statements, and has also exercised its right to claim an exemption from the disclosure requirements of Sec. 325 of the German Commercial Code (HGB) in accordance with Sec. 264 (3) HGB, and to other reporting facilitations.

80 | Corporate bodies

Supervisory Board including Supervisory Board mandates as well as mandates in comparable and foreign control committees of the CEWE Stiftung & Co. KGaA

Otto Korte, resident of Oldenburg

Lawyer, tax advisor, specialist for tax law and partner of the law firm Korte Dierkes Künnemann & Partners, Oldenburg

- Chairman of the Supervisory Board of the CEWE Stiftung & Co. KGaA, Oldenburg
- Member of the Board of Trustees of the Neumüller CEWE COLOR Stiftung, Oldenburg
- Chairman of the Foundation Board of the Stiftung Wirtschaftsakademie Ost-Friesland, Leer

Prof. Dr. Dr. h. c. Hans-Jürgen Appelrath, resident of Oldenburg

(Deputy Chairman until November 2013)

University Professor for Information Technology at the University of Oldenburg

- Deputy Chairman of the Supervisory Board of the CEWE Stiftung & Co. KGaA, Oldenburg (until November 6, 2013)
- Member of the Supervisory Board of the CEWE Stiftung & Co. KGaA, Oldenburg (from 6 November 2013)
- Member of the Supervisory Board of BTC Business Technology Consulting AG, Oldenburg
- Chairman of the Supervisory Board of icsmed AG, Oldenburg
- Chairman of the Supervisory Board of InfoAnalytics AG, Oldenburg

Prof. Dr. Christiane Hipp, resident of Berlin

Professor of organisation, personnel management and business management at the Brandenburg University of Technology, Cottbus

- Member of the Supervisory Board of the CEWE Stiftung & Co. KGaA, Oldenburg
- Member of the Advisory Board of inpro Innovationsgesellschaft mbH, Berlin
- Member of the Sustainability Committee of Krombacher GmbH & Co, KG, Kreuztal

Dr. Joh, Christian Jacobs, resident of Hamburg (until 28 February 2013)

CEO, Jacobs AG, Hamburg

- Member of the Supervisory Board of CEWE COLOR Holding AG, Oldenburg (until 28 February 2013)
- Member of the Administrative Board of Barry Callebaut Asia Pte, Ltd., Singapore²
- Member of the Administrative Board of Skytower Pte, Ltd., Singapore²

- Member of the Administrative Board of North Pacific Holding Pte, Ltd., Singapore²
- Member of the Supervisory Board of Neumann Gruppe GmbH, Hamburg
- Member of the Administrative Board of Hemro AG, Bachenbülach, Switzerland

Corinna Linner, resident of Baldham

Self-employed auditor and economist

- Member of the Supervisory Board of the CEWE Stiftung & Co. KGaA, Oldenburg
- Member of the Supervisory Board of Donner & Reuschel AG, Hamburg
- Member of the Supervisory Board of DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH, Cologne
- Chairperson of the Supervisory Board of AVANA Invest GmbH, Munich (from 12 February 2014)

Professor Dr, Michael Paetsch, resident of Willich

Professor at Pforzheim University

- Member of the Supervisory Board of the CEWE Stiftung & Co. KGaA, Oldenburg

Dr, Hans-Henning Wiegmann, resident of Schlangenbad

Graduate in Business Studies

Member of various supervisory and advisory councils

- Member of the Supervisory Board of the CEWE Stiftung & Co. KGaA, Oldenburg (since 1 April 2013)
- Member of the Advisory Board of Dr, Oetker GmbH, Bielefeld
- Member of the Advisory Board of Radeberger Gruppe KG, Frankfurt

Appointed by the order of the Oldenburg District Court of 29 October 2013 in accordance with Sec. 104 of the Stock Corporation Act:

Vera Ackermann, resident of Hude

(Deputy Chairperson from November 2013)

Trade union secretary, IG BCE

- Member of the Supervisory Board of the CEWE Stiftung & Co. KGaA, Oldenburg (until 6 November 2013)
- Deputy Chairperson of the Supervisory Board of the CEWE Stiftung & Co. KGaA, Oldenburg (from 6 November 2013)

Michael Bühl, resident of Münstertal

Technical Director of the CEWE Stiftung & Co. KGaA, Eschbach

- Member of the Supervisory Board of the CEWE Stiftung & Co. KGaA, Oldenburg

Angelika Eßer, resident of Mönchengladbach

Laboratory assistant, exempt Chairman of the Works Council of the CEWE Stiftung & Co. KGaA, Mönchengladbach

- Member of the Supervisory Board of the CEWE Stiftung & Co. KGaA, Oldenburg

Udo Preuss, resident of Aichach

Technical employee, exempt Chairman of the Works Council of the CEWE Stiftung & Co. KGaA, Munich

- Member of the Supervisory Board of the CEWE Stiftung & Co. KGaA, Oldenburg

Stefan Soltmann, resident of Hannover

Trade union secretary, IG BCE

- Member of the Supervisory Board of the CEWE Stiftung & Co. KGaA, Oldenburg
- Deputy Chairman of the Supervisory Board of Dow Olefinverbund GmbH, Schkopau

Thorsten Sommer, resident of Wardenburg

Deputy Department Manager/employee, exempt Chairman of the Works Council of the CEWE Stiftung & Co. KGaA, Oldenburg

- Member of the Supervisory Board of the CEWE Stiftung & Co. KGaA, Oldenburg

General Partner of the CEWE Stiftung & Co. KGaA:

- Neumüller CEWE COLOR Stiftung

Board of Management

Dr. Rolf Hollander, resident of Oldenburg (Chairman)

- Chairman of the Board of Management of Neumüller CEWE COLOR Stiftung, Oldenburg
- Member of the Supervisory Board of Vierol AG, Oldenburg

Dr. Reiner Fageth, resident of Oldenburg

- Member of the Supervisory Board of CEWE COLOR a. s., Prague, Czech Republic^{1,2}
- Member of the Supervisory Board of CEWE COLOR Inc., New Jersey, USA^{1,2}

Dr. Michael Fries, resident of Oldenburg (until 31 December 2013)

Carsten Heitkamp, resident of Oldenburg (from 1 January 2014)

Andreas F. L. Heydemann, resident of Bad Zwischenahn

- Member of the Supervisory Board of CEWE Belgium N. V., Mechelen, Belgium^{1,2}
- Member of the Board of Management of CEWE Fotoservice AG, Dübendorf, Zürich, Switzerland^{1,2}
- Member of the Board of Management of the second CEWE COLOR Beteiligungsgesellschaft AG, Dübendorf, Zürich, Switzerland^{1,2}
- Member of the Supervisory Board of Japan Photo Holding Norge AS, Oslo, Norway^{1,2}
- Member of the Supervisory Board of Japan Photo Sverige AB, Göteborg, Sweden^{1,2}
- Member of the Supervisory Board of CEWE-PRINT Nordic, Skødstrup, Denmark^{1,2}
- Member of the Supervisory Board of CEWE COLOR Inc., New Jersey, USA^{1,2}

Dr. Olaf Holzkämper, resident of Oldenburg

Thomas Mehls, resident of Oldenburg (from 1 January 2014)

Harald H. Pirwitz, resident of Oldenburg

Felix Thalmann, resident of Oldenburg (until 31 December 2013)

- Member of the Advisory Board of BÜFA GmbH & Co, KG, Oldenburg
- Member of the Advisory Board of Stahlwerk Augustfehn Schmiede GmbH & Co, KG, Apen
- Member of the Supervisory Board of CEWE Belgium N. V., Mechelen, Belgium (until 31 December 2013)^{1,2}
- President of the Administrative Board of CEWE Fotoservice AG, Dübendorf, Zürich, Switzerland (until 31 December 2013)^{1,2}
- President of the Administrative Board of the second CEWE COLOR Beteiligungsgesellschaft AG, Dübendorf, Zürich/Switzerland (until 31 December 2013)^{1,2}
- Chairman of the Supervisory Board of Japan Photo Holding Norge AS, Oslo, Norway (until 31 December 2013)^{1,2}
- Member of the Supervisory Board of Japan Photo Sverige AB, Göteborg, Sweden (until 31 December 2013)^{1,2}
- Chairman of the Supervisory Board of CEWE PRINT Nordic, Skødstrup, Denmark (until 31 December 2013)^{1,2}
- Member of the Supervisory Board of CEWE COLOR Inc., New Jersey, USA (until 31 December 2013)^{1,2}
- Member of the Supervisory Board of CEWE COLOR a. s., Bratislava, Slovakia (until 31 December 2013)^{1,2}

Frank Zweigle, resident of Oldenburg

¹ Group mandate

² Mandates in comparable domestic and foreign control committees of business enterprises

Total remuneration of the members of the Board of Management of Neumüller CEWE COLOR Stiftung, Oldenburg, as general partner, received for the 2013 financial year for the execution of their duties in the parent company and in its subsidiaries amounted to 2,674 TEuro (previous year: 2,526 TEuro).

For detailed information on the remuneration of the Board of Management as defined by Section 314 (6a) sentences 5 to 9 German Commercial Code and of the Supervisory Board, please refer to the remuneration report in the management report on page 126 (Section 315 (2) no, 4 sentence 2 German Commercial Code).

In the year under review, consulting and intermediary services and other personal services were performed by members of the Supervisory Board in the amount of 0 TEuro (previous year: 9 TEuro).

There are no receivables from loans due from members of the Board of Management or the Supervisory Board, nor were any contingent liabilities entered into regarding these persons.

For further details, reference is made to the notes to the remuneration report on page 126.

81 | Approval and publication of the consolidated financial statement as of 31 December 2013

The consolidated financial statements and group management report prepared by the Board of Management of the general partner, the Neumüller CEWE COLOR Stiftung as of 31 December 2013 are approved upon signature by the Board of Management.

82 | Declaration concerning the Corporate Governance Codex

The declaration of conformity with the German Corporate Governance Code required under Section 161 of the Stock Corporation Act was issued by the Board of Management and by the Supervisory Board, and made available to shareholders via the Internet at www.cewe.de.

Oldenburg, 3 March 2014

CEWE Stiftung & Co. KGaA

on behalf of the general partner, Neumüller CEWE COLOR Stiftung, Oldenburg

– The Board of Management –

BALANCE SHEET CONFIRMATION

Declaration pursuant to Sections 297 (2) sentence 4 and 315 (1) sentence 6 HGB (balance sheet declaration)

We affirm to the best of our knowledge that, in accordance with the applied principles for proper consolidated financial reporting, these consolidated financial statements provide an correct image of the assets, financial, and earnings positions of the Group, and that the consolidated notes contain the necessary disclosures and special circumstances to accurately describe the Group's position.

We also affirm to the best of our knowledge that the group management report presents a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected developments affecting the Group in the new financial year.

Oldenburg, 3 March 2014

CEWE Stiftung & Co. KGaA

for the general partner, Neumüller CEWE COLOR Stiftung

– The Board of Management –



Dr. Rolf Hollander

(Chairman of the Board of Management)



Dr. Reiner Fageth



Carsten Heitkamp



Andreas F. L. Heydemann



Dr. Olaf Holzkämper



Thomas Mehls



Harald H. Pirwitz



Frank Zweigle

AUDITOR'S OPINION

We have audited the consolidated financial statements prepared by CEWE Stiftung & Co. KGaA, Oldenburg – consisting of the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement, and notes – as well as the consolidated management report for the financial year from 1 January to 31 December 2013. Responsibility for the preparation of the consolidated financial statements and consolidated management report in accordance with IFRS, as applicable within the EU, and with the provisions of German commercial law to be applied in a supplementary capacity in accordance with Sec. 315a (1) HGB, and with the supplementary provisions of the Articles of Association, lies with the legal representatives of the company. It is our task to provide an evaluation of the consolidated financial statements and the consolidated management report on the basis of our audit.

We have conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and with the basic German auditing principles established by the Institut der Wirtschaftsprüfer (IDW) [Institute of Public Auditors in Germany]. According to the aforementioned regulations, the audit is to be planned and conducted such that inaccuracies and violations having a material effect on the picture of the asset, financial, and income situations of the corporation, as provided by the consolidated financial statements in compliance with proper accounting principles and by the consolidated management report, are detected with a sufficient degree of certainty. In determining the audit procedures, knowledge of the business activities of the corporation and its economic and legal environment is taken into account, as well as expectations concerning potential errors. In

the course of the audit, the effectiveness of internal accounting monitoring and control procedures and evidence for the statements made in the consolidated financial statements and consolidated management report are evaluated primarily on the basis of spot checks. The audit encompasses the evaluation of the annual financial statements of the companies included in the consolidated financial statements, the determination of the entities to be included in the consolidation, the accounting and consolidation principles applied, and the material assumptions made by the legal representatives of the corporation, as well as the appraisal of the overall portrayal provided by the consolidated financial statements and the consolidated management report. It is our opinion that our audit provides a sufficiently certain basis for our judgment.

Our audit raises no objections.

In our judgment, made on the basis of knowledge acquired during the audit process, the consolidated financial statements comply with IFRS as applicable within the EU and with the provisions of German commercial law to be applied in a supplementary capacity in accordance with § 315a (1) HGB, and with the supplementary provisions of the Articles of Association, and, taking into account these regulations, provides an accurate portrayal of the asset, financial, and income positions of the corporation. The consolidated management report accords with the consolidated financial statements, provides an accurate overall picture of the position of the corporation, and accurately reflects the opportunities and risks presented by future developments.

Oldenburg, 3 March 2014

COMMERZIAL TREUHAND
Gesellschaft mit beschränkter Haftung
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dipl.-Kfm. Manfred Szuszius
Certified Public Accountant

On behalf of Dipl.-Kfm. Thomas Münchenberg
Certified Public Accountant

CEWE GROUP – STRUCTURE AND CORPORATE BODIES

Neumüller CEWE COLOR Stiftung (until September 30, 2013)

Board of Trustees

- Wilfried Mocken, Rheinberg (Chairman)
- Otto Korte, Oldenburg (Deputy Chairman)
- Maximilian Ardel, Munich
- Helmut Hartig, Oldenburg
- Dr. Peter Nagel, Bad Kreuznach
- Hubert Rothärmel, Oldenburg

Board of Management

- Dr. Rolf Hollander, Oldenburg (Chairman)
- Dr. Michael Fries, Oldenburg (until 30 September 2013)
- Harald H. Pirwitz, Oldenburg
- Felix Thalmann, Oldenburg
- Frank Zweigle, Oldenburg

Management

- Dr. Reiner Fageth, Oldenburg
- Andreas F. L. Heydemann, Bad Zwischenahn
- Dr. Olaf Holzkämper, Oldenburg
- Thomas Mehls, Oldenburg (from 9 July 2013)

CEWE COLOR Holding AG (until 30 September 2013)

- Otto Korte, Oldenburg (Chairman)
Lawyer/tax advisor/specialist for tax law and partner in the law firm Korte Dierkes Künnemann & Partner, Oldenburg
- Prof. Dr. Dr. h. c. Hans-Jürgen Appelrath, Oldenburg (Deputy Chairman)
University professor for information technology at the University of Oldenburg

- Prof. Dr. Christiane Hipp, Berlin
Professor of organisation, personnel management and business management at the Brandenburg University of Technology, Cottbus
- Dr. Joh. Christian Jacobs, Hamburg (until 28 February 2013)
CEO, Jacobs AG, Hamburg
- Corinna Linner, Baldham
Self-employed auditor and economist
- Professor Dr. Michael Paetsch, Willich
Professor at the University of Pforzheim
- Dr. Hans-Henning Wiegmann, Schlangenbad (from 1 April 2013)
Business graduate
Member of various supervisory and advisory boards

Board of Management

- Dr. Rolf Hollander, Oldenburg (Chairman)
- Dr. Reiner Fageth, Oldenburg
- Andreas F. L. Heydemann, Bad Zwischenahn
- Dr. Olaf Holzkämper, Oldenburg

Neumüller CEWE COLOR Stiftung (as of 31 December 2013)

Board of Trustees

- Wilfried Mocken, Rheinberg (Chairman)
- Otto Korte, Oldenburg (Deputy Chairman)
- Maximilian Ardel, Munich
- Helmut Hartig, Oldenburg
- Dr. Peter Nagel, Bad Kreuznach
- Hubert Rothärmel, Oldenburg

Board of Management

- Dr. Rolf Hollander, Oldenburg (Chairman)
- Dr. Reiner Fageth (from 15 October 2013; previously Management Board member of CEWE COLOR Holding AG)
- Dr. Michael Fries, Oldenburg (until 30 September 2013)
- Andreas F. L. Heydemann, Bad Zwischenahn (from 15 October 2013, previously Management Board member of CEWE COLOR Holding AG)
- Dr. Olaf Holzkämper, Oldenburg (from 15 October 2013, previously Management Board member of CEWE COLOR Holding AG)
- Harald H. Pirwitz, Oldenburg
- Felix Thalmann, Oldenburg (until 31 December 2013)
- Frank Zweigle, Oldenburg

CEWE Stiftung & Co. KGaA (as of 31 December 2013)**Supervisory Board**

- Otto Korte, Oldenburg (Chairman)
Lawyer/tax advisor/specialist for tax law and partner in the law firm Korte Dierkes Künnemann & Partner, Oldenburg
- Prof. Dr. Dr. h. c. Hans-Jürgen Appelrath, Oldenburg (Deputy Chairman until 6 November 2013)
University professor of information technology at the University of Oldenburg
- Prof. Dr. Christiane Hipp, Berlin
Professor of organisation, personnel management and business management at the Brandenburg University of Technology, Cottbus
- Dr. Joh. Christian Jacobs, Hamburg (until 28 February 2013)
CEO, Jacobs AG, Hamburg
- Corinna Linner, Baldham
Self-employed auditor and economist

- Professor Dr. Michael Paetsch, Willich
Professor at the University of Pforzheim
- Dr. Hans-Henning Wiegmann, Schlangenbad (from 1 April 2013)
Business graduate
Member of various supervisory and advisory boards

Appointed by the order of the Oldenburg District Court of 29 October 2013 in accordance with Sec. 104 AktG:

- Vera Ackermann, Hude (Deputy Chairperson from 6 November 2013)
Trade union secretary, IG BCE
- Michael Bühl, Münstertal
Technical Director, CEWE Stiftung & Co. KGaA, Eschbach
- Angelika Eßer, Mönchengladbach
Laboratory assistant, exempt Chairman of the Works Council of the CEWE Stiftung & Co. KGaA, Mönchengladbach
- Udo Preuss, Aichach
Technical employee, exempt Chairman of the Works Council of the CEWE Stiftung & Co. KGaA, Munich
- Stefan Soltmann, Hannover
Trade union secretary, IG BCE
- Thorsten Sommer, Wardenburg
Deputy Department Manager/employee, exempt Chairman of the Works Council of the CEWE Stiftung & Co. KGaA, Oldenburg

General Partner of the CEWE Stiftung & Co. KGaA

- Neumüller CEWE COLOR Stiftung

A woman with long brown hair, wearing a white collared shirt and a dark blazer, is smiling and looking towards the camera. She is holding a white document with a blue and red bar chart on it. The background is a blurred office interior with window blinds.

“It is important to me that my employer shows responsibility where it is really important: environmental protection, employee support, and especially investor relations. As a shareholder, I am always up to date – CEWE values transparency.”

Claudia Jungmann, Sales, CEWE shareholder

FURTHER INFORMATION

FINANCIAL STATEMENT OF CEWE

STIFTUNG & CO. KGAA **218**

Income Statement of CEWE Stiftung & Co. KGaA 218

Balance Sheet of CEWE Stiftung & Co. KGaA 220

Multi-Year Overview 222

Production Plants and Distribution Branches 228

Financial Diary 229

Imprint 229

Glossary 230

FINANCIAL STATEMENT OF CEWE STIFTUNG & CO. KGAA

Income Statement of CEWE Stiftung & Co. KGaA

for the 2013 business year (calculated in accordance with the German Commercial Code [HGB])

<i>Figures are given in thousands of euros</i>	2013	2012
Revenues	98,936	0
Increase in inventories of finished and unfinished goods	225	0
Other own work capitalised	278	0
Other operating income	8,441	24
Cost of materials		
Expenses for raw materials, auxiliary materials, consumables and goods purchased	-18,752	0
Expenses for purchased services	-4,705	0
	-23,457	0
Personnel expenses		
Wages and salaries	-19,021	-251
Social security contributions, pension and other benefit costs	-3,382	-77
	-22,403	-328
Amortisation		
of intangible assets	-4,983	0
Other operating expenses	-33,621	-1,735
Investment income	5,321	12,993
Other interest and similar income	2,027	2,882
Interest and similar expenses	-984	-55
Expenses for loss assumption	-6,063	0
Result from ordinary business activities	23,717	13,781
Extraordinary expenses	-259	0
Earnings before taxes	23,458	13,781
Income taxes	-3,015	-3,379
Other taxes	-29	0
Annual net profit	20,414	10,402
Profit carried forward from the previous year	10,521	15,840
Dividends	-9,678	-9,321
Allocations to other revenue reserves	-800	-6,400
Remaining profit carried forward from the previous year	43	119
Net earnings	20,457	10,521

1,000 flyers

from

19,90 €*



* Prices incl. print, processing, transmission and VAT.

cewe-print.com

Your online print partner

 **cewe**
BEST IN PRINT



Perfect printing products on demand and to your requirements

Flyer, posters, business cards, brochures, prospect, magazines, letters, calendars and much more for your business - this extensive portfolio by CEWE-Print.de always provides a personalised tailored product just to your requirements. All in best print quality.



Brand quality you can rely on

Due to high end printing facilities and our experienced colleagues we are both willing and able to guaranty you the highest quality printing to a fair online-price. Basic data check, complimentary samples, optional proofs, fast, free and reliable shipping, eco-friendly printing and purchase on account: Even in regards to Service CEWE-Print.de is your powerful Partner.



Personal service

You have questions regarding our products, your order or the status of shipment? Please do not hesitate to give us a call - we are always there for you.

0800-60 222 60

Balance Sheet of CEWE Stiftung & Co. KGaA

as of December 31, 2013 (calculated in accordance with the German Commercial Code [HGB])

ASSETS	<i>Figures given in thousands of euros</i>	2013	2012
Fixed assets			
Intangible assets			
Acquired concessions, industrial property rights and similar rights and assets, as well as licences in such rights		7,337	0
Goodwill		24	0
Advance payments		321	0
		7,682	0
Tangible assets			
Property, land rights and buildings, including buildings on third-party land		16,116	0
Technical equipment and machinery		29,655	0
Equipment, operating and office equipment		9,067	0
Advance payments and assets under construction		984	0
		55,822	0
Financial assets			
Shares in affiliated companies		80,831	20,748
Loans to affiliated companies		9,384	0
Shareholdings		909	0
Other loans		206	0
		91,330	20,748
Liquid assets			
Inventories			
Raw materials, auxiliary materials and consumables		10,994	0
Unfinished goods, unfinished services		13	0
Finished goods and merchandise		426	0
		11,433	0
Receivables and other assets			
Trade receivables		56,859	0
Receivables from affiliated companies		104,965	143,609
Other assets		7,915	2,655
		169,739	146,264
Cash on hand and deposits from credit institutions		5,230	0
Accruals and deferrals		946	42
		342,182	167,054

LIABILITIES	<i>Figures given in thousands of euros</i>	2013	2012
Equity			
Subscribed capital		19,240	19,188
Own share capital		-1,835	-1,878
Issued capital		17,405	17,310
Capital reserve		57,881	57,148
Retained earnings			
Statutory reserve		1,534	1,534
Reserve for treasury shares		1,835	1,878
Other retained earnings		77,903	76,555
		81,272	79,967
Net earnings		20,457	10,521
		177,015	164,946
Special reserve for investment subsidies		161	0
Provisions			
Provisions for pensions and similar expenditures		8,092	595
Tax provisions		578	967
Other provisions		24,190	380
		32,860	1,942
Liabilities			
Liabilities to credit institutions		24,275	0
Advanced payments received for projects		133	0
Trade payables		29,291	158
Liabilities to affiliated companies		67,606	0
Liabilities to shareholders		95	0
Other liabilities		10,746	8
		132,146	166
		342,182	167,054

MULTI-YEAR OVERVIEW

Consolidated Statements of Income over the Year

<i>Figures given in millions of euros</i>	2006	2007	2008	2009	2010	2011	2012 *	2013
Revenues	396.0	413.5	420.0	409.8	446.8	469.0	507.2	528.6
Increase in inventories of finished and unfinished goods	-0.1	0.0	-0.1	0.0	0.0	0.0	0.1	0.3
Other own work capitalised	0.9	1.5	1.6	1.2	1.5	0.9	1.1	1.0
Other operating income	24.9	24.6	27.3	28.3	24.9	23.1	29.7	24.6
Cost of materials	-139.6	-154.6	-163.2	-154.7	-168.7	-173.6	-185.6	-190.0
Gross profit	282.1	285.0	285.6	284.6	304.5	319.5	352.4	364.5
Employee expenses	-111.5	-108.4	-105.0	-104.8	-100.6	-108.5	-122.4	-129.9
Other operating expenses	-107.4	-123.8	-127.9	-124.0	-138.1	-147.4	-163.9	-167.4
Income before interest, taxes, depreciation and amortisation (EBITDA)	63.2	52.8	52.8	55.9	65.9	63.6	66.1	67.3
Depreciation of property, plant and equipment and amortisation of intangible assets	-36.8	-38.5	-40.4	-37.2	-37.7	-33.5	-37.0	-37.9
Earnings before interest and taxes (EBIT)	26.4	14.3	12.4	18.7	28.2	30.1	29.1	29.4
Financial results	-5.3	-1.5	-1.7	-1.9	-1.8	-1.0	-2.2	-1.5
Earnings before taxes (EBT)	21.1	12.8	10.7	16.8	26.4	29.2	26.9	27.8
Income taxes	-1.0	-5.5	-2.5	-9.2	-11.7	-9.8	-7.3	-5.5
Other taxes	-2.2	-1.4	-1.1	-0.8	-0.9	-0.7	-0.8	-0.7
Earnings after taxes	17.9	5.9	7.0	6.7	13.7	18.6	18.8	21.6
attributable to minority shareholders	3.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
attributable to shareholders of the parent company	14.0	5.9	7.0	6.7	13.7	18.6	18.8	21.6

Cash Flow over the Year

<i>Figures given in millions of euros</i>	2006	2007	2008	2009	2010	2011	2012 *	2013
Cash flow from operating activities	33.8	52.6	34.8	36.5	53.0	61.4	51.4	47.9
Cash flow from investments	-32.8	-41.9	-33.8	-26.6	-27.3	-31.0	-45.8	-35.1
Free cash flow	1.0	10.7	1.0	9.9	25.6	30.4	5.5	12.8
Cash flow from financial activity	-14.0	-18.1	2.3	-11.9	-10.8	-22.7	-23.2	-12.0
Changes in liquid funds affecting payments	-13.0	-7.4	3.3	-2.0	14.8	7.7	-17.7	-0.8

*Figures from the previous year have been adjusted in part

Consolidated Statements of Income in the Fourth Quarter

<i>Figures given in millions of euros</i>	Q4 2006	Q4 2007	Q4 2008	Q4 2009	Q4 2010	Q4 2011	Q4 2012*	Q4 2013
Revenues	96.4	110.5	120.7	127.4	150.0	161.0	178.2	188.1
Increase in inventories of finished and unfinished goods	0.0	0.1	-0.1	0.0	0.0	0.0	-0.1	0.2
Other own work capitalised	-0.2	0.4	0.0	0.2	0.3	-0.1	0.4	0.4
Other operating income	12.4	7.6	9.1	8.2	8.7	9.3	10.3	7.8
Cost of materials	-36.2	-41.1	-46.2	-44.7	-52.3	-54.4	-59.5	-56.0
Gross profit	72.4	77.4	83.5	91.1	106.6	115.8	129.3	140.4
Employee expenses	-29.0	-29.5	-24.7	-26.3	-27.5	-30.4	-34.2	-36.6
Other operating expenses	-31.6	-37.8	-40.5	-39.4	-48.3	-51.1	-56.6	-58.5
Income before interest, taxes, depreciation and amortisation (EBITDA)	11.8	10.1	18.3	25.4	30.9	34.3	38.5	45.3
Depreciation of property, plant and equipment and amortisation of intangible assets	-12.0	-10.0	-10.1	-9.8	-9.1	-8.5	-9.4	-11.8
Earnings before interest and taxes (EBIT)	-0.2	0.1	8.2	15.7	21.8	25.8	29.1	33.5
Financial results	-0.7	-0.6	-0.5	-0.5	-0.3	-0.2	-0.4	-0.4
Earnings before taxes (EBT)	-0.8	-0.4	7.7	15.2	21.5	25.6	28.7	33.0
Income taxes	4.2	-0.3	-1.0	-5.3	-6.4	-7.2	-6.4	-4.8
Other taxes	0.0	0.8	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Earnings after taxes	3.4	0.1	6.6	9.8	14.8	18.1	22.1	28.1
Profit/loss attributable to minority shareholders	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss attributable to shareholders of the affiliated company	3.4	0.1	6.6	9.8	14.8	18.1	22.1	28.1

Cash Flow in the Fourth Quarter

<i>Figures given in millions of euros</i>	Q4 2006	Q4 2007	Q4 2008	Q4 2009	Q4 2010	Q4 2011	Q4 2012*	Q4 2013
Cash flow from operating activities	—	—	—	24.2	22.2	37.7	48.5	40.8
Cash flow from investments	—	—	—	-4.0	-8.1	-22.0	-10.8	-10.7
Free cash flow	—	—	—	20.2	14.1	15.7	37.7	30.1
Cash flow from financial activity	—	—	—	-20.9	-8.9	-3.9	-31.2	-23.8
Net changes in liquid funds due to payments	—	—	—	-0.7	5.2	11.7	6.4	6.3

* Figures from the previous year have been adjusted in part

MULTI-YEAR OVERVIEW

Consolidated Balance Sheet

ASSETS <i>Figures given in millions of euros</i>	2006	2007	2008	2009	2010	2011*	2012*	2013
Property, plant and equipment	110.6	110.9	95.4	86.7	80.5	79.2	101.2	98.6
Real estate held as financial investment	0.0	0.0	3.2	5.3	4.8	4.8	4.5	4.3
Goodwill	2.5	5.3	10.3	10.3	9.1	9.1	28.5	25.4
Intangible assets	9.4	21.5	22.6	18.5	16.3	13.0	21.8	20.0
Financial assets	2.1	0.3	0.3	0.3	0.2	0.2	0.3	1.2
Non-current receivables from income tax refund	4.2	3.7	3.3	3.0	2.9	2.6	2.1	1.6
Non-current receivables and assets	0.5	0.6	0.5	0.3	0.0	0.0	0.0	0.0
Non-current financial assets	0.0	0.0	0.0	0.0	0.3	0.3	0.4	1.5
Miscellaneous other non-current receivables and assets	0.0	0.0	0.0	0.0	0.1	0.3	0.2	0.2
Deferred tax assets	3.1	5.7	5.5	5.2	5.4	5.4	6.6	7.1
Non-current assets	132.4	148.0	141.2	129.7	119.5	114.9	165.6	159.7
Assets held available for sale	0.0	0.0	2.8	2.0	0.2	0.2	0.2	1.0
Inventories	34.2	41.2	36.8	52.3	50.3	48.0	62.7	59.1
Current trade receivables	56.4	55.8	54.3	66.5	72.0	77.9	72.2	88.8
Miscellaneous other current receivables and assets	6.9	3.3	5.8	1.1	1.2	1.0	1.6	2.1
Current financial assets	0.0	0.0	0.0	0.0	17.3	13.5	3.2	3.0
Miscellaneous other current receivables and assets	13.1	9.5	10.9	8.7	3.7	4.1	4.7	3.8
Cash and cash equivalents	14.5	7.1	10.1	8.2	23.4	30.8	13.4	14.0
Current assets	125.0	116.8	120.8	138.9	168.0	175.4	157.9	171.8
	257.4	264.8	262.0	268.6	287.5	290.3	323.6	331.5

*Figures from the previous year have been adjusted in part

LIABILITIES <i>Figures given in millions of euros</i>	2006	2007	2008	2009	2010	2011*	2012*	2013
Subscribed capital	19.2	19.2	19.2	19.2	19.2	19.2	19.2	19.2
Capital reserve	58.6	56.2	56.2	56.2	56.2	56.2	56.2	56.6
Special item for treasury shares	-6.0	-14.2	-16.4	-17.0	-17.6	-24.4	-23.9	-23.4
Revenue reserves and net profits	55.6	59.3	53.3	53.3	62.9	69.3	79.0	87.9
Third-party interests	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Equity	127.4	120.6	112.4	111.7	120.7	120.2	130.5	140.4
Non-current special items for investment grants	0.9	0.7	0.6	0.5	0.4	0.3	0.2	0.2
Non-current provisions for pensions	9.3	9.7	9.7	9.7	10.0	12.6	17.4	17.9
Non-current deferred tax liabilities	1.5	5.7	2.3	1.7	1.8	0.6	4.0	3.3
Non-current other provisions	2.2	1.9	1.5	1.1	0.9	0.8	0.5	0.4
Non-current financial liabilities	5.6	10.4	14.5	26.1	24.1	16.7	23.5	4.2
Non-current financial liabilities	0.0	0.0	0.0	0.0	0.0	0.0	4.2	3.0
Non-current other liabilities	0.9	0.6	0.7	0.1	0.2	0.3	0.1	0.7
Non-current liabilities	20.4	29.1	29.3	39.1	37.4	31.3	49.9	29.6
Current special items for investment grants	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Current provisions for taxes	7.9	2.9	3.0	3.7	4.7	5.6	3.0	4.2
Current other provisions	11.1	11.4	10.9	11.6	8.6	4.7	6.1	5.6
Current financial liabilities	17.3	10.2	20.8	6.5	6.6	7.4	8.0	26.1
Current other trade payables	46.9	66.7	63.6	73.2	91.8	98.3	102.2	101.1
Current financial liabilities	0.0	0.0	0.0	0.0	1.3	1.1	1.1	2.4
Current other liabilities	26.4	23.9	21.8	22.7	16.3	21.6	22.8	22.0
Current liabilities	109.7	115.1	120.2	117.7	129.4	138.7	143.2	161.4
	257.4	264.8	262.0	268.6	287.5	290.3	323.6	331.5

*Figures from the previous year have been adjusted in part

MULTI-YEAR OVERVIEW

Key Figures

Volume and Employees		2006	2007	2008	2009	2010	2011	2012	2013
Digital prints	<i>in million units</i>	1.114.4	1.514.5	1.786.1	2.035.9	2.129.1	2.246.2	2.298.9	2.252.9
Prints from film	<i>in million units</i>	1.765.0	1.277.3	828.9	558.3	367.7	251.3	162.3	114.4
Total prints	<i>in million units</i>	2.879	2.792	2.615	2.594	2.497	2.497	2.461	2.367
CEWE PHOTOBOOKS	<i>in million units</i>	0.5	1.5	2.6	3.6	4.3	5.1	5.6	5.8
Employees	<i>on a full-time basis</i>	3.131	3.124	2.921	2.742	2.681	2.823	3.305	3.228

Income		2006	2007	2008	2009	2010	2011	2012	2013
Revenues	<i>in million euros</i>	396.0	413.5	420.0	409.8	446.8	469.0	507.2	528.6
EBITDA	<i>in million euros</i>	63.2	52.8	52.8	55.9	65.9	63.6	66.1	67.3
EBITDA margin	<i>in % of revenue</i>	16.0%	12.8%	12.6%	13.6%	14.7%	13.6%	13.0%	12.7%
EBIT	<i>in million euros</i>	26.4	14.3	12.4	18.7	28.2	30.1	29.1	29.4
EBIT margin	<i>in % of revenue</i>	6.7%	3.5%	2.9%	4.6%	6.3%	6.4%	5.7%	5.6%
Restructuring costs	<i>in million euros</i>	6.7	12.2	11.4	9.5	2.2	0.0	0.0	3.3
EBIT before restructuring	<i>in million euros</i>	33.1	26.5	23.8	28.2	30.4	30.1	29.1	32.6
EBT	<i>in million euros</i>	21.1	12.8	10.7	16.8	26.4	29.2	26.9	27.8
Profit after taxes	<i>in million euros</i>	17.9	5.9	7.0	6.7	13.7	18.6	18.8	21.6

Capital		2006	2007	2008	2009	2010	2011	2012	2013
Total assets	<i>in million euros</i>	257.4	264.8	262.0	268.6	287.5	290.3	323.6	331.5
Capital Employed (CE)	<i>in million euros</i>	165.1	160.0	162.6	157.4	164.8	167.9	188.5	196.2
Equity	<i>in million euros</i>	127.4	120.6	112.4	111.7	120.7	120.2	130.5	140.4
Equity ratio	<i>in % of assets</i>	49.5%	45.5%	42.9%	41.6%	42.0%	41.5%	40.3%	42.4%
Net debt	<i>in million euros</i>	8.3	13.6	25.2	24.3	7.4	-6.7	18.1	16.3
ROCE (previous 12 months)	<i>in % of average capital employed</i>	16.6%	8.5%	7.6%	11.7%	17.8%	19.8%	14.9%	15.4%

Cash Flow		2006	2007	2008	2009	2010	2011	2012	2013
Gross cash flow	<i>in million euros</i>	54.7	44.4	47.5	44.0	51.4	52.1	55.9	59.5
Cash outflow from investing activities	<i>in million euros</i>	32.5	35.5	33.3	27.4	26.4	30.3	33.8	35.3
Net cash flow	<i>in million euros</i>	22.2	8.9	14.1	16.5	25.1	21.8	22.1	24.3
Cash flow from operating activities	<i>in million euros</i>	33.8	52.6	34.8	36.5	53.0	61.4	51.4	47.9
Cash flow from investment activities	<i>in million euros</i>	-32.8	-41.9	-33.8	-26.6	-27.3	-31.0	-45.8	-35.1
Free cash flow	<i>in million euros</i>	1.0	10.7	1.0	9.9	25.6	30.4	5.5	12.8

Shares		2006	2007	2008	2009	2010	2011	2012	2013
Numbers of shares (Nominal value 2.60 euros)	<i>in units</i>	7,380,020	7,380,020	7,380,020	7,380,020	7,380,020	7,380,020	7,380,020	7,400,020
Earnings per share (diluted)	<i>in euros</i>	2.39	0.83	1.02	1.00	2.02	2.84	2.87	3.26
Year-end price	<i>in euros</i>	33.00	27.00	14.05	22.60	33.35	31.39	31.04	42.75
Dividend per share	<i>in euros</i>	1.20	1.20	1.00	1.05	1.25	1.40	1.45	1.50*
Year-end dividend yield	<i>in %</i>	3.64 %	4.44 %	7.12 %	4.64 %	3.75 %	4.46 %	4.67 %	3.51 %*

* Dividend proposal by the Board of Management and the Supervisory Board at the general meeting held on June 4, 2013

PRODUCTION PLANTS AND DISTRIBUTION BRANCHES

 Page 5
General map with all locations

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FINANCIAL DIARY

(as scheduled thus far)

March 26, 2014	Publication of the Annual Report for 2013
March 26, 2014	Financial Statement- and Analyst Conference, Frankfurt/Main
April 3, 2014	German Corporate Conference at Bankhaus Lampe, Baden-Baden
May 13, 2014	Publication of the Interim Report Q1-2014
June 4, 2014	General Meeting 2014
August 13, 2014	Publication of the Interim Report Q2-2014
September 19, 2014	Capital Market Day @ photokina, Cologne
September 23/24, 2014	Capital Market Conferences, Munich
November 12, 2014	Publication of the Interim Report Q3-2014
November 24/25, 2014	Equity Forum, Frankfurt

 You will also find the latest dates on the Internet at www.cewe.de

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GLOSSARY

i Please note:

Where digital photos are referred to in this annual report, figures include the number of CEWE PHOTOBOOK prints and photos included in photo gifts.

All of the figures are generally calculated with the most accurate values and are rounded in the tables in accordance with standard commercial practice. This may lead to rounding differences, particular in totals lines.

Borrowed capital

The total of the values 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 capital plus non-current liabilities and current non-operational liabilities

Core Capital Employed

Capital Employed less cash equivalents and other financial assets, which exceed turnover of the previous twelve months by 5%.

Days working capital

Term of the net working capital in days measured by the turnover of the past quarter

EBIT

Earnings before interest and taxes

EBITDA

Earnings before interest, taxes, depreciation and amortisation

EBITvR

Earnings before interest and taxes before restructuring

EBT

Earnings before taxes

Equity capital

The calculated residual claim to the net assets remaining after deduction of debts applicable according to IAS 32

Equity ratio

Share of equity capital in total capital; the mathematical ratio of equity to total assets

Financial liabilities

Non-current and current financial liabilities shown as such, without rights to repayment subject to interest shown on the balance sheet under other credit lines

Free cash flow

Cash flow from operating activities less cash flow from investment activities (both according to cash flow statement)

Gross cash flow

Earnings after taxes plus amortisation of intangible assets and depreciation on property, plant and equipment

Gross financial liabilities

Total of non-current financial liabilities and current financial liabilities, see also financial liabilities

Gross working capital

Current assets without cash and cash equivalents

Liquidity ratio

Ratio between cash and cash equivalents and total assets

Net financial liabilities

Non-current financial liabilities plus current financial liabilities less cash and cash equivalents

Net working capital

Current assets without cash and cash equivalents less current liabilities without special items for investment grants and without current financial liabilities

Net cash flow

Gross cash flow less investments

NOPAT

EBIT less income taxes and other taxes

Operating net working capital

Inventories plus current trade receivables less current trade payables

Other net working capital

Assets held for sale, current receivables from income tax refunds, other current receivables and assets less current provisions and other current liabilities

Profit and loss account

Profit and loss account

Return on capital

See return on capital employed

Return on capital employed (ROCE)

The ratio of earnings before interest and taxes (EBIT) versus the capital employed; in general, the 12-month perspective is chosen for the calculation of a rolling annual return on investments

Working capital and tax-induced cash flow

Changes from net working capital and paid taxes



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