



Annual Report 2011

50 YEARS CEWE COLOR – 50 YEARS OF INNOVATION:

“Apart from being the established market leader in the industrial photofinishing of analogue photos, we succeeded, with the commitment of our employees, to also become the market leader in a completely new market for digital customised products. In summer of 2011, we celebrated this successful transition together with 400 guests, partners and long-time companions. The most striking evidence for this successful transformation is the market-leading CEWE PHOTOBOOK. We intend to continue the expansion of this position. At the same time, we are using our newly won digital printing competence to head off to new horizons in commercial online printing. The acquisition of Saxoprint in February 2012 is another step towards strengthening this development.”

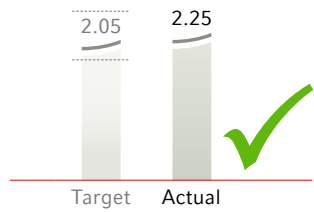
Dr. Rolf Hollander, Chairman of the Boards of Management of CEWE COLOR Holding AG and the Neumüller CEWE COLOR Stiftung

 **cewe**
simply beautiful photos

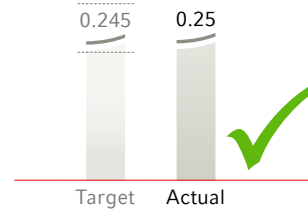
HIGHLIGHTS 2011

2011 targets achieved and exceeded

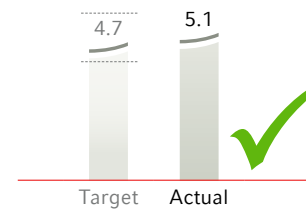
Digital prints in billion units



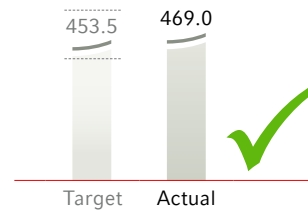
Prints from film in billion units



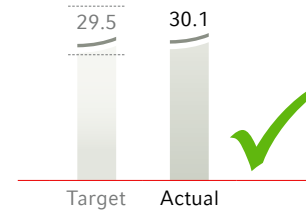
CEWE PHOTOBOOKS in mill. units



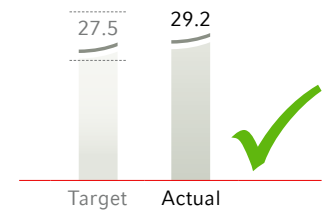
Turnover in million euros



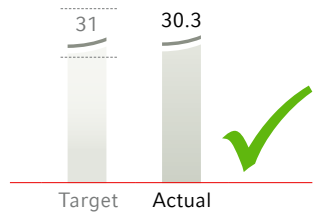
EBIT in million euros



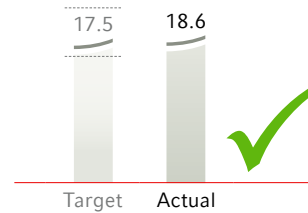
EBT in million euros



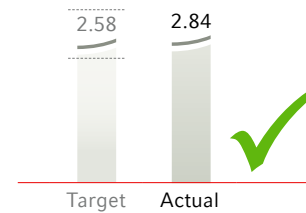
Investments in million euros



Earnings after taxes in million euros



Earnings per share in euros/share



The average value is shown with respect to the target corridor 2011.

Sales: all sales targets exceeded

- ▶ *2,497 million photos exceed the target corridor of 2,230 to 2,360 million photos in 2011*
- ▶ *Q4 again with growth (+3.7 %), seasonal migration volume is levelling off, however*
- ▶ *Change in product mix of higher-quality products continues: photofinishing turnover per photo rises by 6.2 %*
- ▶ *Growth rate of CEWE PHOTOBOOK as strong as ever: almost unchanged at +18.6 %*

Turnover: photofinishing sustains growth in turnover

- ▶ *Total turnover Q4 rises by +7.3 % and thus forces the entire year to +5.0 % or 469.0 million euros*
- ▶ *Photofinishing sustains growth in turnover: 22.2 million euros growth in turnover, 20.9 million euros thereof stem from photofinishing*

Results: fully on schedule, previous year improved

- ▶ *EBIT +2 million euros or +7.0 % to 30.1 million euros; margin increases to 6.4 %*
- ▶ *Further strong seasonal migration on the earnings level: Q2 and Q3 declining, Q4 generated 86 % of the annual EBIT*
- ▶ *Earnings per share up 41 % to 2.84 euros*

Statement of financial position: solid equity ratio continues

- ▶ *Non-current effectiveness of assets declines further, since depreciation exceeds investments*
- ▶ *Operating working capital reduced once more, by 4.0 million euros, from 24 days coverage to 20 days*
- ▶ *Despite major increase: annual surplus 2011 passed on to shareholders by dividend payment and share repurchases at 82 %*
- ▶ *Sound cash position increases statement of financial position and provides a good basis for acquisition of Saxoprint GmbH in Q1 2012*

Cash flow: positive development of cash flow

- ▶ *Cash flow from operating activities (as well as special effects): +7.3 million euros to 60.3 million euros*
- ▶ *Investment target of 30 to 32 million euros clearly adhered to: 30.3 million euros invested*
- ▶ *Q4 cash flow extremely significant: 85 % of the adjusted free cash flow*

Capital employed: doubled during the past five years

- ▶ *Capital employed again reduced by 6.3 million euros to 158.5 million euros*
- ▶ *12-month ROCE steps up from 17.8 % to 19.8 %*
- ▶ *With the phasing out of analogue-to-digital transformation: return on capital at least doubled in the past five years*

CEWE COLOR – Service partner for photofinishing and online printing
European market leader in photofinishing

CEWE COLOR is the service partner for the premium trademarks in the European photographic market. CEWE COLOR supplies both the over-the-counter trade and the Internet trade with photos and digital products.

In 2011, the company developed 2.5 billion photos and over 5.1 million CEWE PHOTO-BOOKS and photo gifts.

The leading European photo book brand “CEWE PHOTOBOOK”, the high competence in digital printing, the economies of scale of an efficient industrial production and logistics, as well as the wide distribution via the Internet and through 40,000 retailers, are the essential competitive advantages of CEWE COLOR.

With the brands Saxoprint and viaprinto.de, CEWE COLOR meets customer requirements as an online printing service partner.



CEWE COLOR at a glance

- 12 Production plants
- 24 European countries
- 50 years Successful in Europe
- 2,823 Employees
- 40,000 Retailers
- 5.1 millions CEWE PHOTOBOOKS
- 2.5 billions Digital prints





CBW
attach with the Edge

HyperCloud



CEWE PHOTOBOOK production

A worker monitors the processing of customer orders for the CEWE PHOTOBOOK at an HP Indigo digital printing machine. In total, CEWE COLOR operates over 60 digital printing machines throughout Europe.

TO THE SHAREHOLDERS **8**

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“With the acquisition of Saxoprint GmbH we are now returning to growth following the analogue-to-digital transformation.”

Dr. Rolf Hollander, Chairman of the Boards of Management of CEWE COLOR Holding AG and the Neumüller CEWE COLOR Stiftung

Dear Shareholders,

Your company was once again fully on track in 2011: we achieved everything we set out to achieve. What this annual report does not show, however, is that we have taken a major step towards meeting our future target of opening up a new field of growth – online printing – which is set to contribute an increasing amount to revenues from year to year.

Q4 “has delivered” – All annual targets achieved or exceeded in 2011

Our review shows that, as predicted, the changed seasonal profiles led to weaker contributions to earnings in the third quarter, and to a very strong fourth quarter. In the current jargon: “Q4 has delivered.” The fourth quarter met the high expectations placed upon it in 2011, too. Our careful preparation of the peak Christmas season paid off. All targets set in 2011 were thus either achieved or even exceeded. Once again, the CEWE PHOTOBOOK contributed in no small measure to this success. We are particularly proud of our renowned branded product. We hope that you, too, were also among the enthusiastic givers or receivers of our products at Christmas. As usual, you will find the highlights of the year at the very beginning of this report. At this point, I would therefore prefer to draw your attention to the further development of the company.

Analogue-to-digital transformation completed – Time to pause and reflect

Dear shareholders, in my letter to you in last year’s financial statements, I once again reviewed the completed decade of the analogue-to-digital transformation: The early digital investments starting in 1994. The subsequent product innovations and the development of order channels. The expansion of marketing. The great success of our branded product – the CEWE PHOTOBOOK. The restructuring measures aimed at reducing the number of production plants from 28 to 12, involving decisions which were difficult for all of us. And not least, the “Best Innovator 2010” award, which represented a fitting conclusion to this difficult decade and the successful transformation.

Typically, after such dramatic restructuring and transformation, companies will first have to earn money or perform capital increases in order to begin investing in growth again. We consider ourselves fortunate to have ended each year of this difficult decade in profit, and to have distributed a dividend every year. And thus, we closed the 2011 financial year with net cash of 6.7 million euros, i. e. nearly 7 million euros higher than our indebtedness. As at December 31, 2011, our company was practically free of debt. This is an incredible position after such a difficult phase. We wish to seize this opportunity to focus fully on growth again, and to initiate our next phase of corporate development.

Online printing – The third mainstay of CEWE COLOR

We took the first steps during the final phase of the analogue-to-digital transformation with the launch of viaprinto.de, an easy-to-operate online printing service for small orders, with very short delivery times (overnight service). We wanted to offer our customers the possibility of ordering small quantities which we process on our digital printers – purchased above all for the CEWE PHOTOBOOK. But we also wanted to be able to service larger online orders. For this we required offset printing technology. A logical further development of our business model: generating economies of scale through industrially efficient production. At the beginning of 2012, we decided to act quickly and resolutely by taking a major step towards achieving a significant competitive position within a short space of time. For this reason, we used our very sound cash position to acquire Saxoprint, an offset print specialist with online access. In this process, our competencies in production, logistics and not least in marketing will play an important role in setting a high, value-oriented pace of growth. Dear shareholders, as you will have noticed, we took the phase of reflection very seriously in 2011, implementing a professional mergers & acquisition process which we brought to a successful conclusion in 2012. Now we would like to welcome the management and employees of Saxoprint to CEWE COLOR Group.

2012 – New segment drives growth

In 2012, together with Saxoprint and viaprinto.de, we are now looking to participate in the further growth of the online printing market. This represents one major line of development for our company.

The other major line is, of course, the expansion of our core photofinishing business, in particular with respect to the further development of our CEWE PHOTOBOOK brand. This autumn we will once again be taking part in the biennial photokina, the largest photo fair worldwide. We will be one of the largest exhibitors and will, of course, be looking to treat photography consumers and our retail partners to more fantastic software and great products – thus laying the foundations for a successful Christmas business. Because the fourth quarter – as you might have presumed already – will again account for the lion's share of annual net earnings in 2012.

Oldenburg, March 7, 2012

With best wishes

A handwritten signature in blue ink that reads "Rolf Hollander". The signature is written in a cursive, slightly slanted style.



Hubert Rothärmel, Chairman of the Supervisory Board of CEWE COLOR Holding AG and Member of the Board of Trustees of the Neumüller CEWE COLOR Stiftung

REPORT OF THE SUPERVISORY BOARD

Once again, we are able to report on a successful financial year to our shareholders. The Board, the management and the employees posted results in 2011 which significantly exceed the already good results achieved in 2010.

Sales and turnover were raised again; in particular the post-tax results represented encouraging growth. Therefore, the general meeting will be able to recommend the distribution of a good dividend, increased to 1.40 euros, on June 6, 2012.

For this reason, the Supervisory Board explicitly wishes to express its gratitude to the Board of Management and everyone else involved at the beginning of its report.

Board members

In the 2011 financial year, the composition of the Supervisory Board remained unchanged:

- Hubert Rothärmel (Chairman)
- Hartmut Fromm (Deputy Chairman)
- Prof. Dr. Dr. h.c. Hans-Jürgen Appelrath
- Dr. Joh. Christian Jacobs
- Otto Korte
- Prof. Dr. Michael Paetsch

At the next general meeting, due to be held on June 6, 2012, a new Supervisory Board will be appointed. The Supervisory Board will put forward candidates to the shareholders in due time.

The Board of Management performed its duties in the 2011 financial year in the same composition as before.

In 2011, the Supervisory Board took the necessary decisions to ensure this continuity in the Board of Management also in the years to follow.

“The Supervisory Board monitors and intensively supports the efforts of the management to open up new lines of business in addition to photofinishing.”

Duties of the Supervisory Board in 2011

In the 2011 financial year, the Supervisory Board performed its duties as required by law, the articles of association, rules of procedure and the German Corporate Governance Code conscientiously and with commitment. In this process, the Supervisory Board in particular advised and monitored the Board of Management, and assured itself of the legality and economic efficiency of the company and group management.

The Supervisory Board made its respective decisions with due care.

The required reports and documentation were made available to the Supervisory Board which was able to rely in particular on the results of the internal audit and on the reports of the experts from all the different corporate departments. In individual cases, external experts were called in, e. g. for an audit of the IT systems (EDP systems) and regarding special legal questions (e. g. stock corporation law).

The Board of Management informed the Supervisory Board with respect to financial, investment and other planning, comprehensively and on a timely basis, including a medium-term preview for the coming years. It acknowledged and approved the planning.

The Board also informed the Supervisory Board extensively and on a timely basis regarding decisions of fundamental significance, for example the entry of the company into the web-to-print segment, which has meanwhile taken place. It was informed by the Board of Management to the extent required by the articles of association, the law, the rules of procedure and the German Corporate Governance Code regarding the course of business, strategies and structural measures, significant (and extraordinary) events and decisions, as well as the position of the group, including, in particular the subsidiaries. Most of the reports of the Board of Management were presented in written form, otherwise in the form of verbal presentations and a large number of explanatory and supplementary documents. The – encouraging – financial position of the company was also explained on a regular basis.

The Supervisory Board intensively and openly discussed these reports and comments, both with the Board of Management and internally. In individual cases, it requested the Board of Management to provide more extensive and detailed information, which was supplied readily and on a timely basis.

There was nothing that gave rise to special audit procedures.

Meetings of the Supervisory Board

In 2011, the Supervisory Board held five meetings, namely on February 17, 2011, March 21, 2011 (regarding the statement of financial position), May 18, 2011, September 15, 2011 and November 10, 2011. The meeting held on March 23, 2011, was at the same time the meeting of the Audit Committee.

In 2012, meetings of the Supervisory Board took place on February 16, 2012 and on March 21, 2012 (statement of financial position).

Following the meetings with the Board of Management, the Supervisory Board regularly convened internal meetings.

Attendance

Again the attendance at the Supervisory Board meetings was very good. Two members of the Supervisory Board were excused from one meeting each in 2011, all other members attended all meetings.

Strategy workshop

Another full-day strategy workshop was held together with the Board of Management on May 30, 2011. It focussed above all on the future development potential of the company.

Committees

With its six members, the Supervisory Board is relatively small.

Therefore, it also exercises the duties of the Audit Committee in the same composition. The committee as a whole fulfils the legal requirements with respect to the duties and composition of an Audit Committee. Due to the particular expertise in questions of accounting and risk management, the prime responsibility for these areas in the Supervisory Board lies with the attorney, Mr. Korte, and in his absence, Dr. Jacobs. When the Supervisory Board met as Audit Committee in 2011, Mr. Korte chaired the meeting.

The Supervisory Board in its full composition also performs the duties of a Personnel and a Nomination Committee.

Main areas of consultation within the Supervisory Board

The Supervisory Board dealt with a number of topics very intensively in the 2011 financial year:

New segments: digital printing for commercial users and online printing

In addition to photofinishing, the Supervisory Board accompanies and intensively promotes the efforts of the management in opening up these related segments, with the aim of ensuring additional growth and raising profitability, also in the years to come. In this

context, the Supervisory Board welcomes the fact that the company entered into a participation with the “High-Tech Gründerfonds II”.

Internal audit and risk management

The Supervisory Board assured itself that a comprehensive system covering both internal and external audits is functioning properly. It was presented with the main results. In addition, the Supervisory Board was comprehensively informed with respect to risk management, the early recognition of risk and risk assessment by the Board of Management and the auditor. The Supervisory Board assured itself of the effectiveness and efficiency of the accounting-related internal control system and the risk management by random testing of individual cases. There was no cause for objections. The Supervisory Board has taken note of and was satisfied by the positive result of the examination of the early recognition system of risks and the internal control system carried out by the statutory auditor. In the year under review, there was no examination by the Financial Reporting Enforcement Panel (FREP – Deutsche Prüfstelle für Rechnungslegung) according to Section 342 HGB (German Commercial Code). For further information on risk management and internal audits, please refer to page 88 of the financial statements.

Compliance and corporate governance

The Supervisory Board dealt with the topics of compliance and corporate governance in each of its meetings. It assured itself of the competent compliance with and the consistent observation of the relevant regulations. The current rules of procedure of the Board of Management and Supervisory Board correspond, in the opinion of the Supervisory Board, to these rules, and thus include a catalogue of approval which is also observed in full by the Board of Management.

At the last meeting of the calendar year, all members of the Board of Management declared in writing to the Chairman of the Supervisory Board that there were no conflicts of interest, in particular that the members of the Supervisory Board do not exercise any duties for significant competitors of the company.

The individual remunerations of all members of the Supervisory Board are shown in the remuneration report starting on page 94 of the annual report.

The Supervisory Board dealt with its future composition in several meetings and decided, on November 15, 2011, to propose two female candidates for the general meeting scheduled for June 6, 2012, thus taking “Diversity” issues into account. The recommendations of the company at the general meeting will also include a person to take over the function as independent financial expert. The Supervisory Board is of the opinion that its current members have extensive and in-depth international knowledge and experience with respect to the criterion of “Internationality” as set out in the respective regulations. Its proposals to the general meeting will also account for this fact.

For detailed information on corporate governance and compliance, please refer to the joint corporate governance report on page 81 of the financial statements. The Supervisory Board adopted the declaration of conformity for 2011 jointly with the Board of Management. The shareholders have access to the declaration on the website of our company. At each of its meetings, the Supervisory Board was informed by the Compliance Officer and is convinced that no inadmissible insider dealings were made.

Ombudsman

No irregularities were reported by the ombudsman, with whom the Supervisory Board is in permanent contact.

Remunerations of the Board of Management

All management contracts correspond to statutory provisions, in particular those governing the adequacy of the remuneration of the Board of Management. For details, please refer to the remuneration report on page 94 of the financial statements.

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 Page 81 | Corporate Governance
Page 88 | Risk Management

 Page 94 | Remuneration Report

Quarterly reports

The Supervisory Board discussed the figures and the statements of the quarterly reports with the Board of Management prior to their publication.

Sustainability report

The Supervisory Board acknowledged with approval the sustainability report first prepared in the 2009 financial year and updated in 2010.

Efficiency audit

Once again, the Supervisory Board carried out an efficiency audit of its work. The conclusions were acted upon in the ongoing work of the Supervisory Board.

Separate and consolidated financial statements

The financial statements of CEWE COLOR Holding AG, Oldenburg, prepared by the Board of Management, as well as the consolidated financial statements as of December 31, 2011, including the consolidated management report for the financial year 2011, which is identical with the management report, were audited by and bear the unqualified opinion of COMMERZIAL TREUHAND Gesellschaft mit beschränkter Haftung Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Oldenburg, which was again appointed as statutory auditor by the general meeting on May 18, 2011. The Supervisory Board assigned the audit (in accordance with the resolution of the general meeting). Prior to the submission of the nomination to the general meeting, the Supervisory Board assured itself of the independence of the auditor.

The financial statements and the management report of CEWE COLOR Holding AG and of the group, including the auditor's and group auditor's reports were handed over to the Supervisory Board (also in its function as Audit Committee) in due time prior to its meeting on March 21, 2012.

The undersigned statutory auditor participated in the meeting regarding the statement of financial position, and reported on the main results of its audit to the Supervisory Board. The auditor was at the Supervisory Board's disposal to answer any questions. On account of his aforementioned expertise, Mr. Korte provided additional verbal information during the meeting regarding the statement of financial position. The audit reports, which corresponded to the statutory requirements, were discussed extensively and examined by the Supervisory Board. The Supervisory Board agreed to the results of the audit; there were no objections.

The Supervisory Board monitored the audit and assured itself of the appropriateness of the auditor's fees. The break-down of the total fee is shown in the notes to the financial statements on page 132.

The Supervisory Board examined the financial statements and the management report of CEWE COLOR Holding AG, Oldenburg, as prepared by the Board of Management, as well as the consolidated financial statements and the group management report for the 2011 financial year, including the proposal for the appropriation of net profit. Following the final result of its own examination, the Supervisory Board unanimously approved the financial statements of CEWE COLOR Holding AG as prepared by the Board of Management, which are thus adopted in accordance with Section 172 AktG (German Stock Corporation Act), on March 21, 2012. The financial statements are thus adopted. The members also approved the consolidated financial statements unanimously. The Supervisory Board agrees with the management report and particularly with the assessment of the future development of the company. The Supervisory Board scrutinised and approved the proposal of the Board of Management on the appropriation of net profits for the meeting of March 21, 2012 (taking into account the shareholders' interests and the financial planning of the company) and followed the proposal of the Board of Management to distribute a dividend increased to 1.40 euros per no-par bearer share.

In addition, the statutory auditor also examined the information provided by the Board of Management regarding the relations to affiliated parties for the 2011 financial year in accordance with IAS 24. This report did not give rise to any objections.

Dependency report

The Supervisory Board, the Board of Management and the statutory auditor agree that there is no need for a so-called dependency report in accordance with Section 312 (1) AktG.

Acknowledgement

Once again, the Supervisory Board would like to express its gratitude to all employees and members of the Board of Management for their strong commitment and consistent performance in the 2011 financial year. Moreover, the Supervisory Board expresses its thanks to the shareholders of CEWE COLOR Holding AG, Oldenburg, for their consistent confidence in the company.

Oldenburg, March 21, 2012

The Supervisory Board of CEWE COLOR Holding AG



Hubert Rothärmel (Chairman)

INTERVIEW WITH DR. ROLF HOLLANDER

Chairman of the Boards of Management of CEWE COLOR Holding AG and the Neumüller CEWE COLOR Stiftung

Dr. Hollander, are you satisfied with 2011?

It's never a good idea to be completely satisfied. We should always bear in mind what could have been done better. This is a healthy attitude because only then can you focus on the next steps towards improvement and work hard to achieve them.

Nevertheless – with all due caution – 2011 was actually quite a reasonable year. Sales of the CEWE PHOTOBOOK stepped up by more than 18 % to over 5.1 million, thus growing twice as fast as expected; the value per photo rose by more than 6 %. This is a trend which strengthens our earnings power: we have therefore improved our EBIT margin from 6.3 % to 6.4 %, and this is what we set out to do.

However, if we adjust the previous year to take out the restructuring expenses, the operating EBIT margin is 6.8 %. Where is the improvement?

That's right. 2010 was burdened by restructuring costs of 2.2 million euros. But, on the other hand, foreign currency effects burdened our earnings power even more in 2011 than in 2010, by an extra 2.3 million euros. Therefore, 2010 had an advantage of 1.2 million euros over 2009. In addition, we capitalised 0.6 million euros less internally generated software in photofinishing. In future, this will relieve our depreciation. So you see: each year has its peculiarities, and in 2011 we again had to shoulder special factors affecting earnings. And so the fact remains that once more the 2011 EBIT margin rose slightly compared to 2010.



Nevertheless, this is a rather weak effect with a growth in turnover of more than 6 %. Shouldn't the economies of scale have had a stronger effect?

Yes. From an operational point of view, this is actually the case. However, we always have to take into account that the operative performance can be outweighed by individual effects, e.g. foreign currency effects, or the valuation adjustments for receivables from two large customers who got into economic difficulties. We had to recognise these shortly before the end of the year. This can never be excluded – and 2012 is no exception. Incidentally, successful growth that boosted revenues had a slightly decreasing effect on the margin, whereas EBIT benefited in absolute terms: in 2011, the CEWE PHOTOBOOK was even more successful than we had hoped at the beginning of 2011 – particularly the smaller versions, which contribute less to the margin. And for these reasons we are – at the risk of repeating myself – satisfied: 2011 was a successful year!

How far will the margin be able to develop?

We are already working to achieve slight improvements in the margin. We have already defined a number of ideas to raise efficiency, which we intend to implement in 2012. Proposals aimed at increasing our turnover are on our to-do list for 2012, too.

Your guidance could also be interpreted as a deterioration of margins, couldn't it?

We are very proud to have been offering predictability to the capital market for many years: We have maintained our guidance each year. Including during the difficult analogue-to-digital transformation. If possible, we want to maintain this track record. This has also influenced how we arrange our guidance. We have just discussed which factors might have a negative influence during the course of a year.

“We raised turnover and improved the EBIT margin. 2011 was a successful year.”

The development of our core business of photofinishing is also somewhat more difficult to predict this year, since the end of seasonal migration is approaching, which strongly pushed our results into the fourth quarter. In 2011, this could already be observed in both sales and turnover, while the result was shifted significantly. First of all, we have to understand if this will have an effect on the annual results. Will the fourth quarter still be able to (over)compensate for the declines in the other quarters even after the completion of the transformation? Moreover, economic research institutes predicted another economic slowdown in 2012. This could also lead to economic difficulties among trading partners in 2012, even if there is no indication of this at present.

And then we gave a strong impetus to the online printing segment by acquiring Saxoprint, which will help us to grow to about 40 million euros in 2012, up from the few million euros generated by viaprinto in 2011. We intend to invest strongly in marketing for online printing to strengthen the brand and its growth, we will bear integration expenses and materialise depreciation in the customer base. All of this will clearly lead to a recurring contribution to value added in the medium term.

“We would like to maintain our track record of guidance fulfilment. There are always many factors with a negative influence during the course of a year. This is why we are quite happy with the – admittedly somewhat broader – guidance range for 2012.”

In 2012, however, these effects will mean that these additional 40 million euros will make practically no contribution to earnings – maybe even a slightly negative one due to, e. g., the marketing investments, integration expenses and not least on account of the write-off of the purchase price allocation. So when considering the 2012 margin, you can also reduce turnover in the first year by these 40 million euros. The resulting EBIT margin is then exactly 6.4 % on average, as it was in 2011. In view of the uncertainties mentioned above, we consider this guidance to be highly appropriate.

Keyword Saxoprint – are you using Saxoprint to correct the direction you were heading in with viaprinto?

A clear “No!”. We will continue to pursue viaprinto.de. With viaprinto we have started to open up a new market segment. We have realised that a larger number of customers do not only wish to order a maximum of approx. 500 copies of our print products, which we are able to produce with our digital printing machines at very attractive and competitive cost positions. Some customers wish to order print

products in larger numbers from the same supplier. And this is why we need offset printing, which we have not had in the group so far. With Saxoprint – apart from other machines – we now have two large sheet-fed A0-size offset presses in our production facilities.



... Is CEWE COLOR now becoming a print shop? That is rather a difficult industry. Are you diving into a "red ocean"?

"Online" colours the ocean blue and makes this market attractive for us. Even prior to the acquisition of Saxoprint, CEWE COLOR was an online digital print shop. We installed the respective capacities for our photofinishing products – primarily the CEWE PHOTOBOOK, but also photo calendars and photo greeting cards. With viaprinto.de we have now used these digital printing capacities for other products as well. Through Saxoprint, CEWE is now also an online offset print shop offering the above-mentioned advantages regarding the cost position for major orders. And everything is "online". We do not accept any other orders. Saxoprint, too, was only accepting online customer orders before it joined the CEWE COLOR Group.

Saxoprint has now been a member of the CEWE COLOR Group for more than a month. How were the first weeks?

Very good. Of course, we conducted an extensive due diligence analysis, and were thus convinced that we were purchasing a good company. After the first few weeks of Saxoprint being a member of CEWE COLOR, we have become fully acquainted with the company and our positive assessment has been confirmed: a great management team, qualified staff, established processes and modern machinery. That was a good buy.



...simply.quality.printing!



CEWE COLOR SHARE

Financial market marked by the euro crisis in 2011

Following the crisis year of 2009 and the recovery in 2010, the financial and stock markets again experienced major upheavals in the year under review, 2011: the ongoing euro and debt crisis, along with the earthquake, tsunami and nuclear disasters in Japan, led to a year-on-year decline in the DAX of –14.7%. At the same time, the MDAX lost –12.7%, and the SDAX was also seriously affected, at –14.8%.

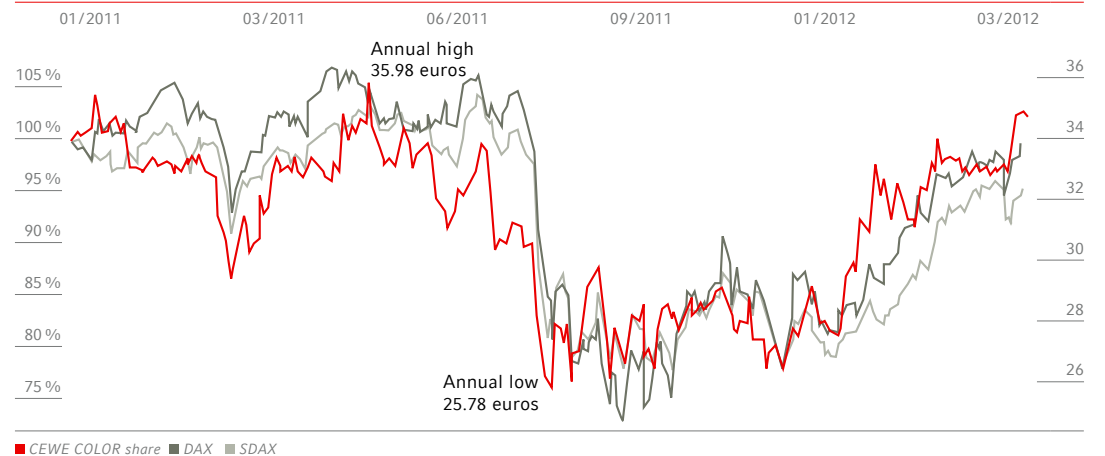
CEWE COLOR share outperforms the indices in 2011

The CEWE COLOR share, too, was not able to protect itself completely from the severe upheavals on the stock exchanges. Nevertheless, the CEWE COLOR share price, suffering a moderate decline of 5.9%, performed noticeably better than all the reference indices in 2011. By March 2012, the share had risen to a level of around 33 euros, thus regaining the 2010 closing price of 33.35 euros.

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 | 7,380,020 units |
| Daily volume 2011 | 15,779 units |
| Annual high 2011 | 35.98 euros |
| Annual low 2011 | 25.78 euros |
| Closing rate 2011 | 31.39 euros |

CEWE COLOR share January 1, 2011 to March 15, 2012 in euros



**Continuing strong demand for CEWE COLOR shares:
15,779 shares traded on average per day in 2011**

There was continuing strong interest in the CEWE COLOR share at the German stock exchanges. 15,779 CEWE COLOR shares changed hands on average per day. Therefore, over 4.0 million CEWE COLOR shares were traded at the German stock exchanges during 2011 as a whole.

All analysts agree: "Buy" with a price potential between 39.00 and 47.50 euros


All ten external analysts who tracked CEWE COLOR were unanimous in their positive analysis: they give an overall "Buy" or "Overweight" rating. Their estimations regarding the stock price target lie between 39.00 and 47.50 euros. CEWE COLOR publishes all analyst reports available to the company on its website at www.cewecolor.de/investor-relations/cewe-color-aktie/analysten.

CEWE COLOR – a solid SDAX member

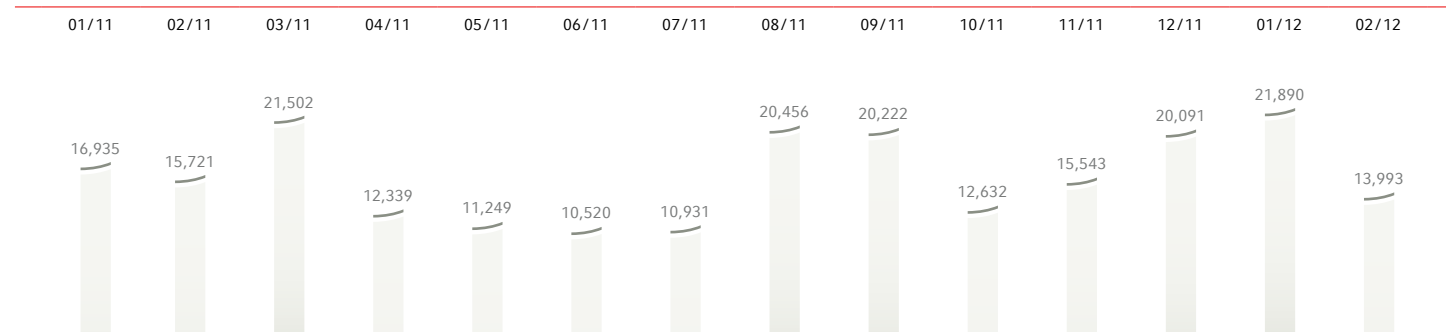
In terms of trading volume, CEWE COLOR was ranked 79th in December 2011, and 90th in terms of market capitalisation. The CEWE COLOR share is thus a major player on the SDAX index, which typically includes shares that rank 110th or higher.

Stable shareholder structure strengthens the management's policy

Thanks to its anchor investor, CEWE COLOR continues to have an extremely stable shareholder base, which includes the heirs of Senator h.c. Heinz Neumüller (ACN Vermögensverwaltungsgesellschaft mbH & Co. KG: 27.4 %) as well as Sentosa Beteiligungs GmbH (Dr. Joh. Christian Jacobs: 5.3 %). Apart from this, the Danish capital investment company Sparinvest has been a constant investor in the group of shareholders subject to registration for many years.

 www.cewecolor.de/investor-relations/cewe-color-aktie/analysten

Average trading volume in shares per day




CEWE COLOR works for its shareholders

At CEWE COLOR, investor relations efforts are dedicated to keeping all market participants informed promptly, comprehensively and to an equal extent, and to ensuring a high level of overall transparency.

CEWE COLOR publishes all business and interim reports simultaneously on the Internet at www.cewecolor.de. Since 2009, all analyst telephone conferences to the quarterly financial statements have been made available as web- and audiocasts on the CEWE COLOR Internet site. All material presentations of the company at conferences and other events are also published on the Internet.

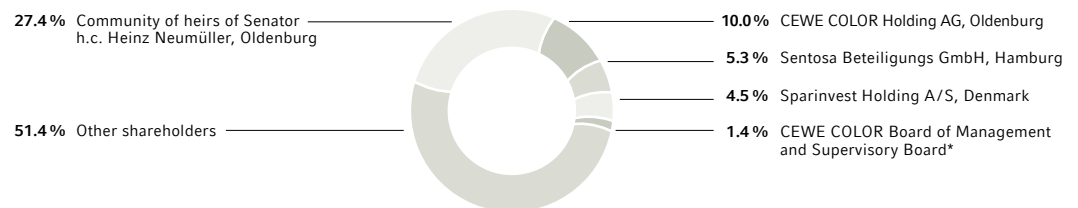
In 2011, the Board of Management and the Investor Relations Team held a presentation on the company at four capital market conferences and conducted more than 20 days of roadshows at European financial centres. The dates for 2012 are available in the financial diary on page 179 of this report.

 Page 179 | Financial Diary

 www.cewecolor.de/en/investor-relations

| Overview of the current analyst ratings | Analysis | Date |
|---|------------|---------------|
| GSC Research | Buy | Feb. 13, 2012 |
| Close Brothers Seydler Bank | Buy | Feb. 10, 2012 |
| BHF Bank | Overweight | Feb. 06, 2012 |
| Warburg Research | Buy | Feb. 03, 2012 |
| Nord/LB | Buy | Feb. 03, 2012 |
| Bankhaus Lampe | Buy | Feb. 03, 2012 |
| Berenberg Bank | Buy | Feb. 02, 2012 |
| Commerzbank | Buy | Jan. 31, 2012 |
| DZ Bank | Buy | Nov. 23, 2011 |
| Silvia Quandt | Buy | Nov. 15, 2011 |

Shareholder structure (January 2012) in % (100 % refer to 7.38 million shares)



* Incl. the shares of Dr. Joh. Christian Jacobs, member of the Supervisory Board (Sentosa Beteiligungs GmbH), totalling 6,7 %.

Production of photo mugs


An employee applies a customer photo to a photo mug. In the so-called thermal transfer printing, the combination of heat and pressure produces a durable connection of the photo with the ceramic mug.



GROUP MANAGEMENT REPORT

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MARKETS AND PRODUCTS

Overall economic setting

Global economy expanded strongly in 2011, albeit noticeably less strong than in the preceding year. The gross domestic product (GDP) rose by 3.8 % after 5.2 % in 2010. During the second half-year, growth increasingly decelerated throughout the world. The economies of the emerging countries like China, India and Brazil were held back by more restrictive fiscal and, above all, monetary policy. Their GDP rose by 6.2 % after 7.3 % in the previous year. The comparably low impetus for growth of the international trade contributed to a growth rate halved to 1.6 % in the industrial countries, just as did the government consolidation programmes. On the back of this development, the economy-stimulating demand for goods and services on the part of the governments declined. The recovery of the Japanese economy from the natural and nuclear disaster improved from quarter to quarter, however, the overall gross domestic product dwindled slightly by 0.9 % (previous year: +4.4 %). A stronger growth was prevented by the globally declining demand, the disruptions of supply by floods in Thailand and the strong appreciation of the yen. Compared to the previous year, the US economy grew at a noticeably slower pace, at 1.8 % (previous year: +3.0 %), however, it gained impetus by higher consumer spending and investments in the last two quarters of 2011.

The development in the euro zone increasingly lost its dynamics, thus the GDP growth rate decreased to 1.6 % from previously 1.9 %. Its power was drained by the globally decreasing demand and by the debt crisis culminating in the second half-year as well as by the resulting crisis in confidence of enterprises and consumers in the euro zone. The persisting capital market turbulences in the euro zone and the required far-reaching savings in government budgets had an increasingly dampening effect on domestic demand in the second half of the year. Despite the high uncertainty in the euro zone regarding the duration and solvability of the debt crisis in some member states, the German economy continued its catch-up process also in the second year following the economic crisis. Nevertheless, the increasingly ebbing global economic dynamics and the insecurity caused by the persisting government debt crisis in the euro zone slowed down economic development. Particularly due to the positive development on the labour market, private consumer spending, above all, gave the impetus required for increasing the German GDP by 3.0 % (previous year: +3.7 %). Private consumption rose as strongly as it did five years ago. However, we have to bear in mind that the unchanged demand for CEWE COLOR products hardly correlates with the general economic setting and the consumer sentiment of the population.

Inflation

The noticeably increased prices for energy and other natural resources essentially triggered off the rise of the rate of inflation to exceed the 2.0 % mark in the euro zone, up to which level the European Central Bank (ECB) is able to ensure price stability. In September, the rate of price increases rose to over 3.0 % for the first time in 2011. It was not until December that it dropped again under 3.0 %, to 2.7 %. The high prices for energy were primarily the reason for the fact that consumer prices exceeded last year's level by 2.3 % (+1.1 %) on the annual average in Germany.

Development of interest rates

On account of the inflationary trend in the euro zone, the European Central Bank twice raised its prime rate by 25 basis points in 2011, first in June and then in July, to 1.50 %. In November and in December, the ECB decreased the prime rate again in two steps by 0.25 percentage points each, to 1.00 %. In the USA, the Federal Reserve Bank waived a more restrictive monetary policy on account of the economic

development. In summer, this bank had announced to leave the prime rate at de facto 0 % until at least mid-2013. In order to dampen overheating effects of the Chinese economy, the Central Bank of China increased the key interest rate for the third time during the course of the year, to 6.56 %.

Exchange rate

The nominally effective exchange rate of the euro (in terms of the currencies of the 20 most important trading partners of the euro zone) weakened in the final quarter 2011 with a continuing high volatility, and in December 2010 fell short of the December 2011 level, by 0.9 percentage points. The loss in value in the fourth quarter was considerable: on January 11, the cut-off date of the ECB monthly report of January 2012, the nominally effective exchange rate of the euro was quoted by 4.1 % under its level of end of September 2011, and 5.0 % under its average rate of the previous year.

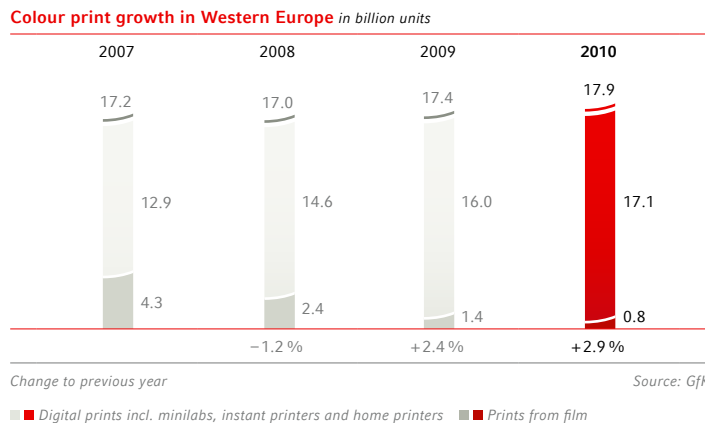
Photo Market

Digital cameras continue to be very popular

Digital photography has its place in all walks of life. Whether it is photos of the newborn baby at the hospital, the summer vacation, a family event, or Christmas Eve – compact cameras are always at hand and ready for immediate use. This trend which has been observed during the last decade, continued in 2011 as well. A study by the Gesellschaft für Konsumforschung (GfK – Association for Consumer Research) proves this: in 2011, 8.6 million digital cameras were sold in Germany. An interesting fact is that the speed of a camera is not the only critical factor for consumers; they are also looking for quality. A growing share of these digital cameras (11 %) is accounted for by high-quality digital reflex cameras. In comparison to the previous year, this makes up a growth rate of 10 %. Despite a certain saturation of the market, forecasts regarding the demand for cameras remain positive, for more and more new target groups become interested in digital photography. Besides, ambitious hobby photographers renew or expand their equipment in increasingly shorter intervals.

93 % of the maximum possible decrease of analogue films mastered successfully

The renunciation of analogue technology is a logical consequence of the development towards digital technology. As a result, analogue photo and video cameras are less often purchased and less often used. The sale of films reached its peak at the beginning of the 21st century: in 2000, 191 million films were sold in Germany. In 2010, it was only 18 million.



Further processing of photos subject to change

In line with the technological change, however, not only the used media and equipment changes, but also the options of photo production as well as the number of prints.

In the past, i. e. in the analogue age, 120 photos on average were taken per year and person, and ordered as prints. In the course of digitalisation, photos are increasingly being saved on the computer or on CD and viewed on these media. Of 500 digital photos, only about 22 % are exposed on paper. However, there is a counter-development to this trend, initiated and fostered by CEWE: consumers process their digital photos for value-added products. In this context, photo books, photo greeting cards, photo calendars and wall decorations are particularly popular.



www.dm-digifoto.de



www.schlecker.de



www.mueller.de



www.budni.de

Products and Marketing

In 2011, CEWE COLOR continued to concentrate its product development and marketing activities on its bestselling CEWE PHOTOBOOK. In addition, a number of new photo products, such as high-quality wall decorations, glossy calendars or new greeting card formats were introduced. These products benefitted from the spillover effects of the CEWE PHOTOBOOK branded product. Apart from the CEWE PHOTOBOOK, calendars and greeting cards gained in significance, too. There were also many innovations regarding the popular designs and layouts, which serve to customise the photo products. Thus, the CEWE COLOR portfolio now comprises more than 1,200 different designs. These are available in over 15,000 formats for the CEWE COLOR photo products.

However, CEWE COLOR also launched initiatives beyond product and design innovations to secure and extend its market leadership. One example is the quality offensive initiated in 2011, with which CEWE COLOR set an extremely high quality standard for the entire value-added process. It is CEWE's target to develop its unlimited quality leadership at all stages into a unique selling proposition, thus outperforming its competitors.

The online and desktop order software is the basis for the design of CEWE COLOR photo products. For this reason, expert teams are working on its ongoing optimisation. The CEWE COLOR order software regularly emerges as the winner in practical tests.

Nevertheless, although quality may stem from technical innovations, it can only be guaranteed by highly motivated and qualified staff. CEWE COLOR is much appreciated by end users on account of its comprehensive customer service. Every day from 9 a. m. to 10 p. m., numerous customer service experts are available via nearly all channels of communication – by email, telephone, chat, forum or social media – to reply to consumer questions and questions from the trading partners.

After an internal screening process, the feedback thus obtained flows into the innovation and optimisation process. This enables CEWE COLOR to quickly detect trends and optimisation potential, to steadily improve its products or order channels and to adjust to customer requirements.

On the right track: instant printing

An essential trend continued in 2011: the rising importance of instant printing.

This is also reflected in the data of the market research company FutureSource of June 2011: the number of instant printers installed at POS in Germany, Austria, Switzerland, France, Belgium and the Netherlands increased to 45,000. Special mention should be made of the above-average growth in Germany: 23,500 units are now installed here (2010: 20,500).

In 2011, CEWE COLOR recorded 45 % increases in year-on-year instant printing sales in Germany, Austria and Switzerland alone.

More and more customers are taking advantage of the option to print their own photos and other photo products at the CEWE COLOR PHOTO KIOSK, and to take their products home immediately. The instant printing segment with kiosk systems generated more than 10 % of CEWE COLOR's photofinishing turnover in 2011. Thus, CEWE COLOR increased the presence of its POS photo kiosks at its European trading partners by several hundred units as against the previous year. For the purpose of raising awareness about this service, CEWE COLOR carried out numerous promotion activities in two waves. In summer, the focus was on prints, whereas in winter it was also on calendars as photo gifts.

The CEWE COLOR PHOTO KIOSKS are attractively designed kiosk systems with innovative, user-friendly software and excellent image quality. This is also confirmed by a test carried out by Audio Video Foto magazine. In issue 11/2011, CEWE COLOR emerged as test winner among the different instant printing stations. The introduction of a new widescreen kiosk generation and an iPhone app for non-contact image transmission at the kiosks in 2011 are just two examples of the ongoing improvement of the competitiveness of CEWE instant printing.

The Internet as order channel

As early as 2011, more than two-thirds of the orders for digital photos were received by CEWE COLOR via the Internet (2010: 60.7 %). For many years now, CEWE COLOR has allowed its retail partners to participate by providing them with complete packages for the online ordering of photo products. Here, CEWE COLOR also oversees the websites as well as the adapted versions of the design software of the trading partners. Accordingly, the standards for user-friendliness of the sites and the software can be implemented consistently. In 2011,

CEWE COLOR focussed on the improvement of user-friendliness, making it as easy as possible for all target groups to access its photo products. Beyond this, CEWE COLOR coordinates the marketing of the websites and operates the computer centres for its trading partners. Internet photo providers, Internet portals and drugstore chains are the heaviest users of these CEWE COLOR services.

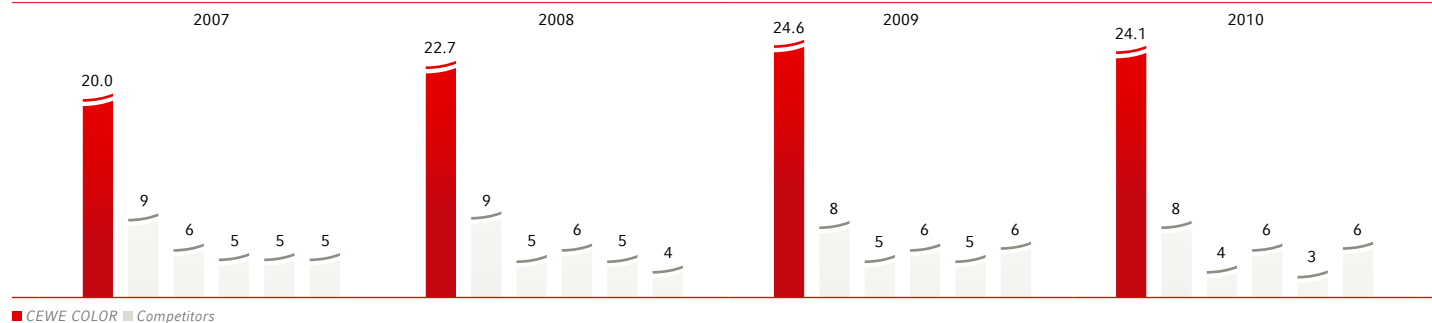
CEWE PHOTOBOOK – Europe’s most popular photo book

CEWE COLOR was able to expand its European market leadership with a growth rate of 18.6 % to over 5.1 million CEWE PHOTOBOOKS sold in 2011. Numerous product innovations and marketing activities contributed to this success. As part of its quality offensive, CEWE COLOR introduced the satisfaction guarantee for the CEWE PHOTOBOOK. If a customer is not satisfied with his order, he has the option of returning the photo book and getting his money back or a new CEWE PHOTOBOOK. The seal-of-satisfaction guarantee that was specially developed for this purpose has been integrated in the websites and nearly all communication activities centering on the CEWE PHOTOBOOK.

Some awards for the CEWE PHOTOBOOK



Market shares CEWE PHOTOBOOK in % of revenue



Source: FutureSource 2010

The CEWE PHOTOBOOK – broad portfolio and product innovations

Meanwhile, over 40 versions of the CEWE PHOTOBOOK are now available. Whatever the preference, Mini or XXL Panorama, with leather cover or softcover, digitally printed on photographic paper, matt or glossy finish – the right version is available for everyone.

2011 was focussed on raising value. This is why two new formats of the successfully established CEWE PHOTOBOOK with glossy finish were launched: Compact Panorama and XXL. An additional post-printing coating provides for even more brilliant colours and lends the CEWE PHOTOBOOK a particularly high-quality appearance. The new formats are available with hardcover and with up to 154 pages. Digitally printed copies of the glossy CEWE PHOTOBOOK are now offered in five different formats.

Serious photographers attach particular importance to obtaining the CEWE PHOTOBOOK on conventional photographic paper. This grade of paper best suits the special demands of this target group with regard to sharpness, black-and-white contrast and large colour space. This is why glossy versions were added in 2011: the formats Large, Large Panorama and XXL are available in hardcover and with up to 98 pages. Customers preferring matt surfaces are also catered for at CEWE: for this target group, CEWE COLOR launched two new versions (Compact Panorama and Large); thus, there are now five format options for these customers to retain their memories on matt photographic paper in a CEWE PHOTOBOOK.

CEWE's different groups of customers demand the highest standards with regard to quality and customisation of their photo products.

With the further expansion of its portfolio and the increased specialisation in high-quality products, CEWE met these requirements in 2011, thus exploiting up-selling potential.

Marketing activities around the bestseller

The CEWE PHOTOBOOK brand has been steadily developed since 2005, and is now known throughout Europe. It is advertised in all media channels.

In summer, CEWE ran its three new TV spots – twenty seconds each, featuring the CEWE family and a focus on "Wedding", "Children" and "Holidays" – 1,400 times on the channels Sat.1 and ProSieben. The company expanded its TV activities by integrating the captain of the German national football team, Philipp Lahm, who complemented the familiar CEWE family: over Christmas, the twenty-second spot with Philipp Lahm was shown 1,700 times on the channels ProSieben, Sat.1 and RTL. Lahm was selected because different market surveys showed that he is a good match for the brand characteristics of the bestselling CEWE PHOTOBOOK and its target group.

The media mix of CEWE is complemented with adverts in target group-related media, such as Brigitte, Laura Wohnen kreativ, familie & co, Eltern, and Braut & Bräutigam. After using two summer editions, CEWE COLOR again placed a four-page, eye-catching insert in the news magazine Stern in weeks 47 and 49, to ensure a special presence in the fourth quarter of 2011. While the summer editions focussed on the topic of holidays, the CEWE PHOTOBOOK was now advertised as a personal gift for Christmas.

Multiple test winner

CEWE emerged as a winner of numerous tests in 2011. The computer magazine MACup presented its 2011 award to the design software of the CEWE PHOTOBOOK, giving it a rating of 1.8. The study focussed on photo book clients. Particular emphasis was placed on the large selection of products, the range of design options, the automatic image optimisation and the flexible dispatch. The CEWE PHOTOBOOK was also awarded a prize by Foto Praxis – a magazine for photography and image processing. The decisive factors here were design options, software, packaging, quality of printing and binding. The high quality standards CEWE applies to its products were once more rewarded with the world's largest innovation prize for technology, sport and lifestyle – the Plus X Award. In 2011, the glossy CEWE PHOTOBOOK received awards in the categories "High quality" and "User friendliness".

CEWE calendars and CEWE greeting cards – Highly personal!

In 2011, the number of orders for photo calendars, wall decorations and photo greeting cards increased once more. This can also be explained by the fact that CEWE COLOR is clearly oriented to the requirements of its customers, and adapts its products accordingly. One example is the introduction of further folding cards in the 13x18 and 14x14 formats as well as the option of glossy finish for the existing Classic and XL formats.

By expanding the assortment of customised greeting cards, CEWE COLOR is addressing new target groups. In addition, the company caters for events for which only one card is required, such as birthdays, Valentine's Day and Mother's Day. The individual greeting card can either be sent to the recipient directly or picked up at the retail partner's and then posted.

In addition, there are 340 new design templates for the 10-pack greeting cards for various occasions, e.g. baby/birth, baptism, wedding, first day at school and birthday. Over 70 new designs in twelve greeting card formats were designed for the all-important Christmas business.

In the previous year, there were also innovations in the photo calendar portfolio: just in time for the Christmas business, CEWE COLOR introduced glossy varieties of the popular wall calendar in the formats A4 and A3 as portrait and landscape formats. CEWE COLOR also launched innovative designs for family calendars (A4 and A3) and 3-month calendars (A2 and A3).

Calendars and greeting cards are particularly popular at Christmas. This is why CEWE initiated the "Highly personal!" campaign just in time for the fourth quarter. This campaign included the marketing of calendars and greeting cards of CEWE on the Internet, at the POS, as well as in the print media. PR measures supported all these channels.

Wall decorations – for a beautiful home

In 2011, CEWE completely revised its wall decoration range and added four new products. The gallery print, acrylic glass, Alu Dibond and rigid foam board versions are now available in 28 formats each. The offer starts with the smallest format of 20x30 cm, the largest variant measures 100x150 cm. To publicise the materials and their advantages, the introduction was accompanied by PR measures such as editorial visits, press releases and material posters describing the products.

The premium product – the new gallery print – combines the best characteristics of acrylic glass and Alu Dibond. First of all, the photo is printed behind a 4 mm-thick sheet of acrylic glass via UV direct printing, and is then sealed at the rear with a 3 mm-thick Alu Dibond plate. This material mix creates a work of art of great strength and extreme durability. The printing ensures maximum colour brilliance, and the acrylic glass provides an interesting effect of depth. It is mounted either with an elegant screw system or alternatively with a runner system which appears to make the picture float freely in front of the wall.

Motif gallery – large selection of professional motifs

Last year, CEWE COLOR started to give customers the opportunity to design their own wall decoration from professional pictures. These include architectural masterpieces, photos of fantastic beaches, outstanding animal images or still lifes: the new picture gallery offers a selection of over 1,000 motifs – arranged by topic – from which customers may choose their favourite. The motif gallery will be continuously expanded in the course of time. It is accessible on the CEWE COLOR website or via the online shops of the retail partners. Customers can choose between different wall decoration materials and a number of formats. Thus, a huge variety of variants is available. In general, the products are delivered within five to seven days. They may be picked up from the respective retail partner or conveniently delivered to the customer's home.

CEWE goes mobile

Unlimited personal mobility, the desire for virtual networking, ordering on the Internet, the sharing of content: the digitalisation of life has increased steadily over the past few years and is now accepted as the norm in many areas of life – both personal and professional. CEWE COLOR satisfies this trend with its mobile applications, such as the “CEWE.print” and “CEWE.deco” apps and the “CEWE phone album” app, and will also meet these demands with innovative applications in the future.

Photos can be printed at the POS and taken home immediately, but customers can also produce their own greeting cards using the “CEWE.print” app.

The “CEWE.deco” app deploys “Augmented Reality” technology. It can test whether a picture fits into the intended space. In order to do so, the user just takes a picture with his iPhone or iPad of the room in which the wall decoration is to be mounted. He then selects the desired photo, which is to be hung as a poster or gallery print. The size can be adjusted. The app creates a preview of how the customer’s own photo will look as an individual wall decoration in the home.

With the “CEWE phone album” app, the user can generate a CEWE phone album in concertina folder format in the size and appearance of an iPhone. It consists of twelve pages with a photo on each of them, and a cover page. What is special is that it can be completely unfolded and hung on the wall, or be used for haptic sharing of photos without having to pass on the mobile phone for viewing.

For all customers who want to inquire about the status of their order, CEWE COLOR started a mobile order service in 2011. A 24-hour order status check is provided using the “CEWE Service” app.

All CEWE apps are free of charge and are available in Apple’s App Store and in the Google Android Market.

PRODUCT INNOVATIONS 2011

CEWE PHOTOBOOK – digital printing and a high-gloss finish

A new twist on an old favourite: The CEWE PHOTOBOOK is now available in more than 40 different versions. In 2011, it shone again with several new and exciting options.



Mini

Small but perfectly formed: The CEWE PHOTOBOOK Mini with soft cover fits comfortably into any bag. It is made using a digital printing process. The handy format measures approx. 15 × 11 cm and comes with up to 74 pages.

Large Panorama

Simply great: Measuring approx. 28 × 21 cm, the Large Panorama version of the CEWE PHOTOBOOK provides plenty of space in landscape format to expertly present photos on high-quality digital print paper. It is now also available with a soft cover and up to 130 pages.



XXL Panorama/Compact Panorama with high-gloss finish

Bright prospects: An exciting addition to the range is a high-gloss version of the XXL Panorama and Compact Panorama CEWE PHOTOBOOK, which adds a radiant touch to the colours in the CEWE PHOTOBOOK.

CEWE PHOTOBOOK – on matt and glossy photo paper



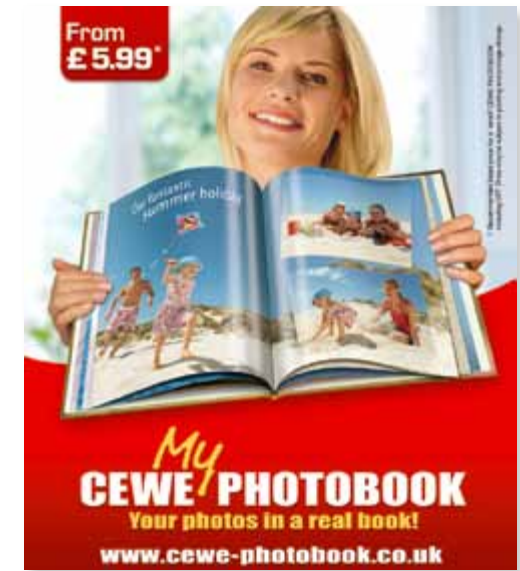
Large/Compact Panorama matt

Matt elegance: The Large and Compact Panorama CEWE PHOTOBOOK versions are now available also on matt photo paper. With impeccable attention to detail and exceptional depth of field in the photos, a special lay-flat binding method ensures there is no fold line in the middle. This is the perfect option for displaying photos on a double page.



XL/Large/Large Panorama glossy

Vivid memories: The XL, Large and Large Panorama CEWE PHOTOBOOK formats also shine on up to 98 pages of glossy photo paper. This ensures maximum luminosity of the colours in the photos.



PRODUCT INNOVATIONS 2011

CEWE GREETING CARDS

The personal touch: From invitations to thank you cards to individual congratulations, the CEWE greeting card range is sure to raise a smile. More than 1,200 designs mean almost unlimited diversity and scope, with something to suit every taste.

Folded cards with high-gloss finish

Glossy greetings: The new high-gloss finish on CEWE's folded cards guarantees a particularly exclusive look. Exactly the right choice for important people and occasions. Available in Classic or XL format with different designs, the folding cards can be ordered online in sets of ten with matching envelopes.



Individual greeting cards

Creative and individual pieces: Designed individually with photos and text, a greeting card remains a unique memory – regardless of the occasion. Individual CEWE greeting cards measure 13 × 18 cm and are also available in XL format. They can be sent directly to the recipient or collected from retail partner outlets.

CEWE WALL CALENDARS

New and personal every month: Variety is the spice of life when it comes to customised CEWE wall calendars and friends and family can enjoy their favourite motifs throughout the whole year.

Wall calendars

A brilliant year: The customer's own photos shine out radiantly from the dazzling calendar. CEWE's premium-quality, printed wall calendars can be customised using a wide variety of designs, layouts and days and dates.



Family calendars

For smart family managers: The twelve pages with days and dates in multiple columns mean that each month can be customised with personal photos and individual layouts. The A3-size or A4-size CEWE family calendar has room to clearly display all private appointments.



Three-month calendars

Handy overview: CEWE's three-month calendars are available in A3 and A2 format. They provide twelve pages with plenty of space for personal design and an optimum overview – ideal for scheduling personal and professional appointments and events.



PRODUCT INNOVATIONS 2011

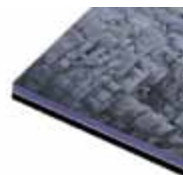
CEWE DEKO SHOP

Precision work: With UV direct printing, the ink is applied directly to the material and immediately hardened with ultraviolet light. Each drop of colour is precisely positioned to the micrometer using intelligent control systems. CEWE prints in seven colours using UV technology. A wide choice of colours guarantees maximum brilliance and the most homogenous coverage.



Four new high-quality materials

Living beautifully: CEWE's successful Deko Shop has added four high-quality materials to its collection: Gallery Print, acrylic glass, aluminium Dibond and rigid foam panels allow customers to hang large-scale favourite photos on the wall. These are available in 28 different sizes – from 20 × 30 cm to 100 × 150 cm and, on request, even come complete with picture hooks.



Exquisite eye-catcher: Gallery Print is an innovative type of photo presentation. This professional material is frequently used in exhibitions and galleries – and now also in the home thanks to CEWE. The 4 mm-thick acrylic glass provides outstanding depth of field and the aluminium Dibond on the back ensures excellent stability.



A dazzling presence: The photo behind the acrylic glass is clear with good depth. UV printing behind 5 mm-thick acrylic glass provides spatial depth and radiant colour.



A stable connection: Aluminium Dibond consists of a polyethylene core and two sheets of aluminium. As a particularly light and stable material, it is suitable for a broad range of applications. An exquisite, matt surface transforms photos into designer items.



An elaborate entrance: The rigid foam panel represents the entry into the world of high-quality wall decoration at CEWE. A 5 mm-thick, white PVC panel serves as the base. The photo is applied using UV printing, lending it a matt appearance.

CEWE PHOTO KIOSK

Print & go: The CEWE PHOTO KIOSK allows customers to print photos and other products directly in the retail outlet and take them home immediately. The new-generation CEWE PHOTO KIOSK has a larger screen, making it more user-friendly and also delivering more intense colours and sharper contrasts.



CEWE.print app

Customers can send their image data from various media to the kiosk: by CD, USB stick or memory card. They can also avail of two new options for transmitting their image data from their iPhone® to the PHOTO KIOSK: using AirPrint via WLAN or by using a special CEWE.print app.

Acrylic glass

Crystal-clear brilliance: Acrylic prints measuring 13 × 18 cm can now also be designed at the CEWE PHOTO KIOSK itself. The photo is printed right behind the acrylic glass, giving it depth and a fantastic shine.



Photo stickers

Customised stickers: CEWE photo stickers can now be designed at the CEWE PHOTO KIOSK itself and collected later from the retail outlet. They stick to a wide range of materials, making them ideal for personalising lunchboxes, pencil cases and other items. Depending on the size of the sticker, one sheet can fit between four and sixteen stickers, which can be arranged as desired.

RESULTS

Sales

- ▶ 2,497 million photos exceed the target corridor of 2,230 to 2,360 million photos in 2011
- ▶ Q4 again with growth (+3.7%), seasonal migration of volumes is levelling off, however
- ▶ Change in product mix of higher-quality products continues: photofinishing turnover per photo rises by 6.2%
- ▶ Growth rate of CEWE PHOTOBOOK as strong as ever: almost unchanged at +18.6%

In 2011, CEWE COLOR surpassed all sales targets:

| Figures in billion units | Target | Actual | Change |
|------------------------------------|------------------|------------|--------------|
| Digital prints | 2.0–2.1 | 2.25 | +9.8% |
| Prints from film | 0.23–0.26 | 0.25 | +2.0% |
| Total prints | 2.23–2.36 | 2.5 | +8.9% |
| CEWE PHOTOBOOKS (in million units) | 4.6–4.8 | 5.1 | +8.5% |

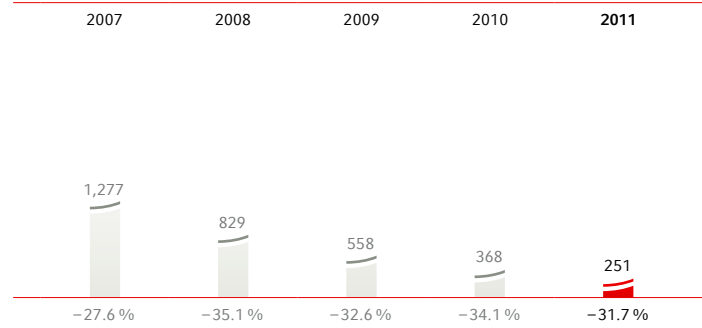
* Estimated on the basis of the average of the planned target corridor.

The total number of photos sold nearly corresponded exactly to last year's level, at 2.5 billion photos, thus surpassing the planned target corridor of 2.23 to 2.36 billion photos. The total number includes the sum of prints from analogue films and photos from digital data media as well as photos in CEWE PHOTOBOOKS, in photo calendars, on photo greeting cards or wall decorations, and on other photo gifts.

This encouraging development was supported by the rising number of digital photos, which was 9.8% higher than the average value of the planned target corridor of 2.0 to 2.1 billion photos, at 2.25 billion photos. The pace of growth even stepped up further in comparison to the previous year, at a rise of 5.5%.

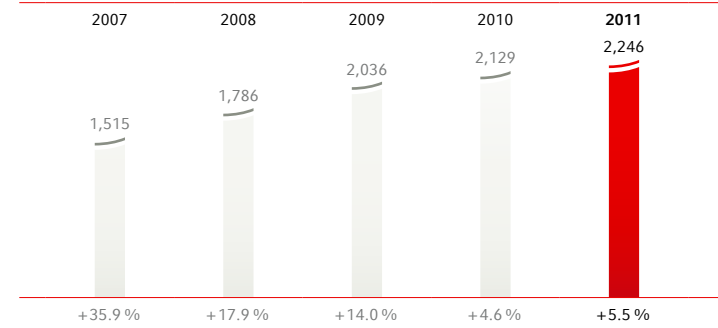
The number of photos from films declined by 31.7% to 0.25 billion as expected, and was thus at the upper end of the planned target corridor of 0.23 to 0.26 billion photos.

Prints from film in million units



Change to previous year

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



Change to previous year

Product mix change continues

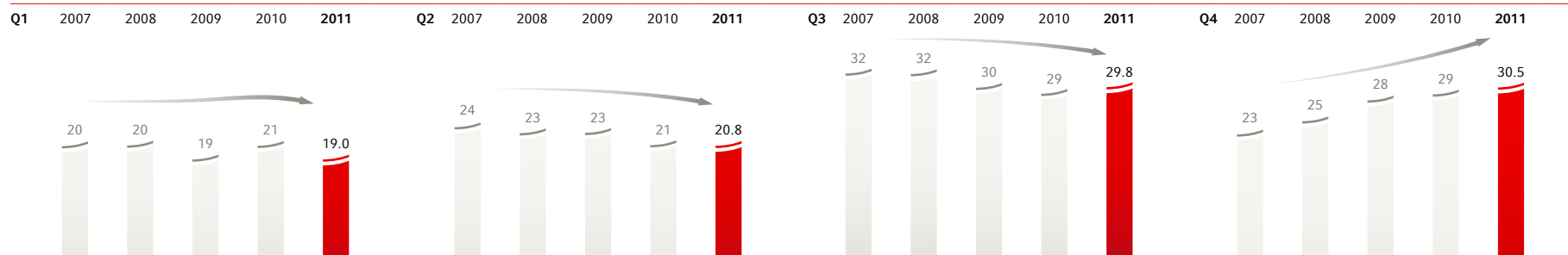
The product mix of CEWE COLOR is changing increasingly owing to the CEWE PHOTOBOOKS and the photo gifts. These product groups compensate the persistent decline of photos from films in the past years. Whereas the decline of photos from film is reported in all quarters of the year, the strong growing volumes of CEWE PHOTOBOOKS as well as photo calendars and greeting cards and other value-added products are particularly in demand in the fourth quarter. Many consumers appreciate these products as Christmas gifts, thus causing the seasonal profile of the CEWE business to noticeably shift towards the end of the year.

Fourth quarter again with growth, seasonal migration levelling off, however

The seasonal migration into the fourth quarter is also indicated by the performance of volumes in 2011: while the number of all photos remained constant to the previous year, it rose slightly in the fourth quarter, by 3.7 % to 761 million photos. In this quarter as well, analogue photos from film declined by 28.9 % to 48 million photos while the number of digital photos rose by 7.0 % to 713 million photos, thus more than compensating the decline. Therefore, the share of analogue photos from film was only 6.3 % in the fourth quarter, while 93.7 % of all photos already were digital (previous year: 90.8 %).

However, the seasonal migration into the fourth quarter levelled off with this development: although the share in volumes of the fourth quarter 2010 still rose by 1.7 percentage points to a share of 29.4 %, growth in 2011 was at 1.0 percentage points only, to a share of 30.5 %. Therefore, a new increasingly stable seasonal profile seems to be emerging.

Total photos – seasonal allocation in %



Change in product mix of higher-quality products continues

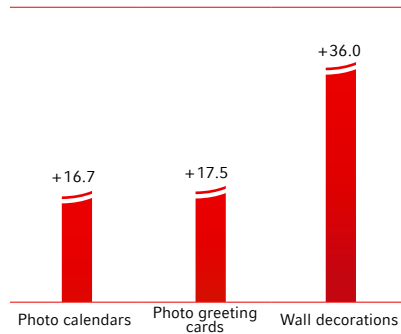
Consumers are becoming more selective and demand higher-quality photo products, first and foremost the CEWE PHOTOBOOK. This leads to a change in the product mix: the very large quantities of “simple” photo prints are increasingly being replaced by prints in value-added products, partly at lower quantities, but higher value – “From quantity to quality”. For example, turnover per photo in the year under review 2011 increased by 6.2 %. CEWE COLOR’s product mix thus changes increasingly in favour of the value-added products, such as the CEWE PHOTOBOOK.

| Q4 in million units | 2011 | 2010 | Change |
|-----------------------------|-------|-------|---------|
| Total prints | 761.1 | 733.8 | +3.7 % |
| – of which digital prints | 713.1 | 666.3 | +7.0 % |
| – of which prints from film | 48.0 | 67.5 | –28.9 % |
| CEWE PHOTOBOOK | 1.90 | 1.65 | +15.1 % |

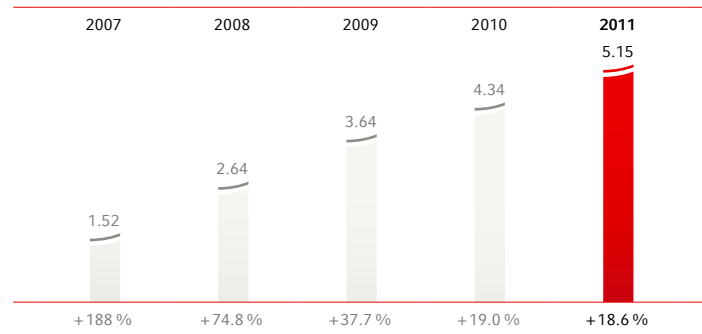
CEWE PHOTOBOOK with strong, nearly unchanged growth rate

With 5.1 million CEWE PHOTOBOOKS sold, the growth amounting to 18.6 % noticeably exceeded the planned growth rate of +7 % to +12 % on a year-on-year comparison. Therefore, CEWE COLOR succeeded in maintaining the level of growth nearly constant to that of the year 2010 (19 %). With respect to the number of individual photos counted in the CEWE PHOTOBOOKS, it is this product group that decisively contributed to the fact that the total number of photos was maintained constant in comparison to last year and against the market trend, at 2.5 billion photos. This confirms the change in the product mix: less prints of individual photos from analogue or digital data, more photos in the value-added photo products such as the CEWE PHOTOBOOK.

Increase of photo gift prints 2011 in %

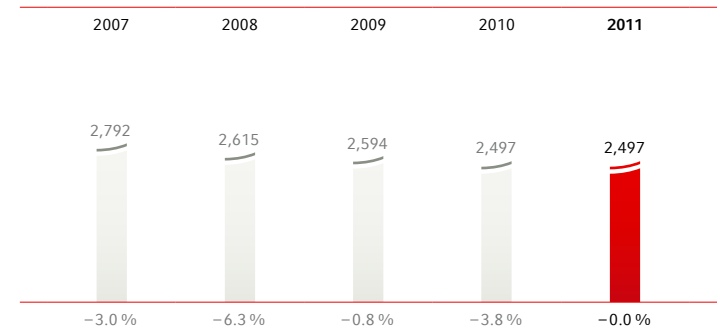


CEWE PHOTOBOOKS in million units



Change to previous year

Total prints in million units



Change to previous year

Other value-added products still with double-digit growth rates

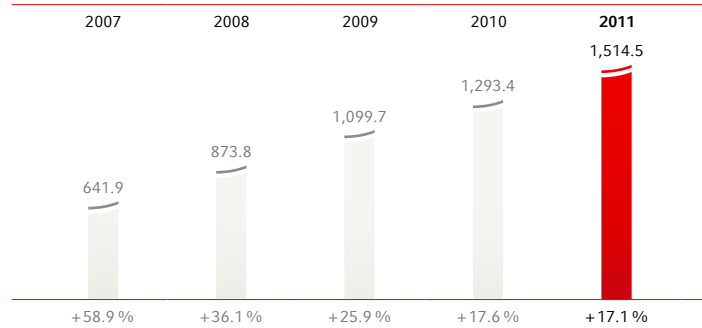
The sales of the other value-added products also report a dynamic growth. In the entire year 2011, photo calendars gained by +16.7 %, photo greeting cards by +17.5 % and wall decorations by +36.0 %, at double-digit growth rates.

The smart way "Online order, pick-up at the POS" reiterates CEWE positioning

The online orders of digital photos continued to grow strongly in 2011: more than 1.5 billion digital photos – and thus 17.1 % more than in the preceding year – were ordered online by the consumers. 54 % of these consumers selected picking up their completed orders at the POS of the CEWE COLOR dealers. Together with the photos ordered

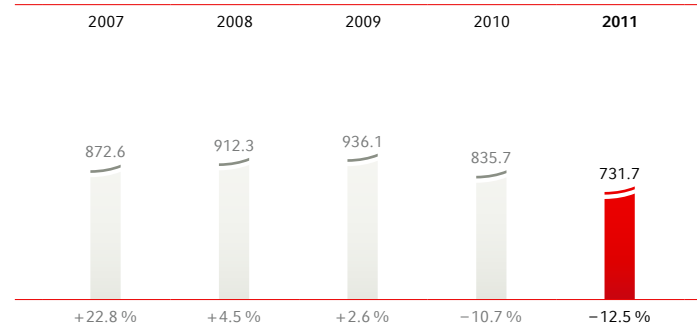
and picked up at the POS, 69 % in total (2010: 76 %) of all photos produced by CEWE COLOR were picked up personally in the shops. The still overriding significance of the POS as places of order and, above all, pick-up location, underlines the strength of the CEWE positioning as service provider of the trading partners.

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

Turnover

- ▶ *Total Q4 turnover rises by +7.3 % and thus forces the entire year to +5.0 % or 469.0 million euros*
- ▶ *Photofinishing sustains growth in turnover: 22.2 million euros growth in turnover, 20.9 million euros thereof stem from photofinishing*

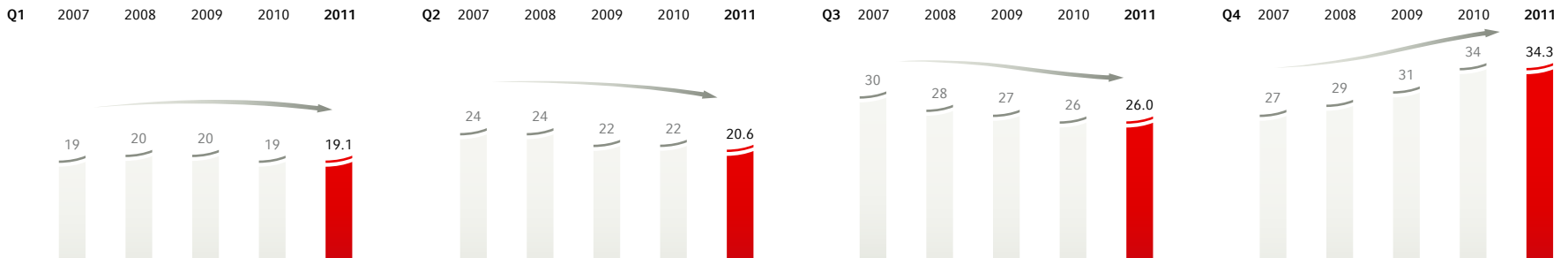
Targeted turnover exceeded:
total annual turnover up 5 % to 469 million euros

With 469.0 million euros, CEWE COLOR achieved a growth in turnover of 5.0 % in comparison to the previous year. Thus, turnover exceeded the targeted figures, which included a rise of up to 3 % to a maximum of 460 million euros.

Q4 turnover rises by 7.3 %

In the fourth quarter, turnover stepped up by 7.3 % to 161.0 million euros. Within the increased absolute total turnover, the shares of the individual quarters more or less matched last year's levels. Q4's share in annual turnover continuously increased during the past year, hitting a ceiling in 2010, at 34 %, which figure was now reiterated for 2011 as well. Alongside the flattening of the seasonal migration of volumes, a stabilisation of seasonal migration of turnover is thus becoming apparent in the year under review.

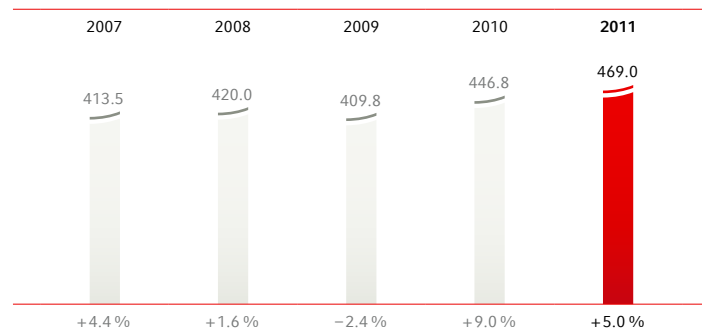
Development of CEWE turnover per season in % of revenue



Photofinishing sustains growth in turnover

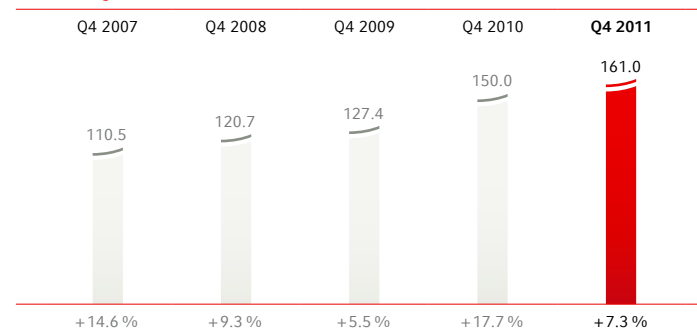
In all of 2011, turnover in the photofinishing segments (definition in the section "Segments") rose by 6.2 % to 356.9 million euros over the preceding year. During the same period, retail trade stepped up by 1.3 % to 112.1 million euros. Of the 22.2 million euros in total turnover growth, 20.9 million euros were accounted for by photofinishing, thus representing the lion's share. In this process, the increased demand for value-added photo products within the photofinishing segment was the decisive success factor. The change of the product mix in demand – away from "simple" prints to CEWE PHOTOBOOKS, calendars, greeting cards, wall decorations and other photo gifts, was the reason for the rise in turnover to 14.3 euro cents per photo (+6.2 % in comparison to the previous year) for all of 2011.

Turnover in million euros



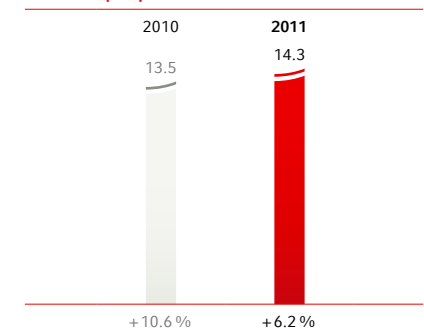
Change to previous year

Turnover Q4 in million euros



Change to previous year

Turnover per photo in euro cents



Change to previous year

Earnings and Structure of Income Statement

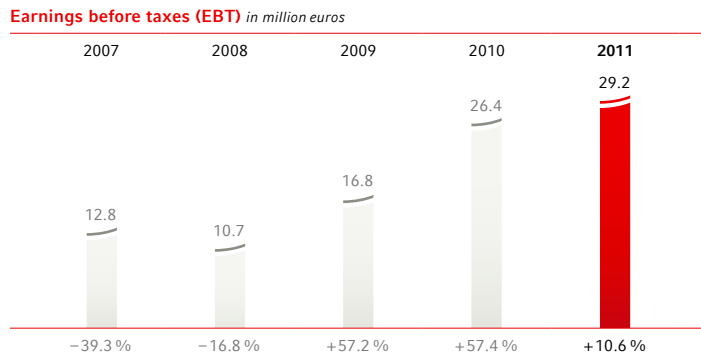
- ▶ **EBIT + 2 million euros or + 7.0 % to 30.1 million euros; margin increases to 6.4 %**
- ▶ **Further strong seasonal migration on the earnings level: Q2 and Q3 declining, Q4 generated 86 % of the annual EBIT**
- ▶ **Earnings per share up + 41 % to 2.84 euros**

All annual targets achieved in 2011; significant Q4 "has delivered"

The significant fourth quarter delivered the rises which were planned and announced. Thus, in addition to its sales and turnover targets, CEWE COLOR also achieved all targeted results in 2011.

| Figures in million euros | Target | Actual | Change* |
|----------------------------------|-----------|--------|---------|
| EBIT | 28–31 | 30.1 | +2.1 % |
| EBT | 26–29 | 29.2 | +6.1 % |
| Earnings after taxes | 16–19 | 18.6 | +6.2 % |
| Earnings per share (euros/share) | 2.36–2.80 | 2.84 | +10.2 % |

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



Change to previous year

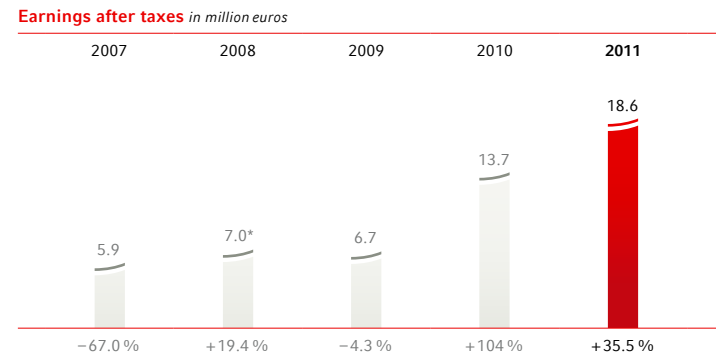
Results rising across the board

With gross proceeds having increased by 4.9 %, the main key earnings figures improved considerably in 2011: EBIT rose by 2.0 million euros to 30.1 million euros, driven by the fourth quarter, which improved by 4.0 million euros to 25.8 million euros. EBT rose by 2.8 million euros to 29.2 million euros; here, too, the increase by 4.1 million euros to 25.6 million euros was accounted for to a disproportionately high extent by the fourth quarter. Earnings after taxes rose by 4.9 million euros to 18.6 million euros. In the fourth quarter alone, CEWE COLOR raised earnings after taxes by 22.2 % to 18.1 million euros.

The driving factors behind this improvement are discussed in the following section on the structure of the income statement.

Margins increasing

The same positive development can be noticed in the margins. The EBIT margin rose from 6.3 % of turnover to 6.4 %; in the fourth quarter even from 14.5 % to 16.0 %. Likewise, the EBT margin went up to 6.2 % (Q4 2011: 15.9 %) and the margin after taxes to 4.0 % (Q4 2011: 11.3 %).



Change to previous year

* One-time effect on account of insurance benefits of 13.4 million euros.

Seasonal shift still apparent at the earnings level.

The seasonal shift described in the sections “Sales” and “Turnover” is continuing, and is even stronger at the earnings level. There are two reasons for this development: firstly, CEWE COLOR is generating a higher share of value added with its value-added products (e.g. CEWE PHOTOBOOKS, photo greeting cards and calendars as well as wall decorations). For this reason, these products also represent an opportunity to achieve higher earnings.

Secondly, the increased turnover and, therefore, the higher margin of the fourth quarter have practically the same fixed cost basis as the lower turnovers and margins of the other quarters. The higher degression of fixed costs thus enables higher results. (The traditional loss in the first quarter can be attributed to exactly the opposite effect – poor degression of fixed costs.) In addition, some of the marketing expenses aimed at supporting business in the fourth quarter are incurred in the third quarter.

Higher share of value added shifts income statement structure

The trend towards value-added products also changes the structure of the CEWE COLOR income statement: the cost of materials falls, the employee and other operating expenses rise. Furthermore, the end of the analogue-to-digital transformation-related investments is reflected by reduced depreciation. This should be taken into account in the following discussion on the income statement structure.

Less internally generated software capitalised

It should also be borne in mind that internally generated software is capitalised to a significantly reduced extent of 683 thousand euros in 2011 (2010: 1,455 thousand euros). This effect will have a sustained positive influence on the net income in the years to follow, since the corresponding depreciation will no longer be incurred.

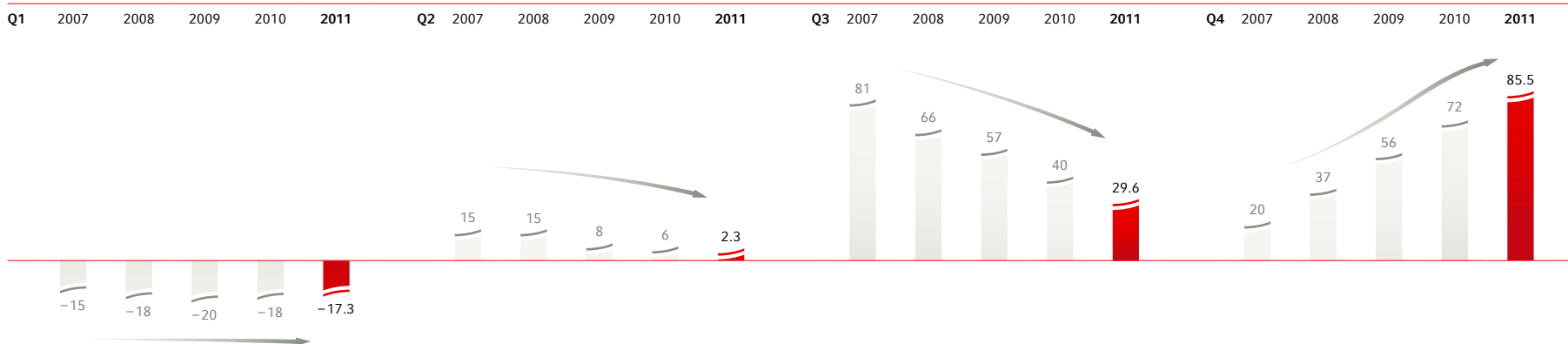
Decline of price gains alone reduces other operating income

Other operating income declined by 1.8 million euros to 23.1 million euros, i. e. by 0.7 percentage points to 4.9 % of turnover. This effect is fully attributable to gains from foreign exchange, i. e. not related to operations. Various other minor effects offset each other.

Page 44 | Sales

Page 48 | Turnover

EBIT before restructuring per season in % of EBIT



Cost of materials drops to 37 %

In 2011, the cost of materials rose in absolute terms by 5.0 million euros to 173.6 million euros, on account of the increased turnover. In relative terms, however, it decreased from 37.7 % to 37.0 %, owing above all to the fact that higher-quality printing paper and more common materials are now being deployed, reducing the amount of expensive special paper being used for the chemical development of photos.

Employee expenses rise to 23 %

The higher value added and the growing share in turnover of the value-added products is linked with additional employee expenses – both in production and in the area of overheads – for instance in marketing, product management and in IT. Both effects caused employee expenses to rise by 7.9 million euros to 108.5 million euros. Thus, the employee expenses ratio climbed from 22.5 % to 23.1 %. Since this effect is partially offset by the use of temporary workers in the production area, some of these expenses are also shown in other operating expenses.

Marketing causes other operating expenses to increase to 31.4 %

In particular, the further intensification of marketing activities increased other operating expenses by 9.3 million euros to 147.4 million euros. Roughly +4.5 million euros resulted from direct and indirect advertising expenses. In structural terms, this corresponds to an increase of 30.9 % to 31.4 %. This is also an aspect of the higher internally generated added value.

EBITDA influenced by changed structure

On the back of the increased other operating expenses (+9.3 million euros) and the higher employee expenses (+7.9 million euros), in a year-on-year comparison, EBITDA rose by a lower amount of 2.2 million euros to 63.6 million euros. Both effects are expected to return in 2012. It should also be noted that CEWE COLOR reported fewer gains from foreign exchange (–2.4 million euros) as well as non-recurring valuation adjustments on receivables from two major retail customers (–1.0 million euros) who ran into economic difficulties. Furthermore, the sustained reduction of depreciation fed by decreased investments is not included in the EBITDA figure.

Decreased investments and end of restructuring cause depreciation to drop to 7.1 %

In the past years, significantly fewer investments were necessary than in the peak phase of the analogue-to-digital transformation, i. e. in the years around 2005. Furthermore, 2.2 million euros of restructuring costs were incurred in 2010 for the conversion of the site in Bratislava, the major portion of which (2.0 million euros) was accounted for by depreciation. These two effects account for roughly one half each of the decline in depreciation: while depreciation was 37.7 million euros (8.4 % of turnover) in 2010, it amounted to just 35.7 million euros (8.0 %) before the effects of restructuring and again declined to 33.5 million euros (7.1 %) in 2011, although it still exceeded investments (30.3 million euros).

Special effects offset each other: restructuring and foreign currencies

The improvement of EBIT in 2011 by 2.0 million euros is thus mainly attributable to the non-recurring effect of the discontinued restructuring expenses amounting to 2.2 million euros. At the same time, however, additional negative foreign currency effects of 2.3 million euros influenced EBIT in 2011 (1.8 million euros fewer gains on foreign currencies, 0.5 million euros more losses on exchange rates), i. e. also a non-operational effect. Positive and negative special effects therefore balanced each other out in 2011. The EBIT margin improvement shown in the balance, however, is fully attributable to operations.

Reduced outside capital lowers funding expenditure by 0.8 million euros

In the year on average, gross financial indebtedness fell by approx. 11 million euros, whereas cash and cash equivalents rose by approx. 9 million euros. This was the main reason why the funding expenditure declined by 0.8 million euros.

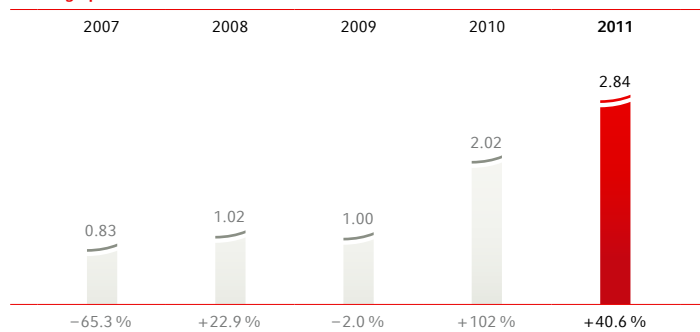
Tax expenses drop by 2.1 million euros

In 2010, special tax expenditure of 3.0 million euros was incurred because the tax authorities did not accept a debt waiver of receivables by the German against the French CEWE COLOR company in 2010.¹ The 2011 financial year was not affected by this special tax effect. However, due to the increased results, higher income taxes were incurred, thus reducing the tax expenses on balance by 2.1 million euros.

Earnings per share thus rise by a healthy 41 %

Earnings after taxes increased by 35.5 %. Owing to the repurchase of shares in 2011, the number of average outstanding shares declined from 6.79 million to 6.54 million shares. These two effects are responsible for the significant rise in earnings per share from 2.02 euros to 2.84 euros (40.6 %).

¹ A detailed description of the waiver of debt can be found in the 2008 financial statements, in particular on page 26 et seq.

Earnings per share in euros

Change to previous year

Q4 in million euros

| | 2011 | 2010 | Change |
|-----------------------------|------|------|---------|
| Earnings before taxes (EBT) | 25.6 | 21.5 | +19.1 % |
| Earnings after taxes | 18.1 | 14.8 | +22.2 % |

Segments

Page 119
Segment Reporting

Clear classification of segments according to IFRS 8

CEWE COLOR reports in the four photofinishing segments Central Europe, Benelux, Western Europe and Central Eastern Europe. The retail activities are summarised in the fifth segment.

CEWE COLOR allocates the turnover to the product categories that generate the turnover: turnover with photofinishing products – i. e. photos from film, digital photos, CEWE PHOTOBOOKS, photo calendars and greeting cards as well as other photo gifts and personalised products – is allocated to the photofinishing segment. Apart from the turnover generated with the trading partners, this also includes turnover generated by the CEWE COLOR subsidiaries with consumers in various countries. Turnover from hardware sold without further processing, for instance, cameras and accessories, is allocated to the segment retail trade.

| Sales to external third parties <i>in million euros</i> | 2011 | 2010 | Change |
|---|--------------|--------------|---------------|
| Photofinishing | 356.9 | 336.0 | +6.2 % |
| Retail | 112.2 | 110.8 | +1.3 % |
| Total | 469.0 | 446.8 | +5.0 % |

| Sales development by segments <i>in million euros</i> | 2011 | 2010 | Change |
|---|--------------|--------------|---------------|
| Photofinishing – Central Europe | 249.7 | 231.1 | +8.0 % |
| Photofinishing – Western Europe | 44.6 | 43.5 | +2.5 % |
| Photofinishing – Benelux* | 32.5 | 33.0 | -1.7 % |
| Photofinishing – Central Eastern Europe | 30.2 | 28.4 | +6.3 % |
| Retail | 112.2 | 110.8 | +1.3 % |
| Group | 469.0 | 446.8 | +5.0 % |

* No production plants, only distribution branches.

For information on the adjustment of the previous year's values, please refer to the notes on page 119. This did not give rise to any effects on the net worth, financial and earnings position.

Unless otherwise stated, the notes regarding the segment turnover always refer to the nominal values, i. e. including currency effects.

Central Europe: turnover increased by 18.6 million euros

The marketing measures in Central Europe were again very successful in 2011: turnover rose by 8.0 % (Q4 2011: 9.7 %) to 249.7 million euros (Q4 2011: 97.0 million euros). Central Europe thus reports the strongest rise in turnover of all segments. Moreover, with an EBIT margin of 9.7 % (Q4 2011: 20.4 %), Central Europe also reports the highest margin of all segments, with the Q4 margin slightly exceeding last year's level. On account of the preparation for the Christmas business, however, additional expenses were incurred in the third quarter 2011, reducing the margin for 2011 as a whole.

| EBIT by segments <i>in thousand euros</i> | 2011 | 2010 | Change |
|---|---------------|---------------|---------------|
| Photofinishing – Central Europe | 24,187 | 26,498 | -8.7 % |
| Photofinishing – Western Europe | 1,207 | 1,152 | +4.8 % |
| Photofinishing – Benelux* | 1,204 | 474 | +154 % |
| Photofinishing – Central Eastern Europe | 1,110 | -1,815 | — |
| Retail | 2,419 | 1,843 | +7.9 % |
| Group | 30,127 | 28,152 | +7.0 % |

* No production plants, only distribution branches.

Western Europe: EBIT contribution rises by 12.1 million euros

Turnover in the Western Europe segment (France and the UK) increased over the entire year by 2.5 % to 44.6 million euros, and the EBIT margin rose slightly from 2.6 % to 2.7 %. The fourth quarter contributed significantly to this result: turnover rose strongly by 13.4 % to 14.1 million euros. The EBIT margin rose from 5.0 % to 13.8 %.

Thus, the restructuring measures implemented in France in the preceding year are paying off.

Benelux: profit increases significantly

Benelux is the only segment reporting sluggish market development. This is also reflected by the slight reduction in turnover, by 1.7 % to 32.5 million euros, contributed to in particular by the fourth quarter, which reported a decline of 0.7 million euros to 8.6 million euros. This reduced the fourth quarter margin from 6.0 % to 4.6 %. Overall, however, Benelux was able to raise its EBIT from 0.5 million euros to 1.2 million euros, thus increasing the margin from 1.4 % to 3.7 %.

In comparison with the other segments, it should be noted that Benelux, the only marketing segment without its own production, cannot match the margins achieved in the year as a whole and especially in Q4 due to producer margins e. g. in the highly productive Central Europe segment.

Central Eastern Europe: fourth quarter sees elimination of exceptional charges

The Central Eastern Europe segment combines the laboratories and activities in Poland, the Czech Republic, Slovakia and Hungary as well as the marketing activities in other eastern and south-eastern European countries. In 2011, turnover in these countries rose by 6.2 % (Q4 2011: +1.9 %). EBIT also developed favourably: the annual EBIT margin rose from 1.4 % in the previous year (taking into

account the restructuring effect of Bratislava: from –6.4 % to 3.7 % of turnover. At the same time, the significant fourth quarter was able to raise its contribution to turnover from 15.4 % to 19.2 %.

Own retail trade with important functions

CEWE COLOR operates multi-channel retail chains (i. e. outlets and Internet shops) in Poland, the Czech Republic, Slovakia as well as in Norway and Sweden, under the brands Fotojoker, Fotolab, Japan Photo. This retail trade fulfils important functions for CEWE COLOR: firstly, it is a significant channel of distribution for the CEWE COLOR laboratory services – particularly in Central Eastern Europe. The respective turnover and revenues are shown in the photofinishing segments. Secondly, CEWE COLOR has the opportunity to test new marketing strategies for digital value-added products – first and foremost the CEWE PHOTOBOOK – directly in the Internet and in the outlets. Thus, CEWE is able to further develop its basic industrial know-how with respect to this important task. Thirdly, this know-how can then be passed on to the trading partners. The CEWE COLOR retail trade provides important examples of this knowledge transfer.

Retail trade raised EBIT margin to 2.2 %

In 2011, the retail trade had to shoulder two extreme events, the tsunami disaster in Fukushima and the dramatic flood in Thailand, both of which had a major impact on the supply situation. Despite the resulting bottlenecks, the CEWE COLOR retail trade succeeded in raising turnover by 1.3 % in 2011 (Q4 2011: 4.2 %). This was above all accounted for by shrewd pricing, which also contributed quite substantially to the outstanding 1.7 % increase in margin to 2.2 % (Q4: from 4.8 % to 5.2 %). Thus, the retail trade was able to contribute 2.4 million euros (2010: 1.8 million euros) to group EBIT.

Statement of Financial Position and Financial Management

- ▶ *Non-current effectiveness of assets declines further, since depreciation still exceeds investments*
- ▶ *Operating working capital reduced once more, by 4.0 million euros, from 24 days coverage to 20 days*
- ▶ *Despite major increase: annual surplus 2011 passed on to shareholders by dividend payment and share repurchases at 82 %*
- ▶ *Sound cash position increases statement of financial position and provides a good basis for acquisition of Saxoprint GmbH in Q1 2012*

The focus here is on the year-on-year comparison, i. e. on the comparison of the respective year-end positions of 2011 and 2010. If, however, in comparison to the year-end position of September 30, 2011, the fourth quarter generated any developments worth mentioning, this is addressed.

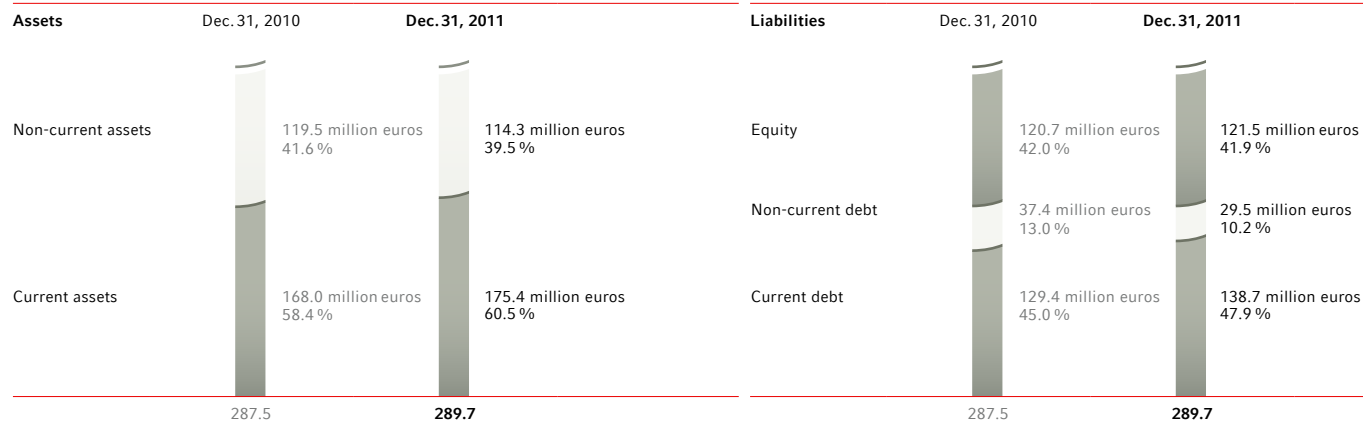
Favourable cash item trend increases the statement of financial position

In the year-on-year comparison, total assets rose again slightly by 2.2 million euros to 289.7 million euros in 2011. Once again, the favourable cash development is responsible for this. During the course of the year, inflowing funds rose by a respectable 7.4 million euros. A counter-effect was created above all by the scheduled reduction of non-current assets (–5.2 million euros).

Non-current effectiveness of assets declines further

This reduction of non-current assets to 114.3 million euros is mainly caused by the decline in fixed assets (–1.3 million euros to 79.2 million euros) and the intangible assets (–3.3 million euros to 13.0 million euros). At the end of the analogue-to-digital transformation years, which were dominated by investments, write-offs now again exceeded

Statement of financial position in million euros and in %



investments. Thus, fixed assets saw the continuation of a long-term trend: since 2002, fixed assets have declined from 122.2 million euros to 79.2 million euros, also on account of the reduction of the number of production plants. Intangible assets as an important factor in the digital world rose from 8.0 million euros (2003) to over 20 million euros (2007 and 2008). However, they have declined ever since because the photofinishing functionality was further perfected, and thus less capitalised, at only 683 thousand euros in the year under review after 1,455 thousand euros in the previous year. It is only logical that in photofinishing – contrary to commercial printing – internally generated software was capitalised to a noticeably lesser extent in 2011. This resulted in a reduction of 772 thousand euros. The existing software continued to be subject to scheduled depreciation, thus reducing intangible assets by a further 3.3 million euros to 13.0 million euros in 2011.

Christmas season raised fixed assets in fourth quarter

Although this very long-term trend of reducing fixed assets is clearly recognisable, fixed assets still increased by 3.1 million euros in Q4 2011. In order to efficiently work through the annual order peak, CEWE COLOR commenced operations at further production facilities, sorting facilities etc. as well as another computer centre with additional servers, in the fourth quarter of 2011.

Operating net working capital reduced by 4.0 million euros

On the assets side, the apparent items of operating working capital (inventories and trade receivables) increased due to turnover – albeit at a disproportionately low rate – by a total of 3.6 million euros to 125.9 million euros. At the same time, however, current trade payables on the liabilities side expanded by 7.6 million euros to 90.2 million euros

during the course of the year; therefore, CEWE COLOR successfully reduced the net operating working capital by 4.0 million euros – despite a higher volume of turnover. CEWE COLOR thus successfully reduced the coverage of net working capital (expressed in terms of turnover days) from 24 days (as at December 31, 2010) to 20 days (as at December 31, 2011). Furthermore, other current receivables and assets on the assets side decreased by 3.4 million euros, which included claims for bonuses by the CEWE COLOR retail trade, causing the working capital to decline even further. Within the fourth quarter of 2011, the operating net working capital declined by a further 3.9 million euros. However, the gross working capital grew seasonally by 26.6 million – above all, trade receivables increased on account of the delivery peak around Christmas by 20.9 million euros. However, the material used for this purpose was primarily responsible for an increase in current trade payables by a full 30.5 million euros.

Sound cash position as basis for acquisition in 2012

In addition, contrary to the above-mentioned reduction, current other receivables and assets posted an increase of 8.7 million euros in the fourth quarter 2011. Similar to 2010, this is attributable to 11.0 million euros of funds which were invested for more than three months, and thus no longer fulfilled the definition of cash and cash equivalents. These 11.0 million euros can therefore be added to the reported item of cash and cash equivalents of 30.8 million euros. If the reported cash and cash equivalents are reduced by the gross financial debt, a net cash position of 6.7 million euros results. The sound cash position was a good basis for the business acquisition made in the first quarter of 2012; this acquisition was virtually financed by cash and cash equivalents alone (December 31, 2011: 30.8 million euros), as explained in the section “Special Events Following the End of the Financial Year”.

Nearly all annual surplus distributed to shareholders

During the course of the year, equity increased by only 0.8 million euros to 121.5 million euros, since CEWE COLOR distributed around 82 % of the annual profit after taxes (18.6 million euros) to the shareholders: 8.5 million euros dividend were paid to the shareholders and 6.8 million euros were spent on the repurchase of shares. Furthermore, foreign currency effects of 2.7 million euros had a negative impact, resulting in an increase of equity by 0.8 million euros, apart from some other smaller effects.

Financial debts redeemed as scheduled

Non-current debts declined by 7.9 million euros to 29.5 million euros. The reclassification of non-current financial liabilities due to the reduced residual term to current financial liabilities to the amount of 7.4 million euros is mainly responsible for this. Other current financial liabilities which are about to expire were redeemed as scheduled, so that the item now only increased by 0.8 million euros to 7.4 million euros. Overall, gross financial debt thus declined by 6.6 million euros to 24.1 million euros.

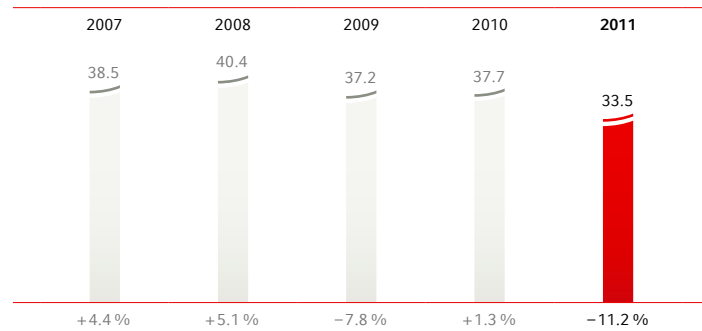
Debt rose through seasonal migration and increase in turnover

Despite the lower rise of current financial liabilities, total current indebtedness rose by 9.3 million euros to 138.7 million euros over the year. This was a consequence of the rise in turnover in the Christmas quarter when current trade liabilities increased (by 7.6 million euros, see above) and the strong results raised the current tax liabilities. Current other liabilities increased by 1.3 million euros.

Total indebtedness thus rose by 1.4 million euros.

As a sound statement of financial position, the golden rule for statements of financial position has again been observed: non-current assets (plus inventories, if applicable) are covered by equity (plus non-current external capital, if applicable).

Amortisation/depreciation in million euros



Change to previous year

Cash Flow

- ▶ *Cash flow from operating activities (and special effects): +7.3 million euros to 60.3 million euros*
- ▶ *Investment target of 30 to 32 million euros clearly adhered to: 30.3 million euros invested*
- ▶ *Q4 cash flow extremely significant: 85 % of the adjusted free cash flow*

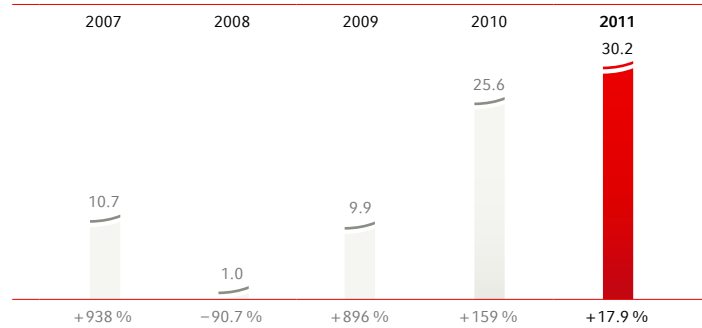
Cash flow from operating activities rises by 7.3 million euros to 60.3 million euros in 2011

EBIT as the basis for the CEWE COLOR cash flow calculation is adjusted when calculating the EBIT-induced cash flow, e. g. by taking into account the write-offs. Whereas EBIT for 2011 showed a gain of 2.0 million euros over the previous year, the lower write-offs are reversing the situation: in 2011, EBIT-induced cash flow declined by 5.5 million euros to 62.6 million euros, above all accounted for by the reduction of write-offs by 4.2 million euros.

The working capital- and tax-induced cash flow improved significantly by 12.8 million euros from –15.2 to –2.4 million euros, thus resulting in a 7.3 million euros increase in the cash flow from operating activities, to 60.3 million euros.

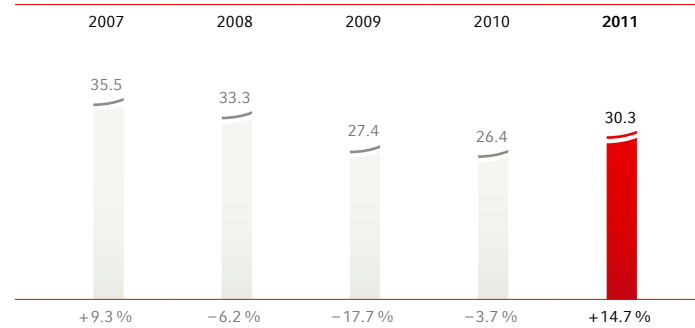
The following effects influenced the cash flow: CEWE COLOR invested 10.0 million euros for longer than three months in the fourth quarter of 2010 – which encumbered the cash flow as investment in other working capital. In the second quarter of 2011, this investment was reversed, thus increasing cash flow. In addition, CEWE COLOR again invested 11.0 million euros for over three months in the fourth quarter of 2011. Consequently, the operating cash flow of the year 2010 is to be upwardly corrected by 10 million euros, and that of 2011 by 1 million euros. As a result, the 2011 adjusted cash flow from operating activities, at 61.3 million, was 1.7 million euros under the level of the 2010 financial year (63.0 million euros). This difference, however, is only caused by the fact that, in 2010, the operating working capital could be reduced by 1.9 million euros more than in 2011

Free cash flow in million euros



Change to previous year

Investments in million euros



Change to previous year

(reduction in operating net working capital 2010: 5.9 million euros; in 2011: 4.0 million euros). In view of the growth in turnover, the working capital could only be achieved by a further reduction in coverage from 24 to 20 days. Taking this change into consideration, too, the adjusted cash flow from operating activities of financial 2011 exceeds last year's value by 0.2 million euros.

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Consolidated Statement of Cash Flows

Cash flow from investing activities rises to 30.0 million euros

The outflows from investments in fixed assets were 30.3 million euros. This total investment also corresponds to the targeted investments of 30 to 32 million euros. The increase as compared to the amount invested in the previous year (26.4 million euros) became necessary to cope fully with the higher volumes in the seasonal peak of the fourth quarter. Of these 30.3 million euros, 25.3 million euros were invested in fixed assets, 4.5 million euros in intangible assets, and 0.5 million euros in property held as financial investment.

In the area of fixed assets, 6.7 million euros were used for the presence at the point of sale. A further sum of 10.9 million euros was invested in digital printing and its further processing. 4.7 million euros were spent on the development of IT infrastructure. The remaining 3.0 million euros include investments in building, vehicle fleets and other equipment.

Taking into consideration the inflow of funds from disposals, the result is a cash flow from investing activities of 30.0 million euros.

Free cash flow rises by 18 % to 30.2 million euros

Hence, the reported free cash flow of 25.7 million euros in the previous year rose to 30.2 million euros in 2011 – an increase of 4.6 million euros. Taking into account the above-mentioned investment of funds with a term of more than three months, an adjusted free cash flow of 31.2 million euros was generated in 2011, after 35.6 million euros in 2010.

Q4 shows strong cash flow

In the fourth quarter 2011, the EBIT-induced cash flow rose by 2.4 million euros to 34.6 million euros. The working capital- and tax-induced cash flow rose by 1.8 million euros to –8.2 million euros. Hence, the cash flow from operating activities rose by 4.3 million euros to 26.4 million euros. A closer examination of the fourth quarter shows that – in light of the investment of funds explained above – the fourth quarter of 2010 is to be increased by 10 million euros, and by 11 million euros in 2011. The adjusted cash flow from operating activities then amounts to 37.4 million euros, after 32.1 million euros in the previous year.

As already explained in the section “Statement of Financial Position”, investments were made in the required expansion of capacities above all in the fourth quarter; cash flow from investing activities was therefore –11.0 million euros, after only –8.1 million euros in the same quarter last year.

Accordingly, the reported free cash flow of Q4 amounted to 15.4 million euros (2010: 14.1 million euros). Adjusted to take out the above-mentioned investments, it amounted to 26.4 million euros (2010: 24.1 million euros). As in the results, the fourth quarter is of decisive significance for the free cash flow: 85 % of the adjusted free cash flow were generated in the fourth quarter of 2011.

Return on Capital Employed

- ▶ Capital employed again reduced by 6.3 million euros to 158.5 million euros
- ▶ 12-month ROCE steps up from 17.8 % to 19.8 %
- ▶ With the phasing out of analogue-to-digital transformation: return on capital at least doubled in the past five years

Core capital employed further reduced

At year-end 2011, the capital employed dropped by 6.3 million euros to 158.5 million euros. This included financial funds to the amount of 41.8 million euros (cash and cash equivalents 30.8 million euros, financial assets in short-term other receivables and assets 11.0 million euros). Outside of this seasonal peak, CEWE COLOR operates with cash and cash equivalents amounting to up to 5 % of turnover. At year-end 2011, these amounted to 23.5 million euros. Cash and cash equivalents in the amount of 18.3 million euros were thus available. The reasons for this increase in cash and cash equivalents were explained in the section "Statement of Financial Position".

Adjusted for this amount, the core capital employed at December 31, 2011 amounted to 140.2 million euros, -13.6 million euros less than at the end of the previous year.

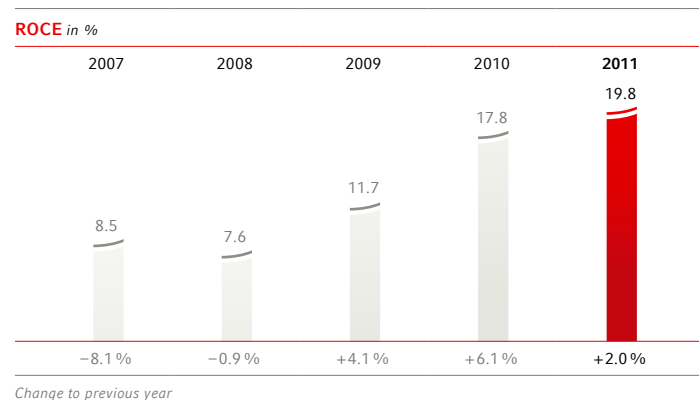
Average capital employed reduced

When we consider the return on capital employed, the total profit for the year is offset against the average capital employment in the same

year. When we divide the profit by the capital employed, we get a return on capital employed. Calculated on the basis of the four quarterly record dates, the average capital employed in 2011 amounted to 152.4 million euros, a reduction of 5.9 million euros compared to last year's corresponding period.

Yield continues to rise: ROCE rises from 17.8 % to 19.8 %

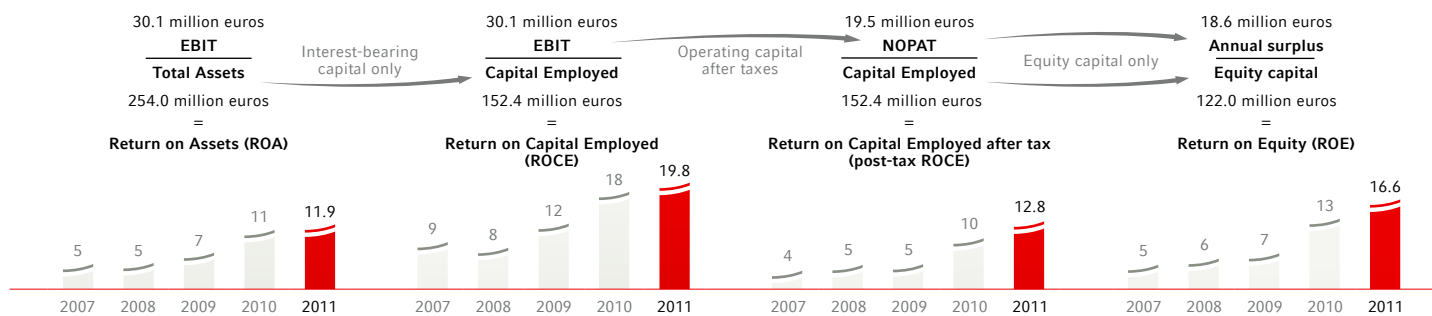
In 2011, EBIT (see the section "Earnings and Structure of Income Statement") increased from 28.2 million euros to 30.1 million euros. In relation to the average capital employed, this shows a continuous rise of ROCE from 17.8 % in 2010 to 19.8 % in 2011.



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Earnings and Structure of Income Statement

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Statement of Financial Position and Financial Management

From the total return on capital to return on equity in % (sample calculation for 2011)



Capital employed: doubled during the past five years

As documented by the following graphic, ROCE was continuously increased during the past years; this was, for example accounted for by the rise in earnings through value-added products, the end of the

analogue-to-digital transformation-related restructuring, the corresponding reduction of fixed assets and the ongoing efforts regarding the working capital.

General Statement on the Economic Situation

Based on the development during the course of the financial year, the Board of Management makes a positive assessment of the economic situation.

The section “Results” contains a detailed discussion of the developments in the turnover, results, structure of the income statement, statement of financial position, financing cash flow and return on capital employed: all corporate targets were either reached or exceeded in 2011. The 2010 results were surpassed.¹

Particular mention must be made of the branded product, the CEWE PHOTOBOK which, with an almost constant relative rate of growth, saw a further considerable increase in sales. It is above all this product, but the other value-added photofinishing products as well, which compensate the decline of individual silver-halide-based digital photo processing, thus representing an important pillar of the CEWE COLOR strategy. In this regard, it is especially the area of value-added photofinishing products which is benefitting from the megatrend of individualisation.

As set out in the segment report, the retail trade not only plays a role through its contributions to earnings from the sales of photo hardware: it also serves as a photo marketing showcase for the CEWE COLOR

trading partners and as a distribution channel for photofinishing products in various countries. The retail trade is quite successful in this role.

CEWE COLOR has identified its third pillar as online printing. CEWE COLOR is well positioned for this strongly growing segment of the large printing market thanks to a number of competencies acquired in photofinishing: online marketing, placing and receiving online orders, processing of digital orders, digital printing production, mail order dispatch as well as all supporting systems such as online payment, customer service via various means of communication, etc. have been part of the core competencies of CEWE COLOR in photofinishing for many years now. What was missing was offset printing, which would also permit the efficient production of larger numbers of copies. The acquisition of Saxoprint in 2012 provided CEWE not least with new, highly-efficient and recently installed offset production facilities, including an established online job flow and a growing customer base. Thus, the intended third pillar of CEWE COLOR has now achieved considerable size and strength.

Business at the beginning of 2012 also lived up to the expectations of the Board of Management, and has confirmed the Board in the targets set for the 2012 financial year in the section “Report on Expected Developments”.

¹ With the exception of photos from film, which have been declining for years (analogue photos).

CORPORATE FUNCTIONS

Marketing and Sales

CEWE PHOTOBOOK as a branded article

CEWE COLOR faces a number of competitors in the Internet as well as in the retail outlet sector. To clearly distinguish itself from the competition, the CEWE PHOTOBOOK was established as a branded article in 2005 and is now known throughout Europe. This positive development is substantiated by steadily rising values in market research studies into brand recognition and awareness. Last year, the photo service supplier endeavoured to emphasise more clearly the brand characteristic of "quality". In addition, CEWE wanted to add an emotional component to the brand. All strategic and integrated measures of communication in the areas of PR, marketing and sponsorship were again orientated towards boosting sales.

Apart from numerous product innovations in the premium sector, CEWE COLOR introduced the 100 % Satisfaction Guarantee with the aim of further improving the quality of the branded product and communicating this characteristic more effectively to the public. In the event of a customer not being satisfied with his CEWE PHOTOBOOK, he can decide whether to repeat the order or have his money reimbursed.

CEWE COLOR focussed on emotions in its new TV spots. The CEWE family experiences "Holiday", "Wedding" and "Children" situations in three different versions of the spot. These spots were broadcast in the summer of 2011. During the Christmas campaign, Philipp Lahm, who is a friend of the brand, was integrated in the TV spots. The two seasonal peaks – holiday time and Christmas – were marked by adverts in print publications and PR measures were deployed alongside the TV advertising campaign.

Increased online presence


CEWE COLOR's business is increasingly influenced by the fact that the Internet as an order channel is continuously gaining significance in Europe. Accordingly, the online communication measures are constantly being optimised and expanded – in particular the SEO and SEM activities. The websites of our trading partners are another significant integral part of this process. Here, CEWE designs the "Photo" section. Apart from its own measures, CEWE COLOR also coordinates all the online marketing measures and newsletter editions of its trading partners.

In 2011, online marketing also focussed on the Christmas season. For this reason, CEWE launched a major banner campaign during the last five weeks of the past year. This campaign resulted in 120 million contacts, which directly paid off in terms of brand awareness.

Last year, the company's websites including their various sub-sites (www.cewe-fotobuch.de, www.cewe.de and www.cewecolor.de) were standardised and improved with respect to usability and navigation. The websites serve as information platforms for CEWE's entire product portfolio, offer tips for the design of photo books and links to various trading partners, and also provide a forum. In addition, all customer service contact details are provided on the websites.

On our www.cewe-photobook.co.uk website, under the category "Customer Examples", we give our customers the opportunity to present their own CEWE PHOTOBOOK; this category is divided into different topics. On this page, they can upload their own CEWE PHOTOBOOK, thus providing access for others. Anyone interested may evaluate the books and submit their comments. This exchange not only gives customers ideas in designing photo books for their

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

 [www.cewe-photobook.co.uk/
photobook-samples.php](http://www.cewe-photobook.co.uk/photobook-samples.php)

own upcoming events, it also encourages them to interact more intensively with the CEWE PHOTOBOOK, which in turn increases brand recognition.

For this reason, CEWE expanded the area of social media in 2011. In particular, CEWE COLOR makes use of Facebook for social networking with end consumers for its bestselling CEWE PHOTOBOOK. On Facebook, the company features news on competitions, photography, new products and on the company itself. The number of fans rose continuously during the past year.

CEWE COLOR regularly initiates photo competitions for the most important events of its target groups, with the objective of continually feeding consumers with new ideas. Participation generates customer loyalty and traffic for the websites. In its “My hobby and me” competition, the photo service provider was able to link the CEWE PHOTOBOOK with new contexts and to access a new target group segment.

Strong performance at the POS

A sales-orientated and attractive presentation of the products promotes sales and revenues – which is why CEWE COLOR initiated a POS marketing campaign for the CEWE PHOTOBOOK in recent years. Based on this, CEWE COLOR offered its trading partners extensive support with respect to instore design in 2011, too. Here, a trend is also emerging towards individualisation with separate partner weblinks. CEWE COLOR is responding to this with a special service: customised presentation options for orders placed by customers via the Internet.

These options consist of an extensive assortment of shop components, advertising and information material. In addition, the company supplies its partners with sample books in different decors. Moreover, in 2011 the product range was expanded to include samples of other photo products such as calendars, greetings cards, wall decorations and photo gifts.

The opening of the first CEWE flagship store in Berlin in conjunction with its retail partner Picture Point was a special highlight in April 2011. Apart from over 250 copies of the CEWE PHOTOBOOK, CEWE COLOR also displays its versatile Deko Shop featuring wall decoration ideas in a large sales area: from posters to photos on canvas through to high-quality prints mounted on Alu Dibond behind acrylic glass. Photo greeting cards and calendars by CEWE COLOR are also available. The customer can produce some of the products in the shop to take away. Other products are composed online and then picked up after being processed by Picture Point.

Effective PR campaigns in all media categories: CEWE COLOR and its photo products

CEWE COLOR’s PR strategy is based on marketing and sales targets. For this reason, public relations are aimed at different target groups, such as the general media and the specialist media. In 2011, the company succeeded in positioning the branded CEWE PHOTOBOOK product to a greater extent in mass audience public media by using a variety of measures, such as event-related press information with added value for the journalists, thus increasing the company’s profile among relevant stakeholders. The success is documented by a total of 216 million printed copies in 2011. Beyond this, special measures such as editorial visits were able to generate spillover effects from the CEWE PHOTOBOOK branded product to wall decorations, individual greeting cards, photo calendars and gifts.

Research and Development

Order applications further improved

The order applications, which again received several awards in 2011, were successfully developed.

The CEWE PHOTO KIOSK won in a comparison of the leading kiosk systems thanks to its usability and the large number of order options. Ordering from the CEWE COLOR plants is as simple as on-site printing.

The CEWE PHOTOWORLD software for Windows, Mac and Linux was installed on over 12 million consumers' computers in 2011, thus paving the way for simple ordering of CEWE PHOTOBOOKS and other CEWE COLOR products. The current version 4.8 was improved with respect to handling, many new products were installed, but above all enhanced algorithms were incorporated for better results. One example is facial recognition software which positions faces automatically so that as little as possible of them is cut off.

Our cewe-fotobuch.de website, from which most of the CEWE PHOTOWORLD software is downloaded, was completely redesigned in 2011. The focus was shifted to emphasising the beauty and attractiveness of the CEWE PHOTOBOOK, the wide range of products and the inspiration of the consumers. This page includes thousands of sample books which can be evaluated and commented upon. In the forum, interested consumers exchange opinions and supply CEWE COLOR with constructive feedback and ideas for new versions of the order applications.

The websites of CEWE COLOR's retail partners were based on COPS (CEWE ONLINE PHOTO SERVICES) with a new, fresher graphic design and equipped with a modified navigation system which has been simplified to suit customers' requirements. Also, the editors used for

ordering the products were optimised to enhance their user-friendliness. In order to measure usability and to test successful changes, the old tracking tool was replaced by a new one in 2011.

Apart from the CEWE PHOTOBOOK, CEWE calendars and CEWE greeting cards can now also be saved in the gallery. This allows simple reordering of these products without having to open the editor again.

The download portal for both COPS and CEWE PHOTOWORLD was completely redesigned. This enables the simple and clear presentation of new designs for CEWE calendars, CEWE greeting cards as well as styles, backgrounds, mounts and clip arts for the CEWE PHOTOBOOK.

However, even the best order applications are useless if the back office does not function properly. For this reason, we expanded our second computer centre in 2011 to provide 100 % backup. The server and storage capacities were expanded to match the growth, and the data lines for the twelve plants optimised. In the 2011 Christmas season, over 21 terabytes of data – photos and downloads – were transported via the Internet on the peak day.

Mobile applications

In December 2011, 3.9 % of all photos processed in the CEWE COLOR plants came from mobile phones. In December of the previous year, this figure was just 2.3 %. Given the increasing significance of this source of images, CEWE COLOR improved the CEWE phone album application for iPhone and iPad introduced at the photokina 2010 by adding image processing functions, and launched further order applications for iOS and Android mobile phones and tablets.

Further interesting applications were developed in addition to the traditional order channels. In the shops of our retail partners, an order

 www.cewe.de/mobile/





can be placed and printed directly from an iPhone to the CEWE PHOTO KIOSKS by means of an app and via Air Print. For other devices, photos are most commonly transmitted by Bluetooth. A further app helps to locate the nearest CEWE PHOTO KIOSK. A highly innovative app is the “CEWE.deco” app, which uses Augmented Reality technologies. With this app, a photo to be produced as a canvas for example, can be “projected” on the wall. This makes it easy to select the right format and colour in your own living room.



 www.cewe.de/mobile/

In addition, the R & D department also supports the CEWE COLOR customer service with an app which allows customers to find out if their order has already arrived in the POS of one of our retail partners.

Production

For the 2011 Christmas season, we devised and built new equipment for sorting CEWE PHOTOBOOKS, and installed the devices in several of our plants. This helped save time and labour and also resulted in substantially smoother operation during the peak season. CEWE COLOR

has now filed and been granted its first patents for its own book production machines.

The workflows in both digital and commercial printing were improved, better integrated, and adapted to cope with the possibilities of the suppliers’ new machines. Therefore, the data volume in the peak season could be processed reliably and the quality of the prints automatically optimised without any production delays.

Quality of photos

The quality of our premium products is one of the prime focuses of the CEWE COLOR R & D department. In 2011, many products were further improved, particularly the photo quality. The colour profiles of the new equipment for the production of wall decorations were perfected. And the monitoring of more than 60 printing presses was intensified in all plants. CEWE COLOR also brought in an external service provider to inspect the quality of the photos and to compare it with that of its competitors.

IT

IT further optimised

The central IT systems continued to be expanded in 2011. At the heart of the central IT system is the SAP system with the following modules: Financials (FI), Controlling (CO), Sales and Distribution (SD) and Consolidation (EC-CS) for Financing and Accounting, Materials Management (MM) for Purchasing/Materials Management as well as Customer Service (CS) to support repairs and maintenance of our DigiFoto Makers.

A major project in 2011 and 2012 is the introduction of a new SAP CRM system with which we can improve our target group marketing and the service-friendliness of our customer services.

Photofinishing-related processes continue to be operated using CEWE COLOR’s own “ICOS” (Integrated CEWE COLOR Organisation System) IT system. ICOS concentrates in particular on the areas of pricing/preparation of delivery notes, customer servicing and sales support. This system, which was primarily designed and realised by in-house developers, enables us to fulfil customer requirements very quickly and flexibly, offering CEWE COLOR a genuine competitive advantage. Like the SAP system, ICOS is based on an Oracle database system.

Production

Expansion of digital print production and refinement

Digital printing at CEWE COLOR continued to grow in the 2011 financial year. New generations of machines helped increase printing capacities and further improve productivity and quality. Of particular importance here is the expansion of sheet offset printing.

Further processing was supplemented by adding UV varnishing to the production of glossy finished products such as the CEWE PHOTOBOOK, calendars and greeting cards; this procedure is now deployed in many plants.

CEWE COLOR has a great deal of know-how with respect to automation and process management in its industrial production plants. All twelve production sites have a uniform digital production structure, and operate using the same IT infrastructure. This is the basis upon which CEWE provides the same high level of quality and the shortest possible lead times in the digital photographic services it offers to consumers and the trade. More than 60 high-quality four-colour digital printing machines ensure that the CEWE PHOTOBOOKS can be produced to the highest possible quality and with ever shorter lead times. This large number of machines – unique in Europe – also provides CEWE COLOR with sufficient capacity to offer digital printing for commercial applications, such as the online printshop viaprinto.de. Moreover, these capacities also secure high production flexibility, particularly for the Christmas business.

Investment in digital printing and points of sale in 2011

In 2011, investments continued to focus on expanding our digital printing and processing capacity, as well as on the development of software for generating and processing our orders. Our Internet order platforms and order software for the computers of our end users were developed and made even more efficient. At the same time, new solutions were created for our kiosk systems. Another focus of our investment activities was on equipping many POS with on-site printing options in 2011.

Development of commercial digital printing

The further development of viaprinto.de to make it Germany's fastest online printshop advanced in 2011. In many regions an overnight service is offered, whereby orders received by 6 p. m. are delivered by 10:30 a. m. the next day. It brings together the competencies of CEWE COLOR in the high-quality production of smaller quantities to satisfy the market demand for small print runs in various commercial areas, such as training materials, operating instructions, manuals, documentations, target group-specific advertising materials etc., which are required at very short notice.

Employees

Number of employees

On the annual average of 2011, 2,823 persons, thereof 112 apprentices, were in the employ of CEWE COLOR Group (previous year: 2,681).

Of the total number of staff, 1,654 persons and thus around 59 % (previous year: 1,523 or 57 %) worked in the domestic and 1,169 or 41 % (previous year: 1,158 or 43 %) in the foreign production plants of the group.

Changes in collective wage policy

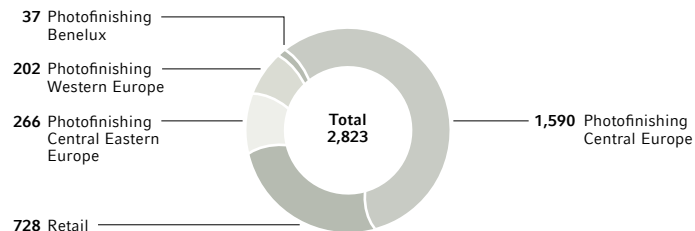
The collective agreement was achieved in the autumn of 2011. The compensation table values were increased by 4 % each with effect of September 1, 2011. The term of the wages and salary tariff is 21 months, and will ensure planning reliability up to the year 2013.

Besides, a commitment on negotiations was agreed to the effect that the collective tariff agreements for workers and employees are to be combined in one uniform collective tariff agreement. The negotiations have largely been completed, and the signatures of the parties thereto are expected in Q1 of 2012.

Industrial safety and health protection

Industrial safety and health protection for the employees are an important and integral part of the daily work in CEWE COLOR Group. As in the previous years, CEWE COLOR is characterised by a low sick leave. In the German production sites, it was at 3.5 % in 2011 (2010: 3.5 %), in the foreign plants at 3.3 % (2010: 3.3 %). In 2011, 32 accidents requiring reporting had to be recorded, thereof 12 accidents that occurred during travel.

Number of employees CEWE Group on the annual average 2011 in number of employees



Apprentices in Germany on the annual average

| | 2011 | 2010 |
|---|------------|-----------|
| Integrated degree programme Business Administration | 4 | 4 |
| Integrated degree programme IT Specialist | 8 | 8 |
| Industrial sales representative | 19 | 15 |
| Sales representative for dialogue marketing | 1 | 1 |
| Photo media expert | 9 | 6 |
| Photo media laboratory assistant | 11 | 24 |
| Photographer | 6 | 6 |
| Mechatronics technician | 13 | 11 |
| IT specialist | 11 | 8 |
| Warehouse logistics specialist | 5 | 3 |
| Media technology print processing | 5 | 2 |
| Media technology printing | 3 | — |
| Media designer digital & print | 13 | — |
| Commercial clerk | 4 | 2 |
| Total | 112 | 90 |

Various screening examinations and training courses as well as the annual Health Day were conducted with the aim of increasing the alertness and sensitivity of the staff.

Training ratio continues to be high

In the past year, CEWE COLOR provided 112 young people (2010: 90) in Germany with an apprenticeship in twelve different occupations – male/female commercial clerk, warehouse logistics specialist, photographic media laboratory technician, photographer, industrial engineer, bookbinder, IT specialist, office clerks, female clerk for dialogue marketing, media technology print processing, media technology printing as well as media designer for digital & print. In addition, the

integrated degree programmes Business Administration and Computer Sciences in Economics, graduating as Bachelor of Arts or Science, respectively, were filled. This corresponds to a training ratio of over 5 % of all employees in Germany.

Good cooperation

As in the past, the cooperation with the Works Council and the trade union IG BCE also represented in the plants was constructive and based on mutual trust in financial 2011. The Board of Management expresses its thanks to all employees for their dedicated and loyal commitment.

Logistics

Dispatch by mail continues to increase

In 2011 as well, the dispatch by mail throughout Europe increased strongly. CEWE COLOR mastered this growth successfully. CEWE COLOR has been participating in the GoGreen initiative of the Deutsche Post AG in the course of the sustainability projects since 2009 already. Within the scope of the GoGreen initiative, the CO₂ emissions caused by the transport of our letters and parcels are determined by a certified procedure (ISO 14064). In compliance with the aims and requirements of the Kyoto Protocol, these emissions are compensated by the climate protection projects supported by Deutsche Post AG. CEWE COLOR supports climate protection because 0.85 euros per 1,000 letters and 0.05 euros per parcel are for the benefit of climate protection projects within the scope of the GoGreen project.

Delivery to points of sale significant unique selling proposition

Business with our 40,000 POS remains strong. A large portion of the articles produced by CEWE COLOR are delivered to the POS of our trading partners. However, the structure of our business at the POS changes from year to year. Less and less products are picked up from the POS and brought to our laboratories. At the same time, ever increasing quantities are being ordered online and delivered to the POS of our trading partners.



 www.gogreen.de

Purchasing and Materials Management

Central purchasing underpins expansion of cost and quality leadership

The continuous expansion of the product portfolio requires a permanent optimisation of the supplier base. It is CEWE COLOR's objective to achieve an improved cost situation and guarantee the product quality together with strong innovative partners. At the same time, additional suppliers were taken up in the supply chain for critical production material, so as to reduce the risk of production losses. The long-lasting constructive and trusting cooperation with all key suppliers and the new supplier structure, contributed decisively to the fact that there were no losses or supply bottlenecks in the off-season either. CEWE COLOR is a reliable partner for its suppliers, not only on account of the increasing quantities purchased. CEWE COLOR was able to better integrate its key suppliers by optimising its operational planning, and increasing their accuracy of planning and delivery reliability as well. As in the past, central purchasing at CEWE COLOR does not only stand for a price-conscious procurement aimed at the expansion of cost leadership, but also for an integrated quality management.

Cost reduction project successfully implemented

The cost savings project for indirect costs already started in 2010 was completed very successfully at the end of 2011. A total of 19 cost areas were examined, and cost savings of 2 million euros altogether were achieved by new invitations to tenders and conclusion of contracts.

Improvement of material supply by modern logistics processes

Owing to the central determination of the marketing plan figures, the future demand for the most important production materials could be calculated in such a manner that, despite the noticeably longer lead times of materials from Asia and abroad, the planning accuracy was increased. The resulting continuous planning represents a significant improvement of the cooperation with the CEWE COLOR suppliers to reduce stocks and the resulting costs along the entire value chain. In 2011, this procedure was further optimised for all German plants.

Internal logistics was, in many sub-areas, modified to new logistics concepts such as the PULL principle and Kanban supply. By means of these procedures, the production work in progress will be reduced and security of supply increased at the same time by a higher supply frequency. In the year 2011, these concepts were further expanded and the first pilot projects implemented in the plants.

Sustainability in purchasing

CEWE COLOR joined the "Niedersächsische Allianz für Nachhaltigkeit" (Lower Saxony Alliance for Sustainability). The alliance is targeted at increasing the innovation capability and achieving an environmentally compatible economic growth with the mission statement of sustainability.

Furthermore, we joined the "Verhaltenskodex des Bundesverbands Materialwirtschaft, Einkauf und Logistik" (BME – Code of Conduct of the Federal Association for Materials Management, Purchasing and Logistics) in 2009, and have been a member of the BSCI (Business Social Compliance Initiative) and the United Nations Global Compact since 2010.



Risik management in purchasing

Apart from the dramatic local effects, the earthquake in Japan in March 2011 had a complex influence on other economic areas. Destroyed production sites and restrictions in the logistics chain led to disruptions of the supply of materials to Europe, particularly the automobile industry suffered from supply bottlenecks up to production failures.

A cross-functional crisis management at CEWE was very quick to tackle this problem. An extensive analysis of potential risks was

followed by an open communication with our suppliers. Where possible, CEWE COLOR supported the personally affected business partners by continuously maintaining our business relationship.

The moderate building up of safety stock and, if required, the use of alternative products/manufacturers was able to prevent production failures at CEWE.

Finances

Improved processes in accounting for prompt and reliable information

Current regulatory changes influence the bookkeeping and accounting of our companies as well as the consolidation of CEWE COLOR Group. Continuous improvements in the working processes are necessary to guarantee punctuality and quality of the information as well as satisfy the growing requirements of legitimacy of management. In this respect, CEWE COLOR made great progress in the year under review as well. To the extent it makes sense from an economic point of view, system-based processes will be implemented.

New business models require intensive coordination

New products and services again and again require new customer-, market- and product-oriented processes, which are very often to be found in the adjacent corporate functions, marketing, sales, information technology and finances. In this process, the responsiveness of a company is often decisive for the success of such innovations. CEWE COLOR recognised this and is expanding this interface role.

Performance management reporting further developed

In the segment controlling, success-oriented analyses and regular reporting – such as the customer and product break-even analysis, the working capital management as well as the price and investment controlling – were optimised within the scope of constant advancement. Controlling has thus provided further contributions that are decisive for decision-making at management control level. Marketing cost controlling was expanded and the measurement of marketing success further intensified to give due weight to the increasing importance of marketing and advertising measures.

Planning and reporting expanded and increasingly automated

The internal models for planning during the year as well as strategic multi-year planning were advanced and adapted to the changing requirements. Focus was placed on the increasing automatisation of management reports, by transforming individual data from the ERP system to the necessary aggregation level of the output report. Technically, the transformation takes place to a large extent by means of the SAP-based data warehouse SAP BI (SAP Business Intelligence).

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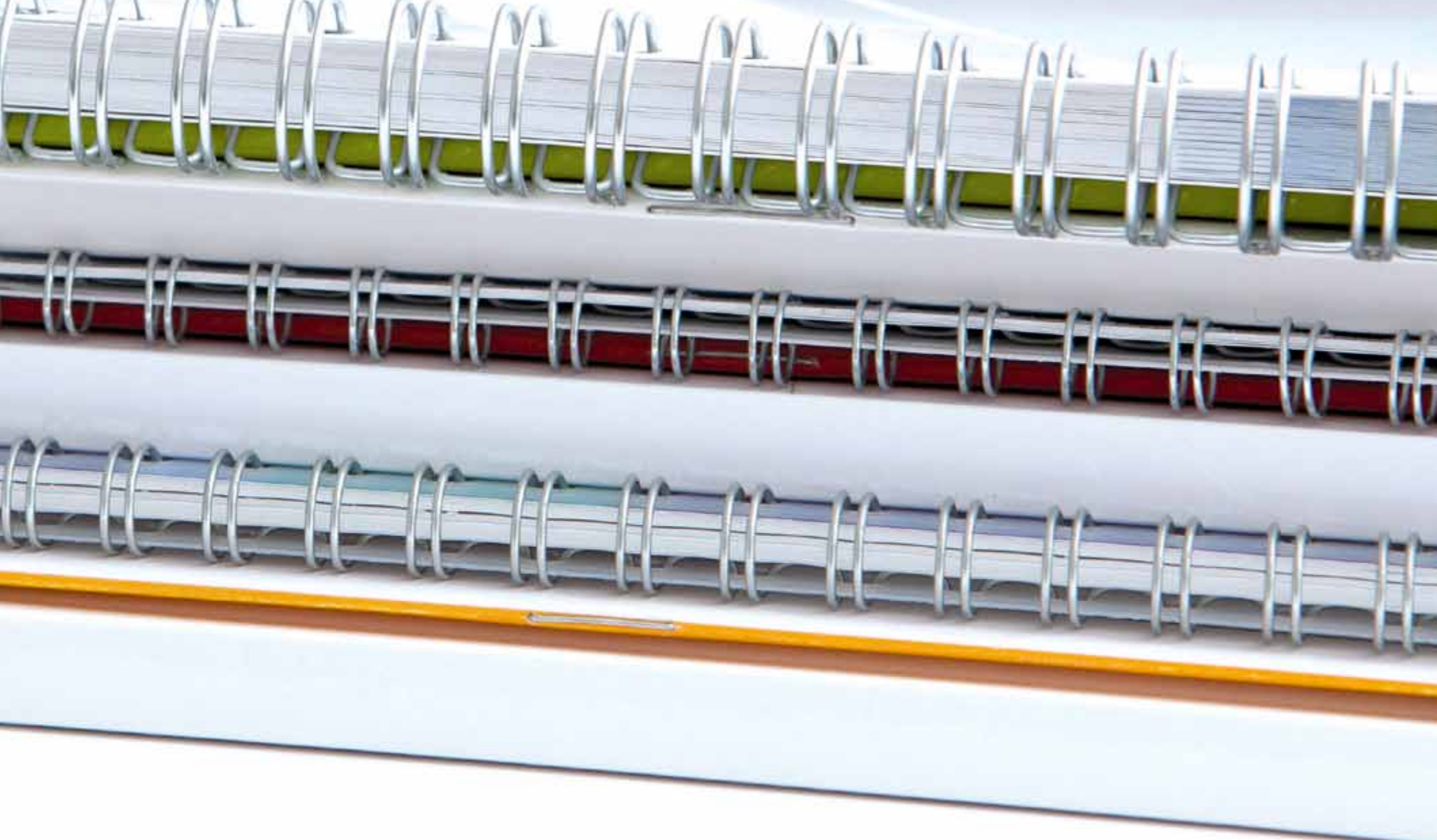
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Sustainable economic success is created by an encompassing commitment beyond the mere economic area. In this process, the entrepreneurial responsibility in ethnic, social and ecological issues is just as decisive as the economic responsibility. For this reason, CEWE COLOR started developing an extensive sustainability management at the beginning of 2010. The responsibility for this project lies in the hands of the Board of Management; the Board member in charge is Andreas F.L. Heydemann. He also chairs the Coordination Group Sustainability, which is comprised of the segments personnel, legal, production/quality assurance, finance/controllers, environment, communication/marketing and logistics/distribution. To do justice to the

significance of sustainability, CEWE COLOR published its first sustainability report at the occasion of the photokina in September 2010; the progress report for the year 2010 followed in May 2011, to be viewed at www.cewecolor.de/en/company/sustainability. This report describes in detail the work of CEWE COLOR regarding the entrepreneurial, economic, environmental and social responsibility as well as the social commitment of the company. For this reason, we will only elaborate briefly on individual segments. You can order a printed copy of the current sustainability report in German and English under the email address: nachhaltigkeit@cewecolor.de

Corporate Responsibility

Understanding of management approach

The corporate culture of CEWE COLOR is characterised by partnership and respect regarding the individual. Mutual trust, respect for others and the principle of delegating responsibility are the basics of management based on partnership. This is why the employees of CEWE COLOR Group have the maximum freedom, and participate both in decision-making processes and the economic success of the company within the context of their responsibility. Well-informed and highly motivated staff is the guarantor of quality, efficiency, innovation capability and growth.

Business partners and competitors

CEWE COLOR's relationship with its business partners is characterised by trust and fairness. It is based on honesty and reliability. CEWE COLOR is a reliable partner and expects that the applicable laws and regulations are observed in all aspects of the business.

CEWE COLOR feels obliged to fair competition, and attaches great importance to innovative quality and performance. The company rejects illegal arrangements or sham offers.

Code of conduct

The self-image of CEWE COLOR Group generated a code of conduct for the employees. The company considers itself responsible towards the customers. Both the customers and the business partners can trust CEWE COLOR. This code of conduct includes the company always adhering to law and legislation, playing fair with the competition and being a reliable partner. CEWE COLOR Group is convinced that this is the only way to ensure competitiveness and, thus, employment and economic success on a permanent basis.

The code of conduct includes principles and minimum standards in the form of guidelines that are binding for all staff members alike.

Beyond this, CEWE COLOR wants to encourage all those cooperating with the company to adopt these principles as well. Among other aims, the code of conduct strives at observing the following behavioural principles:

- Integrity and legitimate behaviour determines our actions.
- Our business relations are professional and free from unfair practices.
- In particular, the employees of CEWE COLOR Group are forbidden to accept gifts or other donations.

Economic Responsibility

Increase in value by efficiency and commitment

From an economic point of view, sustainability means investing in the future potential of the company. At an early stage already, the company began to react to the changed market conditions, i. e. the switch from analogue to digital film processing. Since 2002, CEWE COLOR invested around 280 million euros in new technologies – i. e. in over 50 modern digital printing machines, industrial book binding production lines, and 29,000 order terminals and instant printers for the trading partners. These investments were funded by the CEWE COLOR cash flow. In addition, management pushed forward product innovations at an early stage, dealt with the adjustment of the distribution channels, and successfully positioned the brand CEWE PHOTOBOOK in the market. Over the coming years, CEWE COLOR Group will impress by the power of innovation and performance, and thus permanently raise the corporate value. Based on its understanding of sustainability, CEWE COLOR will take the necessary measures to secure its position as the number one in the European photographic services industry. In this process, management will consistently focus the company on attractive growth markets, increase the processes and the use of resources, and deploy new IT technologies such as Green IT.

Quality management

At CEWE COLOR, quality management gears its work to the high expectations of the consumers with respect to the highly individual products. On account of this high standard, special significance is attached to the flexible handling of complaints. Moreover, it is an important factor of success that the customer feedback is continuously taken into consideration in our quality management as well.

In addition to the evaluation of complaints, numerous internal and external tests serve to constantly improve our product quality. As a result, product quality is influenced by both the printing processes and the photographic processes, as well as by the optimisation of photos in CEWE's own digital production workflow. The comprehensive quality assurance system established at the main location as well as at all production locations will guarantee this.

At CEWE COLOR, quality management begins with the selection of the procedures and the materials used. All materials used are regularly checked and evaluated in conjunction with the supplier's quality assurance.

Permanent process inspections enhanced by CEWE allow the method of photographic processing and electrophotographic digital printing

to be performed at top level, thus ensuring a uniform colour quality throughout the group. As far as inkjet printing is concerned, we are using a twelve-colour system with pigment-based inks that guarantee maximum colour space combined with maximum stability.

Special significance is attached to the processing of digital data. The digital CEWE production workflow is self-programmed and is subject to continuous processes of improvement. Likewise, according to our tests we employ the best software for the improvement of photos, the parameters of which we adjust ourselves and examine continuously.

The quality process ends with the final inspection. The high-quality products are subject to a 100 % check, and other products are checked according to statistical measures. Here, too, the target is a continuous improvement of our product quality.

Environmental Responsibility

Central goals of the environmental policy of CEWE COLOR include securing the industrial safety, conserving the resources, protecting the water and saving energy.

Emissions and carbon dioxide footprint

After 2005 and 2010, CEWE COLOR again participated in the Carbon Disclosure Project (www.cdproject.net) in 2011, where the 200 largest German stock companies publish their carbon dioxide emissions. Due to the good quality and transparency of the published figures, CEWE COLOR was the only SDAX company that was accepted in the Carbon Disclosure Leadership Index both in 2010 and in 2011.

In 2011, the direct (scope 1) CO₂ emissions were 3,855 tons and the indirect (scope 2) ones 8,600 tons; thus they declined by a total of 23 % as compared to 2005. Expressed as specific variables, the CO₂

Materials and product safety

Product safety and environmental friendliness are both decisive criteria for materials. Therefore, all materials are subject to continuous monitoring of their marketability in close coordination with the suppliers. We are active in keeping up with current legislation, and additional product tests are made, aimed at observing all current recommendations of the Federal Institute for Risk Assessment (Bundesinstitut für Risikobewertung – BfR). The German CEWE plants were certified according to FSC® (Forest Stewardship Council for Sustained Forestry) in 2010. In 2011, all plants of CEWE COLOR Group obtained certification according to FSC®. CEWE COLOR has already been using FSC-certified paper extensively.

emissions generated by CEWE COLOR amount to about 27 tons per 1 million euros revenue and around 5 g per photo. By comparison, the CO₂ emissions for the delivery of goods and logistics not caused by but associated with the business activities (scope 3), are more than twice as high.

Consequentially, the energy-saving management is not only aimed at the internal business processes, but also deals with the optimisation of supplier logistics and distribution logistics. One example to be mentioned is CEWE's participation in the carbon-neutral delivery to mail order customers in Germany through the GoGreen dispatch of the Deutsche Post DHL. Another example is the participation in the ERTEMIS project aimed at the implementation of a Green IT strategy in cooperation with the universities in Oldenburg, Osnabruck and Gottingen.

In 2011, a new data processing centre was erected at the main location in Oldenburg according to the latest ecological viewpoints of Green IT, which will take up operations at the beginning of 2012. CEWE expects a reduction of electric power consumption, and thus of the scope 2 CO₂ emissions.

Water

CEWE COLOR uses water for the development of films and photographic paper. Water protection means using less water. Therefore, in comparison to the reference year 2002, CEWE COLOR used about 2.2 litres of water per square metre of photographic paper in 2011, which represents a reduction of almost 60 %. On the other hand, successful efforts are made to discharge wastewater largely without dangerous agents. All relevant wastewater parameters are therefore permanently monitored by the central analysis laboratory at the Oldenburg plant.

Production-integrated environmental protection

In addition, all samples of developing baths taken from all CEWE plants are analysed in this laboratory. Apart from the matching of this analytic process control with the sensitometric process control, recipes for all recycling processes are calculated. In this process, photo chemicals can be recycled at a consistently high quality. On average, CEWE COLOR obtains recycling ratios of 90 %.

Particular focus is also given to silver, which is a by-product of photographic processing. In 2011, CEWE COLOR recovered around 8.5 tons of silver from the chemical baths. The decline in quantity as against the previous year (16 %) is caused by the dramatic decrease of film consumption, and a slight drop in the use of photographic paper.

Industrial safety

Industrial safety and environmental protection represent significant core competencies for CEWE COLOR, and we are expanding them to the best of our knowledge even beyond the legal requirements. In dealing with chemicals as used in digital printing, book binding and photographic processing, safety at work and environmental protection are directly linked with one another.

Reactive adhesives based on polyurethane are therefore used to ensure the perfect binding of book blocks for the CEWE PHOTOBOOK. This process gives the CEWE PHOTOBOOK pages their very high tensile strength. The adhesive binders operate with modern low-emission nozzle systems. Integrated suction removal devices also provide additional safety.

As in the case of potentially critical workplaces, we have assigned external test institutes to measure and evaluate the air pollution, so as to be able to ensure far-reaching safety at work.

In printing the CEWE PHOTOBOOK, mainly liquid toners are applied, thus excluding the development of fine dust. All our digital printing machines have integrated filtration technologies, which reduce the emission of ozone noticeably below the limit allowed at the workplace.

When using inkjet printing to produce selected digitally printed products such as pictures on canvas, gallery prints, products from the Deko Shop and photo gifts, water-based inks or instant wetting UV inks are applied. This procedure prevents the emission of volatile hydrocarbons.

In the area of photographic processing, CEWE COLOR completely waives final baths containing formalin. In CN film processing, only biodegradable bleaching baths are employed.

Social Responsibility

Apart from the qualification and performance of the employees, the economic success of CEWE COLOR Group is also decisively dependent on the motivation and commitment of everyone involved. In order for these significant key factors to fully take effect, CEWE COLOR offers a wide range of development potentials for its employees and shoulders responsibility. This responsibility begins with the apprenticeships and extends over the entire career with further training and staff development programmes. In the daily working process, CEWE COLOR also ensures a high degree of job security and promotes health protection.

The CEWE COLOR staff

In 2011, the share of female staff in Germany was around 57 % (previous year: 55 %), the average age of the employees is 43.0 years (2010: 41.0). The low rate of fluctuation – only 7.8 % in 2011 – reflects the high employee satisfaction (previous year: 11.5 %). The percentage is even lower when regarding employee termination in isolation. The value will then be 4.6 %. In 2011, the average length of service with the company was 12.4 years (previous year: 11.9 years). Accordingly, there are quite a number of employees celebrating their anniversaries each year: in 2011, it was 172 employees of which over one-third were with CEWE for 25 years or more.

Apprenticeships and further education

Also in the past year, CEWE COLOR ranked among the largest employers and trainers in the photographic industry. In the year under review, the number of apprentices in Germany was at 112 in 14 different vocations (previous year: 90). This corresponds to a training ratio of 5 % of all employees in Germany.

Within the scope of the project “Ready for Europe”, CEWE enables its apprentices, in conjunction with the BNW (Bildungswerk der Niedersächsischen Wirtschaft) to go abroad to expand their language, social and professional competencies.

In addition, CEWE COLOR offers numerous trainees – including trainees from other European countries – the opportunity to become acquainted with the company and the different occupational tasks, in order to make the right choice for their own profession.

Within the scope of the continuous qualification programme, CEWE COLOR offers its employees and executives numerous in-house and external education and training options.

Apart from the required technical advanced training seminars, management seminars are also being conducted. Individual coaching of employees is also a part of human resources development. Within the scope of the project “CEWE Wissen” (CEWE know-how), CEWE COLOR offers in-house and external language, IT, photography and work-life balance courses free of charge for all employees.

Close cooperation with the universities and universities of applied sciences in the proximity of the respective production sites, particularly in the north-west of Germany, guarantees a high level of different disciplines such as, for example, IT or marketing. In Oldenburg, CEWE COLOR cooperates with the university in the newly established course of study for innovation management.

Health management and safety at work

Safety and health enjoy high priority. Regular inspections of the workplaces secure a high standard at the workplace.

Particularly in production, industrial safety plays a central role and is secured by regular medical care. As in the previous years, CEWE COLOR carried out risk analyses, rescue trainings and vaccinations to prevent flu.

The group distinguishes itself by a persistently low sick leave of 3.5 %.

CEWE COLOR supports leisure time sports. A special offer is the co-operation with a regional fitness studio offering attractive membership rates for CEWE COLOR employees.

Moreover, a CEWE Health Day was held at the largest production site in Oldenburg with sundry offers regarding the topics of health, sports and fitness, in 2010 and 2011. Again, the response of the employees was a very positive one. The CEWE Health Day with various activities serves as stimulation for the employees with respect to leisure time, sports, nutrition and fitness.

Fringe benefits and employee incentive share programme

CEWE employees have the opportunity of making private provisions for retirement by means of an employee-financed pension plan. The company supports this plan with subsidies as collectively agreed upon.

The employees may purchase CEWE shares by means of an annual staff share programme, which is supported by a financial contribution on the part of the company. The staff share programme, started in 2005, was also continued in 2011. The rate of participation rose from 29 % to 32.6 %.

The offer for the employees in Oldenburg was expanded to include free consultation with the parents' and senior citizens' service of the workers' welfare (AWO). This service assists the employees in finding child-minding facilities and facilities for senior citizens that are in need of care. CEWE COLOR bears the costs for the consultation and mediation. The service was again well accepted by the employees in 2011. In addition, special leisure time child-minding possibilities were developed and offered to the employees.

Social Commitment

Investing in the future

At CEWE COLOR, taking over social commitment means investing in the future. For this reason, projects in the areas of education and research have been a significant focus of the socio-cultural commitment of CEWE COLOR for many years. To be successful in doing so, the company takes over responsibility where it is active, where it has experience and competencies, and where it can make large contributions towards common welfare.

Supporting junior specialists

The company has been successfully supporting the development of junior experts for over ten years now. The non-profit organisation, Neumüller CEWE COLOR Stiftung, is thus devoted to the promotion of junior staff. Among other tasks, the Stiftung awards scholarships for the Cologne University of Applied Sciences, Faculty Institute for Media and Photo Technology, or comparable institutes, and supports the Photo+Medienforum Kiel with grants to promote the technical and scientific junior staff in photography. CEWE COLOR supports the Cologne University of Applied Sciences by transferring professional

know-how and by donations in kind in the form of teaching aids. Furthermore, CEWE COLOR awards one Master and three Bachelor scholarships each semester. The company also supports the Carl von Ossietzky University in Oldenburg and the University of Applied Sciences in Oldenburg/Ostfriesland/Wilhelmshaven. Here, support is provided for doctorates, master study courses and research projects for students who have completed their studies with very good results. Apart from this, the Heinz Neumüller prize is awarded for the best thesis or the best qualification of the year at the above-mentioned institutes.

Since the establishment of the foundation, considerable funds were invested in these institutes and persons. CEWE COLOR also supports the relevant teaching institutions by providing state-of-the-art equipment for demonstration purposes (equipment, office supplies, advertising etc.) so that the teaching there can be very hands-on, professional, and up-to-date. Moreover, CEWE COLOR supports the Photo+Medienforum by carrying out product training, e. g. for the CEWE PHOTOBOOK.

Finally, CEWE COLOR participates regularly in the meetings of the board of trustees of the Photo+Medienforum; at the same time, the Board member, Harald H. Pirwitz, who is responsible for marketing and distribution, has an advisory function on this committee.

For 13 years now, the company has been organising the corporate strategy planning simulation “Management Information Game” for pupils of the Liebfrauenschule in Oldenburg.

High commitment in culture, society and politics

Cultural promotion by CEWE COLOR also enjoys a long tradition. By supporting different facilities such as the state theatre or museums as well as clubs and associations, the company contributes to the cultural life at the Oldenburg site as well as at other production sites of the group.

By way of tradition, CEWE COLOR maintains an active dialogue with representatives from politics, industry and all socially relevant interest groups. This commitment is part of the company’s corporate responsibility. This also includes the company’s active membership in DIN and ISO committees and associations such as the Photoindustrie-Verband (German Association of Industrial Photography), the Bundesverband der Photogroßlaboratorien BGL (Federal Association of Industrial Photofinishing Laboratories), the Deutsche Gesellschaft für Fotografie (DGPh), and the Deutsche Verband für Fotografie (DVF – German Society for Photography).

The assumption of social responsibility also includes that the company has been actively supporting social facilities such as the Löwenherz Children’s Hospice (for incurably sick children) in Syke and the German Maritime Search and Rescue Service for many years.

Active sports promotion

In the area of sports promotion, CEWE COLOR is involved as well with a focus on a long-term support of the football clubs VfB Oldenburg and VfL Oldenburg. In professional sports, CEWE COLOR supports the handball ladies of the VfL Oldenburg, the Oldenburg basketball team EWE Baskets as well as the football clubs Borussia Mönchengladbach and SC Freiburg and the Philipp Lahm foundation, thus making use of the opportunity to position the brand CEWE PHOTOBOOK for the long term.

CORPORATE GOVERNANCE

To a large extent, CEWE COLOR meets the high German standards

The Board of Management and the Supervisory Board report as follows on the corporate governance of CEWE COLOR in the year under review according to item 3.10 of the German Corporate Governance Code:

The Board of Management and the Supervisory Board have committed themselves to follow the principles of modern corporate governance for a long time. Considering the importance of these principles for investors, customers and employees, Mr. Andreas F. L. Heydemann, managing director of CEWE COLOR AG & Co. OHG and member of the Board of Management of CEWE COLOR Holding AG, was appointed Corporate Governance Officer at the beginning of 2009, reporting directly to the Board of Management and the Supervisory Board.

Our aim is to confirm and further strengthen the confidence that investors, financial markets, business partners, employees and the public have in our company. To this effect, we have taken organisational measures at an early stage which are necessary to meet the requirements:

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

The implementation of the Corporate Governance Code in our company is regularly reviewed and adapted as required. CEWE COLOR Holding AG comments on the corporate governance principles on its website at www.cewecolor.de/investor-relations/corporate-governance, which is accessible to everyone.

Once again, CEWE COLOR Holding AG observed the regulations of the German Corporate Governance Code in almost all points:

Declaration of conformity with the German Corporate Governance Code according to Section 161 AktG for 2012

CEWE COLOR Holding AG attaches great significance to the rules of proper corporate governance.

The Board of Management and the Supervisory Board of CEWE COLOR Holding AG declare that the recommendations of the “Regierungskommission Deutscher Corporate Governance Kodex” (Government Commission on the German Corporate Governance Code) in the version of May 26, 2010 (unchanged in 2011) announced by the German Federal Ministry of Justice in the official part of the electronic Federal Gazette are and have been adhered to with the following exceptions:

Creation of specialised commissions (deviation from item 5.3.1)

The present practice consisting in the fact that the entire Supervisory Board will always deal with all the topics shall be maintained. This also applies to the establishment of an Audit Committee and a Nomination Committee.

Establishment of an Audit Committee (deviation from item 5.3.2)

The entire Supervisory Board acts as Audit Committee. Owing to his special expert knowledge in questions of accounting and risk management, Mr. Otto Korte, lawyer, and in case of his absence, Dr. Joh. Christian Jacobs, lawyer, will have the primary responsibility in the Supervisory Board for these fields.

Establishment of a Nomination Committee (deviation from item 5.3.3)

In view of the size of the Supervisory Board, a Nomination Committee was not established either. As for the rest, the Supervisory Board is composed exclusively of representatives of the shareholders.

Supervisory Board members with more than three Supervisory Board mandates in group-external companies (deviation from item 5.4.5)

Each member of the Supervisory Board ensures that he has sufficient amount of time for the fulfilment of his duties. We therefore do not consider a restriction to three mandates to be reasonable. CEWE COLOR will conform to the legal rules which provide for a maximum of ten mandates.

Board of Management and Supervisory Board and their interaction

The Board of Management manages the company on its own responsibility. In the course of this responsibility, the Board is solely committed to the interests of the company, and is geared to sustainably increasing the value added of the company. The rules of procedure for the Board of Management established by the Supervisory Board regulate the allocation of business and the cooperation within the Board of Management. The Board of Management reports to the Supervisory Board regularly as well as promptly and comprehensively on all the questions concerning, in particular, planning, business development, the strategic alignment, the risk situation and the risk management pertinent to the company.

The Supervisory Board advises and monitors the Board of Management with respect to company management. The Board of Management and the Supervisory Board cooperate trustfully and closely for the benefit of the company. All essential business transactions are treated together. The details of the cooperation between the Board of Management and the Supervisory Board including reservations of consent for the activities of the Board of Management are, in particular, regulated in the rules of procedure of the Board of Management and the Supervisory Board. The rules of procedure of CEWE COLOR Group were adapted to comply with the corporate governance regulations as well as the stipulations of compliance in 2010, and have not been changed since.

Furthermore, the rules of procedure of the Supervisory Board determine the duties of the Supervisory Board. Among the essential

duties of the Supervisory Board is the discussion of the quarterly reports and the examination and approval of the financial statements of CEWE COLOR Holding AG and of the consolidated financial statements. The last regular elections to the Supervisory Board took place in the general meeting on April 26, 2007; the next elections are planned to be held in the next general meeting convened for June 6, 2012.

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

Diversity

Items 4.1.5., 5.1.2. and 5.4.1. of the German Corporate Governance Code in its version of May 26, 2010 (unchanged) treat the subject of diversity, namely regarding the composition of the Supervisory Board, the Board of Management and the management level. Within the context of good corporate governance, the Board of Management and the Supervisory Board of CEWE COLOR Holding AG have extensively dealt with this subject:

Composition of the Supervisory Board

The Supervisory Board of CEWE COLOR Holding AG has six members. In its present composition, it already largely fulfils the stipulations of item 5.4.1. (2) of the German Corporate Governance Code:

- By way of tradition, the Supervisory Board of CEWE COLOR Holding AG is composed of members with international experience.
- There is no conflict of interest regarding any member of the present Supervisory Board of CEWE COLOR Holding AG.
- Item 2.1 of the rules of procedure for members of the Supervisory Board of CEWE COLOR Holding AG provides for an age limit.

At present, the criterion for a quota of women is not fulfilled.

With a view to its future composition, the Supervisory Board resolved the following supplementary target on September 8, 2010:

It is planned to fill at least one seat in the Supervisory Board with a respectively qualified woman. This goal is to be implemented within the scope of the next (regular) election of the Supervisory Board (i. e. at the occasion of the next general meeting on June 6, 2012).

Future nominations will take into consideration the additional goal set by the Supervisory Board (participation of women); as in the past, the nominations will take into account the existence of the required know-how, abilities and expertise for the proper fulfilment of the duties of a Supervisory Board.

Composition of the Board of Management

The present Board of Management of CEWE COLOR Holding AG consists of four male members. All members of the Board of Management have international experience.

The Supervisory Board has intensively dealt with the new regulation of item 5.1.2 of the German Corporate Governance Code, and made the following resolution on September 8, 2010:

An adequate consideration of women will be made and care will be taken to ensure diversity in general in the selection of Board members.

Appointment of management positions

The Board of Management has intensively dealt with the new regulation of item 4.1.5. of the German Corporate Governance Code, in particular in a meeting of January 31, 2011.

CEWE COLOR Holding AG has already implemented a number of measures to promote diversity in executive functions – in particular regarding a higher quota of women.

Thus CEWE COLOR Holding AG, for instance, implemented the following concrete measures to support the compatibility of professional life and family:

- Flexible working hours' model
- Contract with the parents' and senior citizens' service of the workers' welfare (AWO) in Oldenburg for free consultation for employees needing assistance with child-minding facilities, or with the care of parents
- Offer of a day care centre in the immediate vicinity of CEWE COLOR Holding AG in Oldenburg

Furthermore, the Board of Management made the following resolution in its meeting of January 31, 2011:

An adequate consideration of women will be made and care will be taken to ensure diversity in general in the allocation of seats on the Board of Management. Apart from the already existing measures to support these criteria, the following measures are to be implemented:

Implementation of a programme which deals particularly with the subjects of "Women in executive positions", "Supporting women as junior executives" as well as "Internationality on the management level".

Shareholders and general meeting

The shareholders of CEWE COLOR Holding AG are regularly informed by a financial diary available on the Internet at www.cewecolor.de/en/investor-relations about major events and, in our quarterly and annual reports, about the company's net worth, financial and earnings position, and the current status of business. Within the scope of our investor relations activities, we also hold regular meetings with analysts and shareholders. In general, a number of roadshows and telephone conferences are organised for analysts at the other three fixed quarterly dates in addition to the annual analysts' conference at the occasion of the publication of the annual figures.

Within the scope of the articles of association and as stipulated by law, the shareholders exercise their rights prior to and during the general meeting. For several years now, the annual general meeting has been organised and realised with the intent of informing all

shareholders before and during the meeting quickly, comprehensively and in an effective manner, and to facilitate the assertion of their rights. This also includes that we offer our shareholders the usual service for authorisation and for the transferral of the right with respect to the general meeting. The general meeting makes decisions on all issues assigned to it.

 www.cewecolor.de/en/

The last general meeting of CEWE COLOR Holding AG took place on May 18, 2011. The next general meeting is planned for June 6, 2012.


Remuneration report

Regarding the remuneration of the Board of Management and the Supervisory Board in the financial year 2011, reference is made to our detailed remuneration report printed on pages 94 et seq. as part of the group management report.

 Page 94 | Remuneration Report

Details on Stock Option Plans

In accordance with the decision of the general meeting of June 30, 2005, CEWE COLOR Holding AG established a new Stock Option Plan for its top executives in Germany and abroad. CEWE COLOR Holding AG offered its executives a stock option at a purchase price of 0.50 euros. The Stock Option Plan has a term of five years, starting June 1, 2010, thus ending on May 31, 2015. The option right can be exercised for the first time following the expiration of the waiting period of four years, on May 31, 2014, if the final knock-down prices of shares in the Xetra trading of the Deutsche Börse AG (or a successor system to the Xetra system) amounted to at least 115 % of the basic price on average on ten consecutive stock trading days. The basic price was determined at 27.00 euros. Since the waiting period has not yet expired, no report can be made on the assertion of rights from this option programme.

 www.cewecolor.de/en/investor-relations/corporate-governance/directors-dealing.html

Transparent communication

In order to ensure the highest possible transparency, we want to provide the same information to all target groups at the same time. Via the Internet, institutional investors as well as private investors have the possibility to promptly gather information on current developments within the group. All press and ad-hoc releases as well as the company's articles of association are published on our website at www.cewecolor.de/en/. Furthermore, all interested parties have the possibility of subscribing to a newsletter which informs about the group's innovations.

Shares held by the Board of Management and the Supervisory Board

As at December 31, 2011, the shares in CEWE COLOR Holding AG held by all members of the Board and the Supervisory Board amounted to 500,192 of the shares issued by the company. Thereof, 6.01 % were held by the members of the Board and 0.77 % by the Supervisory Board.

Details on directors' dealings

According to Section 15a Wertpapierhandelsgesetz (WpHG – German Securities Trading Act), the members of the Board of Management and of the Supervisory Board as well as certain employees having executive functions and closely related persons have to disclose the acquisition and sale of shares and related financial instruments to the extent the total of the securities transactions executed by the persons concerned corresponds to or exceeds the amount of at least 5,000.00 euros within a calendar year. The securities dealings effected to date in 2011 that are subject to disclosure can be viewed on our website at www.cewecolor.de.

Accounting and statutory audit

The auditing company, COMMERZIAL TREUHAND GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Oldenburg, was appointed auditor of CEWE COLOR Holding AG for the financial year 2011. The auditor will report any reasons for exclusion or partiality which might come up in the course of the audit to the Chairman of the Supervisory Board without delay. Furthermore, the auditor undertakes

to report on any findings and incidents essential to the tasks of the Supervisory Board and detected during the audit immediately. Moreover, the auditor will inform the Supervisory Board if he detects facts that are incompatible with the declaration of conformity issued by the Board of Management and the Supervisory Board according to Section 161 AktG, during the course of the audit.

Compliance

The company attaches great significance to the issue of compliance, which is understood to include actions relating to adherence to law, regulations and in-house guidelines as well as their compliance by the group companies. Within the scope of its respective responsibilities, the Board of Management has implemented various mechanisms, which are to secure compliance as best as possible.

Thus, the Board of Management appointed Mr. Andreas F.L. Heydemann, managing director of CEWE COLOR AG & Co. OHG and member of the Board of Management of CEWE COLOR Holding AG, Compliance Officer with effect of January 1, 2009. The Compliance Officer permanently deals with the required and company-relevant upkeep and further development of the compliance organisation of the company, or respectively of the group. Particular attention is paid to staff training and legal risk management. The Compliance Officer reports to the general management. For special issues, the Compliance Officer resorts to the respective department managers and, if required, to external legal counsel.

The Board of Management – as well as the Supervisory Board – regularly deals with the topic of “Compliance”.

In this overall context, the company also maintains an insider register. This register includes all persons who work for the company and who have access to insider information as intended by their respective tasks, after having been instructed regarding the obligations inherent to the insider law.

In addition, an external lawyer was commissioned as ombudsman who can be contacted by every employee as well as by third parties, to indicate potential infringements of law or guidelines in the group companies. During the year under review, the ombudsman was informed of two cases of suspicion. The respective examination of these cases did not give rise to any infringement of law or guidelines. These cases were and will be deployed for employee training purposes.

Business Management Report

The business management report according to Section 289a HGB (German Commercial Code) comprises the declaration of conformity according to Section 161 AktG, the relevant information on the business management policies deployed beyond the legal requirements, along with an indication of how these can be publically accessed, and a description of the working practices of the Board of Management and the Supervisory Board, as well as the composition and working practices of their respective committees.

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 www.cewecolor.de/en/investor-relations/corporate-governance/

Declaration of conformity according to Section 161 AktG


The full text of the declaration of conformity according to Section 161 AktG is contained in the financial statements on pages 81 et seq. and on the Internet at www.cewecolor.de/en/investor-relations/corporate-governance.

Relevant information on business management policies

CEWE COLOR Group is committed to its social responsibility and is convinced that social commitment is an important factor for the sustained success of the company.

 www.cewecolor.de/en/company/compliance/code-of-conduct.html

CEWE COLOR Group manages its operations traditionally in accordance with national and international laws as well as generally accepted ethical principles. In this context, CEWE COLOR Group has developed a guiding principle, explaining its corporate culture characterised by integrity, reliability and responsibility. The fundamental values and principles of this “Mission Statement” can be viewed on the Internet at: www.cewecolor.de/en/company/compliance/mission-statement.html

 www.cewecolor.de/en/company/compliance/mission-statement.html

Furthermore, CEWE COLOR Holding AG has summarised essential guidelines in a code of conduct, which is based on ethical values and underlying commercial principles, characterised by integrity and reliability. This code of conduct is binding for all employees of the group and serves to implement the following behavioural principles:

 www.bme.de/Compliance

Integrity and legitimate behaviour determine our actions

Our business relations are professional and free of unfair practices.

We avoid conflicts of interests between CEWE COLOR Group and private interests. We do not tolerate any abuse of the own position for personal gain, for the interest of third parties, or to the disadvantage of CEWE COLOR Group.

More detailed information on the code of conduct is publicly accessible at the following website: www.cewecolor.de/en/company/compliance/code-of-conduct.html

Our memberships in the Business Social Compliance Initiative (BSCI) and the UN Global Compact communicate our commitment in the area of compliance both internally and externally.

CEWE COLOR Holding AG additionally supports the principles of the Compliance-Initiative des Bundesverbands Materialwirtschaft, Einkauf und Logistik e. V. (BME – Federal Association for Materials Management, Purchasing and Logistics). Further information on these principles can be found at: www.bme.de/Compliance

Working practice of the Board of Management and Supervisory Board as well as the composition and working practice of their respective committees

The Board of Management and the Supervisory Board cooperate closely and trustfully for the benefit of CEWE COLOR Holding AG. The Board of Management manages the company and its operations as required by law, the articles of association, the German Corporate

Governance Code and the rules of procedure of the Board of Management and the Supervisory Board. The Supervisory Board regularly supervises and advises the Board of Management. The Board of Management reports to the Supervisory Board regularly, promptly and comprehensively on all issues of planning, including financial and investment planning, the economic situation of the company and of the group, the risk situation, risk management and compliance pertinent to the company, and thus fulfils its reporting requirements in all aspects. In the event the course of business deviates from the original plans and targets, the Board will immediately inform the Supervisory Board thereof. This also applies in the occurrence of changes in the strategy and the development of the group. Beyond this, the Board reports regularly, comprehensively and promptly on all events that are of essential significance for the company, both orally and in writing. The Supervisory Board is included in all decisions at an early stage. The Board and the Supervisory Board also regularly discuss strategic issues and questions regarding planning as well as the current status of business outside the meetings. Particularly on the back of the financial and economic crisis, the Supervisory Board regularly liaises with the Board of Management, so as to collect information at an early stage about the current business development and the essential transactions, and to initiate the respective measures in time, if so required.

Risk Policy

The corporate policy of CEWE COLOR Group is oriented to securing the existence of the company, to sustainably raising goodwill, and to generating attractive yields in the long term. To achieve this target, the company's activities throughout Europe demand a responsible and prudent consideration of opportunities and risks. The basic factors

At each of its meetings, the Supervisory Board discusses the following scheduled topics:

- Corporate governance
- Compliance
- Risk situation of the company


The Supervisory Board regularly examines the possible existence of any conflicting interests with the members of the Board of Management and the Supervisory Board regarding their activities for CEWE COLOR Holding AG.

At CEWE COLOR Holding AG, the entire Supervisory Board always deals with all topics, with the result that no special committees were established, in particular no Audit Committee or Nomination Committee. The Supervisory Board regularly undergoes an efficiency audit and incorporates the results in its future work.

More detailed information can be taken from the Report of the Supervisory Board (pages 12 et seq. of the annual report and on the Internet at www.cewecolor.de/en/investor-relations) as well as the corporate governance report (pages 81 et seq. of the annual report and on the Internet at www.cewecolor.de/en/investor-relations/corporate-governance).

of entrepreneurial activities are to seize opportunities as well as the ability to register, analyse and reduce risks with suitable strategies. Systematic chance and risk management is the ongoing task of the Board of Management and the executive function in every area of responsibility.

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Report of the Supervisory Board

 www.cewecolor.de/en/investor-relations/

 Page 81 | Corporate Governance

Risk Management

As an internationally operating group of companies, CEWE COLOR Holding AG and its subsidiaries are subject to different risks that could negatively influence the operations, the assets, financial and earnings position of the group. For this reason, CEWE COLOR Holding AG has established, in accordance with the professional standards of the industry, an internal control and risk management system, to detect and evaluate potential risks as early as possible, and to initiate appropriate countermeasures, if required. The control and risk management is an integral part of the operation, planning, accounting and control procedures in the information and communication system of CEWE COLOR Group, and is an essential part of the management system of CEWE COLOR Group. The control and risk management is based on a systematic process of risk detection, evaluation and monitoring comprising the entire group.

Entrusted with the control and risk management are the Board of Management, the heads of the regional profit centres in Germany and abroad as well as the central departments and the project managers. The primary responsibility for the implementation of the control and risk management lies in the hands of the Board of Management.

The risk management system collects the risks of the individual risk areas in an annual group-wide risk inventory. Based on this list, the annual risk report is prepared. During the course of the year, at least one review of the risk evaluations takes place each quarter. These reviews are then reported to the Supervisory Board on a quarterly basis. Newly revealed risks are entered in the risk management system following the report of the risk manager, and allocated to a risk officer. To the extent required, the assessments of individual risks lead to respective provisions.

The internal control system is an integral part of the business procedures of CEWE COLOR Group; it comprises a number of supervision and steering mechanisms, and is essentially based on four principles which are explained in detail below:

- Principle of dual control
- Integrated reporting system
- Separation of functions
- External/internal audit

The “Principle of dual control” is guaranteed by regulations such as articles of association, guidelines, rules of procedure, instructions as well as right of representation and authority to sign. Another steering and monitoring mechanism is represented by the IT authorisation concept of CEWE COLOR Group, which specifically governs the access and activities of individuals and groups of persons to the predominantly SAP-based applications and their functional areas.

The “Integrated reporting system” comprises a detailed planning, steering and reporting concept with respect to the position and outlook of the group. The planning process is a combination of top-down and bottom-up approach and is targeted towards monthly plan figures. The existing group information system is guaranteed both at the level of the individual profit centres and at Board level by monthly target-performance year-to-year comparisons, and additionally by cross-location business reviews. Here, developments, opportunities, risks as well as measures are discussed and documented accordingly.

In order to secure the safety of operations and, at the same time, the quality of the individual processes, a strict “Separation of functions” of critical business processes is implemented at CEWE COLOR Group.

Central tasks are, moreover, allocated to certain functional areas, thus implementing a mutual responsibility of control.

Furthermore, all group companies are subjected to an “External audit” in finance and accounting, IT, technical safety and insurances as well as to an “Internal audit” in the remaining functional areas at regular intervals.

Within the scope of the control and risk management system, CEWE COLOR Group monitors the intrinsic value of its shareholdings in subsidiaries. The book values of the investments are subject to regular corresponding “impairment tests”.

In the following, the individual fields of risks are divided into five areas:

- Operating risks
- Financial risks
- Strategic risks
- Business and logistics risks, and
- Legal risks

Operating risks

The market for films and analogue pictures currently only accounts for a share of approx. 7 % in total revenues, and is continuously decreasing at a rate of approx. 30 to 35 % annually. The increasing quantity of digital cameras, however, does not necessarily lead to an increase of the printing volume for digital photos, since many digital photos remain on the hard discs and are not printed on photographic paper. CEWE COLOR Group sees an opportunity of increasing the print volume for digital photos in the product CEWE PHOTOBOOK. In addition, the instant printing volume at the POS continues to grow. On the Internet, the volume of calendars and greeting cards was again noticeably increased at the end of the year as well.

Moreover, consumer buying behaviour regarding photo products as vacation and leisure time products is being influenced – even if to a limited extent – by the economic development in Europe. The economic forecasts on hand expect a reduced positive economic development in all groups of countries for the year 2012.

| Change in GDP year-on-year in % | 2008 | 2009 | 2010 | 2011 | e2012 |
|--|------------|-------------|------------|-------------|-------|
| Germany | 1.3 | -4.7 | 3.6 | 3.0 | 0.8 |
| Switzerland | 1.8 | -2.2 | 2.6 | 1.7 | 1.9 |
| Austria | 1.9 | -3.9 | 2.0 | 2.9 | 0.9 |
| Denmark | 0.7 | -5.1 | 2.3 | 1.2 | 1.4 |
| Sweden | 1.0 | -5.7 | 4.8 | 4.0 | 1.4 |
| Norway | 1.9 | -2.8 | 1.9 | 1.6 | 2.7 |
| Central Europe | 1.4 | -4.4 | 3.3 | 2.8 | 1.1 |
| The Netherlands | 2.3 | -4.5 | 1.7 | 1.8 | 0.5 |
| Belgium | 1.4 | -3.8 | 2.0 | 2.2 | 0.9 |
| Benelux | 2.0 | -4.2 | 1.8 | 2.0 | 0.7 |
| United Kingdom | 0.7 | -5.6 | 1.4 | 0.9 | 0.6 |
| France | 0.9 | -2.6 | 1.6 | 1.6 | 0.6 |
| Western Europe | 0.8 | -4.1 | 1.5 | 1.3 | 0.6 |
| Poland | 5.4 | 1.7 | 3.5 | 4.0 | 2.5 |
| Hungary | 1.7 | -6.2 | 1.1 | 1.4 | 0.5 |
| Czech Republic | 4.4 | -5.5 | 2.4 | 1.8 | 0.7 |
| Slovakia | 7.0 | -4.9 | 4.1 | 2.9 | 1.1 |
| Central Eastern Europe | 4.7 | -1.4 | 2.9 | 3.1 | 1.7 |

Source: Eurostat – Growth rate of the real GDP per capita (data as of February 25, 2012)

Apart from the development of quantities, the “price” is decisive for the success of the company. Here, the branded product CEWE PHOTOBOOK with its outstanding quality, the leading software with the order wizard as well as the consistently expanded product range

is the key to success. In the analogue sector, prices will again be adjusted due to declining quantities, increased production costs and higher costs for photographic paper.

Also, we are well positioned in the growth area of online printing with viaprinto, and by the takeover of Saxoprint, Dresden, as of January 1, 2012.

With respect to the photo paper suppliers, we are currently focussing on two suppliers, one of which continues to supply under chapter 11. However, alternative suppliers are on the market. There are additional interesting suppliers for paper for digital printing. The procurement risk for investment goods and photo pouches was reduced thanks to new suppliers, or respectively a risk-oriented selection of suppliers. In general, we have set up alternative suppliers for strategic articles by risk-orientated points of view.

The rising concentration in the retail business leads to a slight increase in dependency on major customers. In comparison to other companies, it can be rated as a positive aspect that the five largest customers with their individual distribution channels account for less than 35 % of the CEWE COLOR sales.

In the area of environmental risk, which is monitored by regular internal controls at all production sites, no violations against environmental provisions were registered in 2011 either.

In the expired financial year, the commercial and technical IT was again examined by an external auditing company to further improve IT security and to raise efficiency.

The competence and commitment of our employees is of decisive significance for the successful development of CEWE COLOR Group. To secure and strengthen these factors, we have taken numerous measures in our personnel policy, also on the back of the demographic

change. These measures include diverse offers for vocational training and further education, strong fringe benefits, a performance-related remuneration, and other measures. In addition, our human resources work focusses on promoting female employees. We regularly analyse our regulations for representation and succession planning in particular with respect to key positions, to be able to recruit junior executives in time.

Financial risks

Owing to the increasing turnover in the retail business in Central Eastern Europe and Norway/Sweden, the portion of the turnover generated outside the euro zone increased to 42.3 %. On the other hand, we have our own production sites in many countries so that no effects threatening the company's survival have to be expected from currency risks. Owing to gains from exchange rates, 1.6 million euros more were reported than the corresponding growth in local currencies. No forward currency deals were concluded to hedge exchange rates.

In the production process, silver is gained and harvested. The risk in the marketing of silver is the achievable silver price. The low silver harvest was partially compensated by the positive development of the silver price.

The interest rate risk is limited by the solid equity rate of 41.9 % and by further medium-term funding, in part even at fixed interest rates, or terms respectively. Despite the crisis on the financial markets, our funding is secured. We continue to assume that we will be able to meet the general conditions (covenant) of our loan agreements. Even the investments for the takeover of Saxoprint were funded from the current lines of credit.

The receivables risks were insured with respect to their significance. In the expired financial year, insolvencies and the self-retention of the insurances caused losses to the amount of 0.3 million euros. Credit risks going beyond this were sufficiently accounted for by specific

allowances amounting to 2.2 million euros (previous year: 1.7 million euros) in the expired financial year.

In addition to the investments for machines and plants, the items of internally generated software and other intangible assets is gaining importance.

The investment budget of the past year to the amount of 30 to 32 million euros was maintained at 30.3 million euros (2010: 26.4 million euros).

Strategic risks

The transition from analogue to digital business and the rising significance of the Internet as an order channel led to a further expansion of our programming and development capacities in this area. By focussing the development activities on our own employees, we attempt to further expand our advantage with a view to our competitors.

Business and logistics risks

The restructuring programme of the analogue-to-digital transformation was completed with the shutdown of production in Paris in 2009. By converting the plant in Bratislava to a marketing and distribution company, the site structure was further optimised in 2010. Operating business risks due to the failure of machines are considered as being low.

Since a large number of transport companies are deployed, the logistics risk is calculable; however, the risk of fuel price increases has risen.

Legal risks

Legal risks from current proceedings or other disputes which could threaten the company's existence are currently not recognisable. Provisions for risks have been set up to a sufficient extent for risks of litigation resulting from the current business.

Evaluation of the overall risk situation

The assessment of the overall risk situation takes place on the basis of the risk management system in conjunction with the implemented planning, steering and control systems. At present, no serious risks are recognisable based on the knowledge of our medium-term planning, which could, individually or in interaction with other risks, lead to a permanent and essential negative impairment of the net worth, the financial and earnings position of CEWE COLOR Group. In terms of organisation, we have created all conditions to detect potential chances and risks at an early stage.

At the occasion of the meeting of the Audit Committee of the Supervisory Board on March 21, 2012, the statutory auditor will report directly to the Supervisory Board. According to the opinion of the auditor, the risk management system fully complies with the requirements of Section 91 (2) AktG.

Business Management Report

The business management report according to Section 289a HGB (German Commercial Code) comprises the declaration of conformity according to Section 161 AktG, the relevant information on the business management policies, a description of the working practice of the Board of Management and the Supervisory Board as well as the composition and working practice of their respective committees. In accordance with item 3.10 of the Corporate Governance Code, the business management report of CEWE COLOR Holding AG also reports on the corporate governance of the company (corporate governance report).

Declaration of conformity according to Section 161 AktG

The full text of the declaration of conformity according to Section 161 AktG is contained in the annual report on pages 81 et seq., and on the Internet at: www.cewecolor.de/en/investor-relations

Relevant information on business management policies

CEWE COLOR Holding AG is committed to its social responsibility and is convinced that social commitment is an important factor for the sustained success of the company.

CEWE COLOR Group manages its operations traditionally in accordance with national and international laws as well as generally accepted ethical principles. In this context, CEWE COLOR Group has developed a guiding principle, explaining its corporate culture characterised by integrity, reliability and responsibility. The fundamental values and principles of this “Mission Statement” can be viewed on the Internet at: www.cewecolor.de/en/company/compliance/mission-statement.html

Furthermore, CEWE COLOR Holding AG has summarised essential guidelines in a code of conduct, which is based on ethical values and underlying commercial principles, characterised by integrity and reliability. This code of conduct is binding for all employees of the group and serves to implement the following behavioural principles:

Integrity and legitimate behaviour determine our actions

Our business relations are professional and free of unfair practices.

We avoid conflicts of interests between CEWE COLOR Group and private interests.

We do not tolerate any abuse of the own position for personal gain, for the interest of third parties, or to the disadvantage of CEWE COLOR Group.


More detailed information on the code of conduct is publicly accessible at the following website: www.cewecolor.de/en/company/compliance/code-of-conduct.html

CEWE COLOR Holding AG additionally supports the principles of the Compliance-Initiative des Bundesverbands Materialwirtschaft, Einkauf und Logistik e. V. (BME – Federal Association for Materials Management, Purchasing and Logistics). Further information on these principles can be found at: www.bme.de/Compliance


Working practice of the Board of Management and Supervisory Board as well as the composition and working practice of their respective committees

The Board of Management and the Supervisory Board cooperate closely and trustfully for the benefit of CEWE COLOR Holding AG. The Board of Management manages the company and its operations as required by law, the articles of association, the German Corporate Governance Code and the rules of procedure of the Board. The Supervisory Board regularly supervises and advises the Board of Management. The Board of Management reports to the Supervisory Board regularly, promptly and comprehensively on all issues of planning, including financial and investment planning, the economic situation of the company and of the group, the risk situation, risk management and compliance pertinent to the company, and thus

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 www.cewecolor.de/en/company/compliance/code-of-conduct.html

 www.bme.de/Compliance

 www.cewecolor.de/en/company/compliance/mission-statement.html

fulfils its reporting requirements in all aspects. In the event the course of business deviates from the original plans and targets, the Board will immediately inform the Supervisory Board thereof. This also applies to the occurrence of changes in the strategy and the development of the group. Beyond this, the Board reports regularly, comprehensively and promptly on all events that are of essential significance for the company, both orally and in writing. The Supervisory Board is included in all decisions at an early stage. The Board and the Supervisory Board also discuss regularly strategic issues and questions regarding planning as well as the current status of business outside the meetings. The Supervisory Board regularly liaises with the Board of Management, so as to collect information at an early stage about the current business development and the essential transactions, and to initiate the respective measures in time, if so required.

At each of its meetings, the Supervisory Board discusses the following scheduled topics:

- Corporate governance
- Compliance
- Risk situation of the company

The Supervisory Board regularly examines the possible existence of any conflicting interests with the members of the Board of Management and the Supervisory Board regarding their activities for CEWE COLOR Holding AG.


At CEWE COLOR Holding AG, the entire Supervisory Board always deals with all topics, with the result that no special committees were established, in particular no Audit Committee or Nomination Committee. The Supervisory Board regularly undergoes an efficiency audit and incorporates the results in its future work.

More detailed information can be taken from the Report of the Supervisory Board (pages 12 et seq. of the annual report and on the Internet at www.cewecolor.de/en/investor-relations) as well as the corporate governance report (pages 81 et seq. of the annual report and on the Internet at www.cewecolor.de/en/investor-relations/corporate-governance).

Corporate governance report

In the financial year 2011 as well, the Board of Management and the Supervisory Board of CEWE COLOR Holding AG intensively dealt with the subject of corporate governance, in particular with the German Corporate Governance Code, hereinafter referred to as Code or DCGK. Corporate governance stands for a responsible and sustainable added value-oriented management and control of companies. This is the reason why we not only implement the recommendations of the Code almost completely, but also implement its suggestions. The principles and regulations of the Code also define the corporate guidelines of CEWE COLOR Holding AG.

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Report of the Supervisory Board

 www.cewecolor.de/en/investor-relations/

 Page 81 | Corporate Governance

Remuneration Report

Statutory disclosures pursuant to Section 315 no. 4 HGB (German Commercial Code), Remuneration Report for the Board of Management

The remunerations for the members of the Board of Management of CEWE COLOR AG, Oldenburg, are determined by the Supervisory Board. They are composed unchanged of fixed and performance-related variable earnings. The fixed earnings consist of a monetary basic amount and benefits in kind, and the performance-related portion includes a profit-sharing bonus as well as components with a long-term incentive effect. In addition to the duties of the Board of Management and the personal performance, the performances of the entire Board of Management as well as the economic success and the comparable environment of CEWE COLOR Group constitute the criteria for the calculation of the total remuneration. The Supervisory Board has implemented the statutory provisions of the Act on the Appropriateness of Management Board Compensation (VorstAG), effective as at August 5, 2009, through resolution of April 8, 2010, and, based on this, through individual contractual supplements.

In detail, the following applies: the non-performance-related fixed earnings will be paid as a constant salary on a monthly basis. Moreover, the members of the Board receive benefits in kind which are reported according to the taxable amounts. In general, this concerns the use of a company car as well as the function-related insurance

premiums; the benefits in kind are subject to taxes to be paid by the individual members of the Board of Management who are all equally entitled to such benefits.

The new provisions according to VorstAG affect the variable, performance-related portion of the remuneration. The structure of these portions of the remuneration was regulated in the same manner for all members of the Board of Management and has the following main content.

The performance-related bonus as part of the total remuneration is oriented to the earnings before taxes and to the depreciation on fixed assets and intangible assets of CEWE COLOR Group. It is limited to at most 100 % of the fixed remuneration for the same year. Furthermore, only such depreciation-relevant bonus shares will be taken into consideration, which were earned through the pre-tax earnings (earned depreciation). A basis of assessment over several years for the variable remuneration components is created by the fact that only 80 % of the achieved bonus claim are paid out to the Board of Management (Bonus I). The remaining 20 % (Bonus II) are credited to the account of a personal bonus bank. This bonus bank credit is retained for the multi-annual duration of the term of the personal contract, collects 5.0 % interest p. a. and is paid out upon maturity including this interest credit.

| | 2011 | | | 2010 | | |
|--|-------------------------------|------------------------------------|--------------|-------------------------------|------------------------------------|--------------|
| Pensions for the members of the Board of Management in thousand euros | Pension entitlements acquired | Pension entitlements Dec. 31, 2011 | Provision | Pension entitlements acquired | Pension entitlements Dec. 31, 2010 | Provision |
| Dr. Rolf Hollander (Chairman) | 0.0 | 267.0 | 152.0 | 0.0 | 267.0 | 134.0 |
| Andreas F. L. Heydemann | 11.0 | 34.0 | 19.0 | 0.0 | 23.0 | 16.0 |
| Dr. Reiner Fageth | 11.0 | 11.0 | 12.0 | 0.0 | 0.0 | 9.0 |
| Dr. Olaf Holzkämper | 0.0 | 0.0 | 10.0 | 0.0 | 0.0 | 10.0 |
| Total | 22.0 | 312.0 | 193.0 | 0.0 | 290.0 | 169.0 |

Any negative pre-tax earnings, insofar as these exceed the corresponding annual depreciations, lead to a negative bonus contribution that is debited from the personal bonus bank account. To this extent, the final sum of the bonus bank account is paid out only at the end of the term of the contract, and to the extent that it is in the black. In the event of an early retirement, rules for a pro-rata payment shall apply.

The fourth Stock Option Plan was launched in 2010 to renew a further performance-dependent remuneration component. The participation as such and the scope of the purchase of options was facultative for the Board members. The price of each option amounted to 0.50 euros. The fair value per option pursuant to IFRS 2.10 et seq. for members of the Board of Management amounted to 6.39 euros as at the date of granting. Neither in the financial year 2011 nor in the previous year did the members of the Board of Management benefit from any payments from the exercise of option rights from any Stock Option Plans. Apart from that, reference is made to the notes on equity in the consolidated financial statements on page 128 et seq. The members of the Board of Management participated with a purchase of a total of 31,500 option rights in 2010; the number of option rights remained unchanged in 2011 as well.

Total remuneration, non-performance-related and performance-related (bonus) remuneration of the members of the Board of Management of CEWE COLOR Holding AG, Oldenburg, in financial 2011, which they

received for the performance of their duties at the parent company and at the subsidiaries total 1,549 thousand euros (previous year: 1,322 thousand euros). These remunerations are composed as follows:

The fixed remuneration of Dr. Rolf Hollander remains adjusted for the period of January 1, 2010 to December 31, 2014, and is thus not subject to change during this period. The fixed remunerations of the other Board members are adjusted annually to the same extent that the fixed remunerations of the other German senior executives of CEWE COLOR Group are changed.

The variable performance-related earnings of the active members of the Board of Management of CEWE COLOR Holding AG, Oldenburg, amounted to 489 thousand euros and are thus 70.9 % higher than in the previous year (286 thousand euros). Deducting the bonus bank amount, the bonus paid in 2011 amounted to 391 thousand euros (Bonus I).

The variable remunerations (bonuses) of the Board members of CEWE COLOR Holding AG for financial 2011 with payout in 2012, in the amount of 397 thousand euros (Bonus I) will be 1.5 % above those of 2011 (391 thousand euros). In addition to this, a total of 99 thousand euros are deposited as Bonus II in the bonus bank accounts, so that the total bonus claims of the Board members for financial 2011 amount to 496 thousand euros.

Page 128 | Equity capital

| | 2011 | | | | | 2010 | | | | |
|---|--------------------|-----------------------|--------------------|------------------------|------------------------|--------------------|-----------------------|--------------------|------------------------|------------------------|
| | Fixed remuneration | Variable remuneration | Total remuneration | Shareholdings in units | Option rights in units | Fixed remuneration | Variable remuneration | Total remuneration | Shareholdings in units | Option rights in units |
| Board of Management remuneration, shareholdings, options in thousand euros | | | | | | | | | | |
| Dr. Rolf Hollander (Chairman) | 500 | 258 | 758 | 46,375 | 8,500 | 496 | 148 | 644 | 46,375 | 8,500 |
| Andreas F. L. Heydemann | 185 | 77 | 262 | 5,000 | 8,500 | 166 | 46 | 212 | 5,000 | 8,500 |
| Dr. Reiner Fageth | 194 | 77 | 271 | 2,800 | 6,000 | 188 | 46 | 234 | 2,800 | 6,000 |
| Dr. Olaf Holzkämper | 181 | 77 | 258 | 2,500 | 8,500 | 186 | 46 | 232 | 2,500 | 8,500 |
| Total | 1,060 | 489 | 1,549 | 56,675 | 31,500 | 1,036 | 286 | 1,322 | 56,675 | 31,500 |

The scope of cover of the existing D & O insurance for Board members was reorganised to the effect that 10 % of a possible loss remain with the insured party, i. e. up to the amount of one-and-a-half times the fixed annual remuneration. The individual Board member can decide whether to take out supplementary insurance cover at his own expense.

The following provisions apply to Board members in the event of a premature termination of the contractual relationship: in the case of a dismissal for good cause, the contract is terminated at the time of dismissal. If the dismissal is not due to good cause or if the Board member is not responsible for the dismissal, the fixed remunerations will be paid to the end of the term of the contract. The provisions for a pro-rata payment apply to the payment of any possible bonus bank credit balance. Dr. Rolf Hollander shall also receive a one-off compensation payment in the amount of one year's salary or a time-related lower amount if he retires correspondingly earlier. Moreover, no compensation agreements have been concluded with the members of the Board of Management in case of a takeover bid (Section 315 (2) no. 9; also refer to page 99).

Pension obligations for which in part reinsurance policies were taken out, exist for the members of the Board of Management. The amount of the pension commitments is determined by two-ninth of the last fixed remuneration received for each period of five years of the activity as a member of the Board of Management, however, six-ninth at most.

For Dr. Rolf Hollander and Andreas F. L. Heydemann, the total fixed remunerations for their activity as member of the Board of Management of CEWE COLOR Holding AG, Oldenburg, and of the Neumüller CEWE COLOR Stiftung, Oldenburg, serve as reference value. For Dr. Reiner Fageth and Dr. Olaf Holzkämper, the fixed remunerations for the duties as a Board member of CEWE COLOR Holding AG, Oldenburg, are decisive. With effect of January 1, 2012, the pension commitment for Dr. Reiner Fageth was adjusted to such an extent that the total fixed remuneration for his activity as member of the Board of Management of CEWE COLOR Holding AG, Oldenburg, and the Neumüller CEWE COLOR Stiftung, Oldenburg, serves as reference for him as well. As a rule, these commitments do not include survivors' benefits. For Dr. Reiner Fageth however, a survivors' benefit was set up which, according to actuarial principles, is not subject to extra costs as is generally the case. The service cost for pension benefits in 2011 is shown below taking into account an actuarial interest rate of 5.50 % (previous year: 5.00 %) in line with the application of the projected unit credit method according to IAS/IFRS.

In addition to their pension commitments as members of the Board of Management, Dr. Rolf Hollander and Andreas F. L. Heydemann will receive an old-age pension after their retirement at the age of 65 within the scope of the standard company pension scheme for a direct pension commitment. This includes survivors' benefits amounting to 50 % of the respective pension. Dr. Reiner Fageth and Dr. Olaf Holzkämper

Page 99 | Statutory disclosures pursuant to Section 315 (4) of the German Commercial Code (HGB)

| Standard company pension scheme <i>in thousand euros</i> | 2011 | | | 2010 | | |
|---|----------------------------------|---------------------------------------|------------|----------------------------------|---------------------------------------|------------|
| | Pension entitlements acquired | Pension entitlements Dec. 31, 2011 | Provision | Pension entitlements acquired | Pension entitlements Dec. 31, 2010 | Provision |
| Dr. Rolf Hollander (Chairman) | 0.0 | 3.0 | 1.0 | 0.0 | 3.0 | 1.0 |
| Andreas F. L. Heydemann | 0.0 | 3.0 | 1.0 | 0.0 | 3.0 | 1.0 |
| Dr. Reiner Fageth | 0.0 | 3.0 | 1.0 | 0.0 | 3.0 | 1.0 |
| Dr. Olaf Holzkämper | 0.0 | 3.0 | 1.0 | 0.0 | 3.0 | 1.0 |
| Gesamt | 0.0 | 12.0 | 4.0 | 0.0 | 12.0 | 4.0 |

will receive an old-age pension of an economically equal value from an employer-financed pension fund within the scope of the standard company pension scheme.

Finally, as part of the company pension scheme, a life insurance policy for an insured sum of 38 thousand euros each with capital payment in the event of premature death as survivors' benefits, or in the event of their survival as a pension was taken out in addition. The annual expenditure for these amounts to 1 thousand euros (previous year: 1 thousand euros). No loans or advance payments were granted. Moreover, no contingent liabilities were assumed for the benefit of members of the Board.

Remuneration Report for the Supervisory Board

According to the articles of association, the Supervisory Board of CEWE COLOR Holding AG consists of six members. The remuneration of the members of the Supervisory Board is defined by the articles of association and is composed of one fixed and three variable components. The fixed remuneration amounts to 6,000.00 euros per year, whereby the Chairman of the Supervisory Board receives double that amount and the Deputy Chairman receives one-and-a-half times that amount. In addition, each member of the Supervisory Board receives an attendance fee of 1,000.00 euros for each attendance at a

Supervisory Board meeting. The amounts are payable after the expiration of the financial year.

In addition, each member of the Supervisory Board receives a performance- and dividend-related annual remuneration. This remuneration is based on the basic profit per share according to IFRS and amounts to 250.00 euros for each 0.05 euros of that part of the profit that exceeds the profit of 0.25 euros per share. The dividend-related remuneration is calculated as follows: insofar as a dividend of more than 0.25 euros per share is resolved, the remuneration amounts to 500.00 euros for each 0.05 euros of that share of the dividend that exceeds the dividend of 0.25 euros per share. In this case, too, the Chairman of the Supervisory Board shall receive double and his deputy one-and-a-half times the performance- and dividend-related remuneration. For all, this remuneration shall be payable ten days after the general meeting, which decides on the discharge of the Supervisory Board for the respective financial year. Members of the Supervisory Board who only belonged to the Supervisory Board for part of the financial year, shall be remunerated on a pro-rata basis.

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

| | 2011 | | | | | | | 2010 | | | | | | |
|--|--------------------|--------------|------------------------------|--------------------------------|--------------------|----------------|---------------|--------------------|--------------|------------------------------|--------------------------------|--------------------|----------------|---------------|
| | Fixed remuneration | Meeting fees | Amounts dependent on results | Amounts dependent on dividends | Total remuneration | Shareholdings | Option rights | Fixed remuneration | Meeting fees | Amounts dependent on results | Amounts dependent on dividends | Total remuneration | Shareholdings | Option rights |
| Supervisory Board remuneration, shareholdings, options <i>in thousand euros</i> | | | | | | | | | | | | | | |
| Hubert Rothärmel (Chairman) | 12.0 | 5.0 | 17.5 | 20.0 | 54.5 | 50,000 | 0.0 | 12.0 | 5.0 | 7.0 | 16.0 | 40.0 | 50,000 | 0.0 |
| Hartmut Fromm (Deputy Chairman) | 9.0 | 4.0 | 13.1 | 15.0 | 41.1 | 0 | 0.0 | 9.0 | 4.0 | 5.3 | 12.0 | 30.3 | 0 | 0.0 |
| Prof. Dr. Dr. h. c. Hans-Jürgen Appelrath | 6.0 | 5.0 | 8.8 | 10.0 | 29.8 | 0 | 0.0 | 6.0 | 4.0 | 3.5 | 8.0 | 21.5 | 0 | 0.0 |
| Otto Korte | 6.0 | 4.0 | 8.8 | 10.0 | 28.8 | 0 | 0.0 | 6.0 | 5.0 | 3.5 | 8.0 | 22.5 | 0 | 0.0 |
| Prof. Dr. Michael Paetsch | 6.0 | 5.0 | 8.8 | 10.0 | 29.8 | 0 | 0.0 | 6.0 | 5.0 | 3.5 | 8.0 | 22.5 | 0 | 0.0 |
| Dr. Joh. Christian Jacobs | 6.0 | 5.0 | 8.8 | 10.0 | 29.8 | 393,517 | 0.0 | 6.0 | 4.0 | 3.5 | 8.0 | 21.5 | 393,517 | 0.0 |
| Total | 45.0 | 28.0 | 65.8 | 75.0 | 213.8 | 443,517 | 0.0 | 45.0 | 27.0 | 26.3 | 60.0 | 158.3 | 443,517 | 0.0 |

CEWE COLOR Holding AG refunds the members of the Supervisory Board for any turnover tax charged in relation to their remuneration. The above amounts do not include turnover tax. In financial 2011 as well, no member of the Supervisory Board owned option rights.

Members of the Supervisory Board are also covered by the D & O insurance. A self-retention of 10 % of the possible loss up to an amount totalling twice the Supervisory Board's remuneration was set up for them. No loans or advance payments were granted to members of the Supervisory Board. Nor were any contingent liabilities entered into for their benefit.

Remuneration Report for former members of the Board of Management and the Supervisory Board

No payments were granted for former members of the Supervisory Board. Pension provisions for former members of the Board of Management amounted to 2,426 thousand euros (previous year: 2,516 thousand euros). The pension benefits for financial 2011 amounted to 307 thousand euros (previous year: 301 thousand euros). The pension provisions made for this group of persons were transferred to CEWE COLOR Versorgungskasse e. V., Wiesbaden, with effect from April 1, 2007. The consolidated financial statements include this company according to IAS 32 in conjunction with IAS 19. No loans or advance payments were granted and no contingent liabilities were assumed for former members of the Supervisory Board and of the Board of Management of CEWE COLOR Holding AG.

Miscellaneous

The company has a third party group liability insurance policy for financial loss for all members of the Board of Management, managing directors and executives of CEWE COLOR Group in Germany and abroad. This policy is taken out, or renewed respectively, every year. The insurance covers the personal liability risk in the event that a claim for financial loss is made against this group of persons while executing their activities (D & O insurance). According to the requirements of the law on the appropriateness of the remuneration of the Board of Management (VorstAG), the insurance cover for the members of the Board of Management and of the Supervisory Board of CEWE COLOR Holding AG was adjusted in the manner described above. In addition, a special legal expenses insurance policy for criminal defence provides insurance cover for all staff members. This insurance policy also covers the legal representatives and the members of the Supervisory Board against offences they committed or are alleged to have committed while performing their duties.

Statements According to Section 315 (4) HGB

Legal provisions and stipulations in the articles of association on the appointment and dismissal of members of the Board of Management and changes to the articles of association (Section 315 (4) no. 6 HGB):

The appointment of the members of the Board of Management and the determination of their number is made by the Supervisory Board in accordance with article 5.1 and article 5.2 of the articles of association; the same applies to the possible appointment of a chairman or a

spokesman of the Board of Management and deputy members of the Board of Management. As for the rest, the legal provisions regarding the appointment and dismissal of members of the Board of Management (Sections 84 and 85 AktG) apply. For the modification of the articles of association, the legal provisions apply (Sections 133 and 179 et seq. AktG).

| Share type | ISIN | Form of share | Number in class | Interest in subscribed capital in euros | Interest in subscribed capital in % | Rights and obligations |
|-------------------|---------------|----------------------------|------------------|---|-------------------------------------|---|
| Bearer shares | DE 0005403901 | Shares without a par value | 7,380,000 | 19,188,000.00 | 99.9997 % | · The shares carry full dividend and voting rights to the extent that there are no compulsory regulations in the AktG to the contrary (e. g. treasury shares) |
| Registered shares | DE 0005403950 | Shares without a par value | 18 | 46.80 | 0.00024 % | · The shares carry full voting and dividend rights to the extent that there are no compulsory regulations in the AktG to the contrary |
| Registered shares | DE 0005403927 | Shares without a par value | 2 | 5.20 | 0.00003 % | · Registered shares with transfer restrictions that can only be transferred with the approval of the Supervisory Board · Each share grants the right to appoint a member to the Supervisory Board · The shares carry full voting and dividend rights to the extent that there are no compulsory regulations in the AktG to the contrary · The holder of these shares is the Neumüller CEWE COLOR Stiftung, Oldenburg |
| | | | 7,380,020 | 19,188,052.00 | 100.0000 % | |

| Party with reporting obligation | Type of interest | Proportion of notified voting rights in the subscribed capital |
|---|------------------|--|
| ACN Vermögensverwaltungsgesellschaft mbH & Co. KG, Oldenburg (community of heirs of Senator h. c. Neumüller, Oldenburg) | direct | 27.37 % |
| Neumüller Beteiligungsgesellschaft mbH, Oldenburg (community of heirs of Senator h. c. Neumüller, Oldenburg) | direct | 27.37 % |

Related Party Disclosures

There are individual tenancies for real properties used for business purposes between the group and the community of heirs, the executor of which, Mr. Otto Korte, is also a member of the Supervisory Board.

As for the rest, we refer to the explanations in the notes on IAS 24 (see page 161).

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Notes: E. Other Notes

Organisation

CEWE COLOR Group is structured as follows:

Shareholders



CEWE COLOR Holding AG

4 Members on the Board of Management, no other employees

- Shareholder of OHG
- Supervisory Board of AG
- Board of Management of AG

Neumüller CEWE COLOR Stiftung

8 Members on the Board of Management/Executive Board, no other employees

- Managing shareholder of OHG
- Board of Trustees of the foundation
- Board of Management of the foundation/Executive Board



CEWE COLOR AG & Co. OHG

ca. 2,800 employees

- Conducts the entire operations of CEWE COLOR Group

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Board of Management and
Managing Directors

This corporate structure was chosen to deploy the strengths of the prevailing legal form for CEWE COLOR Group.

Legal structure combines capital market and family

The founder, Senator h. c. Heinz Neumüller, wanted to ensure two things in particular: that his entrepreneurial principles were permanently incorporated into the company and that the company's long-term prospects were safeguarded at all times. This purpose is served by the Neumüller CEWE COLOR Stiftung (foundation) and a large shareholding of the community of heirs of Senator h. c. Heinz Neumüller (largest shareholder with 27.4 %). It guarantees the continued operation of the group in the sense of the legacy of Senator h. c. Neumüller, thus supporting the character of a family business. It stands for a long-term alignment of the corporate policy. For this reason, the community of heirs has the function of managing shareholder of the company.

The company founder always required CEWE COLOR Group to act innovatively and maximise profits. These corporate goals are effectively supported by the capital market. The protection of the shareholders' interests in attractive investments call for and promote the decisions of the corporate bodies, i. e. the Board of Management and the Supervisory Board. In this process, focus is also placed on consistently sound and attractive corporate performance, and thus of the investment.

The combination of both advantages allows the management of an economically sustained and income-related innovative business, which also does justice to its social role as employer and economic factor.

Management of CEWE COLOR Group by Board of Management and managing directors

The Board members and the managing directors of the Neumüller CEWE COLOR Stiftung are responsible for the overall planning and realisation of the objectives of CEWE COLOR Group. The members of the Board of Management of CEWE COLOR Holding AG are, at the same time, also Board members, or respectively managing directors of the Neumüller CEWE COLOR Stiftung. The division of responsibilities is explained in the section "Board of Management and Managing Directors".


Objective: profitable and capital-efficient growth with the aim of increasing the value of the going concern

The foremost long-term objective of CEWE COLOR Group is a profitable and capital-efficient growth. During the difficult analogue-to-digital transformation stage, the positive basic trend in the digital business was outweighed by the reduction of turnover in the business with analogue photos from films. The result of the transformation shows that the orientation to sustainable, profitable, capital-efficient growth raises the goodwill on a permanent basis.

Regular strategic work

The long-term strategy of CEWE COLOR Group is determined by the Board of Management and the managing directors. It is defined by competitive development, and the environment of the sales markets and technology. This environment is extremely dynamic because of the transformation from analogue to digital, so that the Board of Management meets several times during the year to revise the strategic alignment and control the success of the resulting strategic and operating measures of implementation in order to expand the range of competence. External experts are also invited to these discussions when the overall situation calls for their involvement. Several scenarios are worked out for potential developments in the income statement, statement of financial position and cash flow.

 Page 25 | Shareholder structure

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Board of Management
and Managing Directors

Integration of the heads of profit centres in planning

Once a year, the planning parameters are derived from this strategic perspective; these parameters are then communicated to the heads of the production plants and distribution agencies as a basis for planning. Subsequently, the above persons will compile their plans with a view to the following year including, however, a more extensive perspective, and fine-tune these plans step by step as required. The completed business plan and its benchmarks for the following year are then presented to the public. The business plan and the actual values then form the basis for the projections of the year-end results. However, the significance of the fourth quarter and particularly the last months of a year are steadily increasing as a result of the seasonal migration described in the section “Results”, under “Turnover” and “Earnings and Structure of Income Statement”. This presents a particular challenge for projections.

Investments on the basis of cost accounting

Investments are an integral part of the business plan. During the implementation of the investment plan in the course of the year, the individual investments are consistently accompanied by cost accounting.

Close monitoring by monthly target-performance comparisons

An income-statement performance comparison is carried out monthly for each profit centre, for the aggregation levels of the segments, and for CEWE COLOR Group as a whole. The statement of financial position and the statement of cash flows are prepared on a monthly basis. These target-performance comparisons are used to closely monitor whether targets will be reached and to allow for any required intervention by the Board and management. At the same time, these and other operating key figures of the plants and distribution agencies are made available to all heads of these profit centres for internal benchmarking and exchange of know-how.

Diverse and detailed management information systems

Apart from this core element of accounting-oriented comparison, the profit centre heads, Board of Management and managing directors and all relevant executives are supplied with extensive operating parameter systems – in part even with daily updating. These concern, for instance, market data of diverse marketing researchers, sales information as to quantities, price and turnover, extensive production parameters on production/delivery times, expenses and quality, further controlling information on each corporate function (e. g. personnel, logistics, customer service, investor relations, finances, etc.), a product break-even analysis, a trading partner break-even analysis, and so forth.

Clear meeting structure

Leadership activities on group level are taken up in regular meetings – apart from the ad-hoc meetings, which take place as well. The following cornerstones have been agreed: there is one meeting of the Board of Management and the managing directors every week. Likewise, one meeting per week takes place to discuss key steps required for the management of the analogue-to-digital transformation under the participation of the responsible Board members and managing directors, as well as the managers and employees concerned with the respective aspects from marketing, product management, R & D and production, and other sections. The Board of Management and the managing directors meet with the heads of the profit centres several times a year to discuss the current situation of the company, the latest developments regarding competition, sales markets and technology, and to define new plans of action with regard to corporate performance.

Special Events Following the End of the Financial Year

On February 20, 2012, the Board of Management decided to offer shares of CEWE COLOR Holding AG, Oldenburg, as employee shares to the employees of CEWE COLOR Group according to Section 3, no. 39 EStG.

On February 2, 2012, the online printing shop Saxoprint GmbH, Dresden, as well as five domestic and foreign sales companies were purchased. The group of companies is leading the market of online printing and has extensive, online verifiable offset printing capacities for higher volumes at its disposal to considerably expand the product portfolio of CEWE COLOR in this segment. Thus, CEWE COLOR is expanding its growth into the online printing segment.

REPORT ON EXPECTED DEVELOPMENTS

Page 65
Research and Development

CEWE COLOR wants to grow

To lay the foundation for future growth in online printing, CEWE COLOR took over Saxoprint GmbH, Dresden. CEWE COLOR now has at its disposal offset print capacities in addition to digital printing capacities for an efficient industrial production of larger print runs.

In photofinishing, CEWE COLOR continues its approach of developing a branded product for the first time, the CEWE PHOTOBOOK, which is positioned and promoted in the premium segment. The objective is to achieve “advance sales” with the consumers, thus directing them to the trading partners. No further significant expansion is planned with the retail trade.

Focus remains on Europe

CEWE COLOR currently operates its business exclusively in Europe. In the foreseeable future as well, turnover and earnings will probably be generated almost exclusively in Europe. However, the area of activities could be expanded, depending on the opportunities that present themselves.

Continuous improvement of the technological basis

As in the past, CEWE COLOR will continue to attempt to increase the effectiveness and efficiency of its production and data transfer technologies. New ideas in this direction are being elaborated both within the company, through best-practice transfer between the business units, and outside, through regular participation at conferences, for instance. The acquisition of Saxoprint, in particular, has allowed CEWE COLOR to further develop its technology in 2012 and, on the other hand, open up to the online printing market. There will also be many opportunities to exchange best practices between Saxoprint and CEWE COLOR.

The focus of the R&D departments was described in the section “Corporate Functions”.

Continuous innovation also includes products and services

The portfolio of CEWE COLOR products and services has to be improved all the time. Over the past year, this was a very pronounced characteristic of the analogue-to-digital transformation. CEWE COLOR is striving to maintain the forces of innovation, which have become an almost taken-for-granted factor in recent years, in order to consolidate and expand its frequently market-leading position.

Future general conditions: reduced economic outlook

The worldwide economic growth is likely to weaken in 2012. According to the German Institute for Economic Research (DIW), this is due to the problems in many countries that are associated with excessive government and private levels of debt. This debt is forcing public sectors to make significant savings cuts in their budgets. Furthermore, the turbulences triggered off by the debt crisis on the capital markets depress the mood of companies and consumers. At the same time, the banks are likely to reduce their risk exposure in external financing of companies to relieve the core capital. The International Monetary Fund (IMF) does not only predict subdued prospects for growth but also strongly increased risks on account of the intensification of the euro crisis in the fourth quarter 2011. Moreover, the IMF does not only expect weaker economic dynamics in the industrial countries but also in the emerging countries China, India and Brazil. The reason behind this will likely be the reduced impetus for demand on the part of the international trading partners as well as a weaker domestic demand. This is why the IMF lowered its forecast against September 2011. For the year 2012, the Fund now expects the gross domestic product (GDP) to expand worldwide by 3.3 %, following an increase

of 3.8 % in 2011. The industrial countries are likely to grow by 1.2 % (2011: +1.6 %) and the emerging economies by 5.4 % (2011: +6.2 %).

The noticeably weaker economic growth in the euro zone, which already became apparent at year-end, will – in the opinion of the European Central Bank (ECB) – not recover significantly for the time being. The underlying economic dynamics is likely to subdue the moderate growth of global demand; in addition, there is the low confidence of the companies and consumers in the euro zone. The consistent tensions on the government bond markets in the euro zone as well as the indispensable budget consolidations curb domestic demand. Supported by global demand, very low short-term interest rates and the measures to promoting the functional capability of the financial sector of the euro zone, the economy is likely to recover very gradually during the course of the year. The IMF expects the GDP to shrink slightly by 0.5 % over the full year. According to the IMF, the crisis in the euro zone will have a noticeable impact on the German economic development as well. The DIW expects German GDP to shrink somewhat over a temporary period. For Germany, the IMF foresees a stagnating gross domestic product (+0.3 %) for all of 2012.

Assessment of CEWE COLOR management regarding the overall economic conditions

The overall economic environment has deteriorated. The economic growth in the Central European markets that are essential for CEWE COLOR, has already significantly weakened, and is likely to deteriorate further at first. However, the rate of inflation might still remain above the target corridor set by the European Central Bank (ECB) for some more months. For this reason, management finds it difficult to assess the development of the prime rates. However, this can be neglected because no risks worth mentioning will arise for CEWE COLOR from currently feasible steps on account of the sound financial structure. For the same reason, CEWE COLOR is not likely

to be affected by a potential more restrictive lending policy of the financial sector due to higher equity requirements. The risk of individual countries within the euro zone will remain in 2012, however, it will not lead to material risks for CEWE COLOR. With regard to the outstanding receivables, management currently expects no burdens worth mentioning since the receivables vis-à-vis the trading partners are largely covered by bad-debt insurances. Past experience has shown that the economic development on the whole, but also the general consumer sentiment hardly correlate with the demand for CEWE COLOR products. The influence of economic development should rise if the share of corporate customers in the CEWE COLOR turnover rises. At present, management even sees additional opportunities in this business area even in economically weak phases, since the cost-effectiveness ratio of the products for corporate customers can be regarded as an even more significant differentiating feature.

Revision of segment classification as of 2012

The segment of online printing is given a much greater significance by the acquisition of Saxoprint. For this reason, CEWE COLOR is expected to adjust its management reporting and the classification of segment reporting: the online printing activities so far reported in the photofinishing segment Central Europe, will now be transferred to become a segment “Online printing”, shown together with the business development of Saxoprint. The present regional classification of the photofinishing segments will be combined to a segment “Photofinishing”. The segment “Retail trade” remains unchanged. Along this planned new classification of segments, management gives a preview of the essential lines of development and expectations for 2012 and 2013.

Slight growth in photofinishing

CEWE COLOR is fostering the growing market share of value-added products to offset the decline in single photos in the conventional chemical silver-halide process. This affects the commencing retreat of single photos from digital data, alongside the now advanced decline of analogue photos from film. With the CEWE PHOTOBOOK (the European market leader), additional value-added products, and its strong Internet competence, CEWE COLOR is excellently positioned to actively promote and profit from this transformation.

As a result, photofinishing should continue to benefit from the trend to value-added products, and generally confirm the trend to a stronger margin in the medium term. However, management views various factors of uncertainty for 2012: the expected economic cooling down could endanger further trading partners, requiring potential valuation adjustments on receivables. Higher employee expenses caused by the German collective agreement in 2011 for the main market, by 4 %, must be counteracted by an increase in efficiency. The seasonal migration of annual business into the fourth quarter appears to be levelling off; it remains to be seen whether this will have an influence on the annual earnings level. This applies in general for all photofinishing segments.

Retail trade at the same level

In general, management assumes a stable development in the retail trade for 2012 and 2013. Sales of compact digital cameras are likely to decline further. We are working on alternative products and segments.

Due to the lacking availability of goods owing to bottlenecks with the suppliers, a very adequate price level was achievable in 2011. This was not least the reason for the 1.7 % rise in the EBIT margin to 2.2 %. Management strives to maintain the improved marginal level as far as possible.

Ramp-up of online printing independent of the economic situation

Online printing has many advantages for the customer: a gain in quality through highly professional print products well above the currently popular copy-shop quality, as well as a time gain through user-friendly online ordering, quick production and prompt delivery. Customers also save agency outlay through easy-to-use standard programmes and utilise reasonably priced, user-oriented small print runs. Orderers want to avail of these benefits – regardless of the economic situation. Management thus expects a very positive development of turnover in the area of online printing for the years 2012 and 2013. Since special importance is attached to growth, management does not expect any contribution worth mentioning to earnings for the year 2012, and earnings may even be slightly negative. Integration costs, depreciation of the customer base, investments in the brand and advertising expenses will have a negative impact on earnings.

Focus for 2013 will be on value-added products and online printing

In 2013 as well, the focus will be on the advancement of the CEWE PHOTOBOOK and other value-added products as well as the rapid development of online printing. From the current point of view, these development strategies will also be the dominating ones for CEWE COLOR in the medium term even beyond 2012.

Target 2012 with greater range

On account of the mentioned developments and in particular the uncertainties in the photofinishing, retail trade and online printing segments, management decided to deploy a greater range for the relevant targets of the year 2012.

| Targets for 2012 | | Change to previous year |
|-----------------------------|--------------------------------|-------------------------|
| Digital prints | 2.13–2.18 billion units | –3 % to –5 % |
| Prints from film | 0.16–0.18 billion units | –30 % to –35 % |
| Total prints | 2.29–2.36 billion units | –5 % to –8 % |
| CEWE PHOTOBOOKS | 5.7–5.9 million units | +11 % to +15 % |
| Investments | 30–33 million euros | –1 % to +9 % |
| Revenues | 500–525 million euros | +7 % to +12 % |
| EBIT | 27–33 million euros | –10 % to +10 % |
| Earnings before taxes (EBT) | 25–31 million euros | –14 % to +6 % |
| Earnings after tax | 16–20 million euros | –14 % to +8 % |
| Earnings per share | 2.44–3.06 euros/share | –14 % to +8 % |

Since management is not planning to generate any contributions to earnings worth mentioning from the approx. 40 million euros of turnover in online printing, this target – adjusted by these 40 million euros of turnover – includes a forecast of a slight mean rise in turnover of

–1.9 % to 460 million euros or +3.4 % to 485 million euros. In terms of these turnovers, the described EBIT targets correspond to an EBIT margin of 5.6 % to 7.2 % – on average 6.4 %.

Consistent dividend policy

CEWE COLOR essentially follows the goal of maintaining an as consistent as possible dividend policy, provided this is feasible in view of the economic situation of the company and the prevailing investment opportunities. At the same time, the shareholders are to participate in the company's increased earnings. In financial 2011, CEWE COLOR consequently implemented this objective: around 82 % of the annual surplus was distributed to the shareholders. It was not only the dividend that was increased from 1.05 euros (distributed in 2010) to 1.25 euros per share. Also, a strong repurchase programme of shares was carried through. Nevertheless, management proposes to increase the dividend once again.

Oldenburg, March 7, 2012

CEWE COLOR Holding AG

– The Board of Management –



Dr. Rolf Hollander
(Chairman of the Board of Management)



Dr. Reiner Fageth



Andreas F. L. Heydemann



Dr. Olaf Holzkämper

Page 135 | Earnings per Share

Statements oriented at the future

This report contains information and forecasts that relate to the future development of CEWE COLOR Group and its subsidiaries. The forecasts are estimates made on the basis of all information and data available to us at this time. In the event the underlying assumptions are not correct, or in the occurrence of risks – such as those mentioned in the risk report – the actual developments and results are likely to deviate from the present expectations.

Apart from the statutory requirements for publication, the company is not committed to update any statements contained in the management report.

BOARD OF MANAGEMENT AND MANAGING DIRECTORS

of CEWE COLOR Holding AG and the Neumüller CEWE COLOR Stiftung

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Structure and Corporate Bodies

www.cewecolor.de/en/company/corporate-structure/board-of-management



Dr. Rolf Hollander

Chairman of the Board of Management of CEWE COLOR Holding AG
Chairman of the Board of Management of the Neumüller
CEWE COLOR Stiftung



Dr. Reiner Fageth

Member of the Board of Management of CEWE COLOR Holding AG
Managing Director of the Neumüller CEWE COLOR Stiftung
Responsible for technology, research and development



Dr. Olaf Holzkämper

Member of the Board of Management of CEWE COLOR Holding AG
Managing Director of the Neumüller CEWE COLOR Stiftung
Responsible for finance & controlling, corporate development
and investor relations



Andreas F. L. Heydemann

Member of the Board of Management of CEWE COLOR Holding AG
Managing Director of the Neumüller CEWE COLOR Stiftung
Responsible for purchasing, materials management, IT, legal,
corporate governance and auditing



Dr. Michael Fries

Member of the Board of Management of
the Neumüller CEWE COLOR Stiftung
Responsible for the German plants, personnel and logistics



Felix Thalmann

Member of the Board of Management of
the Neumüller CEWE COLOR Stiftung
Responsible for foreign countries and expansion



Harald H. Pirwitz

Member of the Board of Management of
the Neumüller CEWE COLOR Stiftung
Responsible for sales in Germany, Austria and
Switzerland and marketing



Frank Zweigle

Member of the Board of Management of
the Neumüller CEWE COLOR Stiftung
Representative of the beneficiaries



Sorting for dispatch

An employee sorts finished photo products for mailing at the so-called sorting, or co-mix, shelf. Photo products from different product groups, so-called "mixed orders", ordered by a customer simultaneously in one shopping cart, are compiled and prepared for dispatch on this shelf.

CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT

for the financial year 2011 of CEWE COLOR Holding AG, Oldenburg

| <i>Figures in thousand euros</i> | 2011 | 2010 | Change | Notes |
|---|----------------|----------------|---------------|-------|
| Revenues | 469,043 | 446,800 | 5.0 % | C25 |
| Increase/decrease in the inventory of finished and unfinished products | 0 | -11 | — | |
| Other work performed and capitalised | 937 | 1,486 | -36.9 % | |
| Other operating income | 23,142 | 24,929 | -7.2 % | C26 |
| Cost of materials | -173,631 | -168,660 | -2.9 % | C27 |
| Gross profit/loss | 319,491 | 304,544 | 4.9 % | |
| Employee expenses | -108,506 | -100,582 | -7.9 % | C28 |
| Other operating expenses | -147,360 | -138,100 | -6.7 % | C29 |
| Earnings before interest, taxes, depreciation and amortisation (EBITDA) | 63,625 | 65,862 | -3.4 % | |
| Depreciation of property, plant and equipment and amortisation of intangible assets | -33,498 | -37,710 | 11.2 % | C30 |
| Earnings before interest and taxes (EBIT) | 30,127 | 28,152 | 7.0 % | |
| Net financial income | -954 | -1,776 | 46.3 % | C32 |
| Earnings before taxes (EBT) | 29,173 | 26,376 | 10.6 % | |
| Income taxes | -9,848 | -11,710 | 15.9 % | C33 |
| Other taxes | -737 | -949 | 22.3 % | C34 |
| Earnings after taxes | 18,588 | 13,717 | 35.5 % | |
| net profit/loss attributable to minority shareholders | 0 | 2 | — | C35 |
| net profit/loss attributable to the shareholders of the parent company | 18,588 | 13,715 | 35.5 % | C35 |
| Earnings per share (in euros) | | | | |
| basic | 2.84 | 2.02 | 40.7 % | C36 |
| diluted | 2.84 | 2.02 | 40.7 % | C36 |

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES

for the financial year 2011 of CEWE COLOR Holding AG, Oldenburg

| <i>Figures in thousand euros</i> | 2011 | 2010 | Change | Notes |
|--|---------------|--------|--------|-------|
| Earnings after tax | 18,588 | 13,717 | 35.5 % | |
| Currency translation differences | -2,691 | 1,796 | 0 | A5 |
| Market assessment of hedging transactions | 0 | 244 | 0 | |
| Taxes on income and expenses recognised not affecting income | -133 | 735 | 0 | D71 |
| Expenses and income after taxes not affecting income | -2,824 | 2,775 | 0 | C33 |
| Total profit/loss | 15,764 | 16,492 | -4.4 % | |
| total profit/loss attributable to minority shareholders | 0 | 5 | — | |
| total profit/loss attributable to the shareholders of the parent company | 15,764 | 16,487 | -4.4 % | |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2011 of CEWE COLOR Holding AG, Oldenburg

| ASSETS | <i>Figures in thousand euros</i> | 2011 | 2010 | Change | Notes |
|--|----------------------------------|----------------|----------------|---------------|-------|
| Property, plant and equipment | | 79,216 | 80,495 | -1.6 % | D37 |
| Real estate held as financial investment | | 4,839 | 4,803 | 0.7 % | D39 |
| Goodwill | | 9,072 | 9,053 | 0.2 % | D40 |
| Intangible assets | | 13,040 | 16,301 | -20.0 % | D41 |
| Non-current financial assets | | 214 | 200 | 7.0 % | D42 |
| Non-current receivables from income tax refund | | 2,551 | 2,896 | -11.9 % | D43 |
| Non-current receivables and assets | | 581 | 357 | 62.7 % | D44 |
| Deferred tax assets | | 4,798 | 5,387 | -10.9 % | D45 |
| Non-current assets | | 114,311 | 119,492 | -4.3 % | |
| Assets held available for sale | | 187 | 192 | -2.6 % | D46 |
| Inventories | | 48,026 | 50,287 | -4.5 % | D47 |
| Current trade receivables | | 77,861 | 72,024 | 8.1 % | D48 |
| Current receivables from income tax refund | | 971 | 1,150 | -15.6 % | D49 |
| Current other receivables and assets | | 17,618 | 20,983 | -16.0 % | D50 |
| Cash and cash equivalents | | 30,764 | 23,382 | 31.6 % | D51 |
| Current assets | | 175,427 | 168,018 | 4.4 % | |
| | | 289,738 | 287,510 | 0.8 % | |

| SHAREHOLDERS' EQUITY AND LIABILITIES | <i>Figures in thousand euros</i> | 2011 | 2010 | Change | <i>Notes</i> |
|--|----------------------------------|----------------|----------------|----------------|--------------|
| Subscribed capital | | 19,188 | 19,188 | — | D52 |
| Capital reserves | | 56,228 | 56,228 | — | D57 |
| Special items for treasury shares | | -24,431 | -17,647 | -38.4 % | D58 |
| Retained earnings and net retained profits | | 70,502 | 62,897 | 12.1 % | D59 |
| Equity capital attributable to shareholders | | 121,487 | 120,666 | 0.7 % | |
| Minority interest | | 0 | 40 | — | D60 |
| Equity | | 121,487 | 120,706 | 0.6 % | |
| Non-current special items for investment grants | | 320 | 415 | -22.9 % | D61 |
| Non-current provisions for pensions | | 10,796 | 10,025 | 7.7 % | D62 |
| Non-current deferred tax liabilities | | 641 | 1,791 | -64.2 % | D63 |
| Non-current other provisions | | 812 | 878 | -7.5 % | D64 |
| Non-current financial liabilities | | 16,699 | 24,099 | -30.7 % | D65 |
| Other non-current liabilities | | 255 | 183 | 39.3 % | |
| Non-current liabilities | | 29,523 | 37,391 | -21.0 % | |
| Current special items for investment grants | | 95 | 100 | -5.0 % | |
| Current provisions for taxes | | 5,567 | 4,694 | 18.6 % | D66 |
| Current other provisions | | 7,416 | 8,633 | -14.1 % | D67 |
| Current financial liabilities | | 7,393 | 6,641 | 11.3 % | D68 |
| Other current trade payables | | 90,175 | 82,599 | 9.2 % | D69 |
| Other current liabilities | | 28,082 | 26,746 | 5.0 % | D70 |
| Current liabilities | | 138,728 | 129,413 | 7.2 % | |
| | | 289,738 | 287,510 | 0.8 % | |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

of CEWE COLOR Holding AG, Oldenburg

| <i>Figures in thousand euros</i> | Parent company <i>other comprehensive group income</i> | | | | | | |
|--|---|------------------|-----------------------------|-------------------------------|-------------------------------------|--------------------|--|
| | Subscribed capital | Capital reserves | Revaluation reserves IFRS 3 | Consolidated equity generated | Special item for Stock Option Plans | Other equity items | Market valuation of hedge transactions |
| Balance on Jan. 1, 2010 | 19,188 | 56,228 | 1,075 | 49,586* | 3,504 | -349 | -244 |
| Earnings after tax | — | — | — | 13,715 | — | — | — |
| Expenses and income not affecting profit or loss | — | — | — | — | — | — | 244 |
| Total profit/loss | — | — | — | 13,715 | — | — | 244 |
| Disbursed dividend | — | — | — | -7,149 | — | — | — |
| Acquisition of treasury shares | — | — | — | — | — | — | — |
| Completion of Stock Option Plan 2005 | — | — | — | 3,504 | -3,504 | — | — |
| Start of Stock Option Plan 2010 | — | — | — | — | 309 | — | — |
| Owner-related change in equity capital | — | — | — | -3,645 | -3,195 | — | — |
| Balance on Dec. 31, 2010 | 19,188 | 56,228 | 1,075 | 59,656* | 309 | -349 | — |
| Earnings after tax | — | — | — | 18,588 | — | — | — |
| Changes in the scope of consolidation | — | — | — | — | — | — | — |
| Expenses and income not affecting profit or loss | — | — | — | — | — | — | — |
| Total profit/loss | — | — | — | 18,588 | — | — | — |
| Disbursed dividend | — | — | — | -8,478 | — | — | — |
| Acquisition of treasury shares | — | — | — | — | — | — | — |
| Stock Option Plan 2010 | — | — | — | — | 319 | — | — |
| Owner-related change in equity capital | — | — | — | -8,478 | 319 | — | — |
| Balance on Dec. 31, 2011 | 19,188 | 56,228 | 1,075 | 69,766 | 628 | -349 | — |

* Taking into consideration a reclassification of 214 thousand euros from provisions not affecting income.

| Parent company other comprehensive group income | | | | | | Minority shareholders | | | | |
|---|---|---|---|---|---|-----------------------|---|----------------------|--|-------|
| Adjustment item for cur- rency transla- tion in equity | Income taxes without effect on net income taken into account | Retained earnings and net retained profits | Equity acc. to consol. statem. of fin. pos. before deduction of treasury shares | Special items for treasury shares | Equity capital attributable to shareholders | Minority capital | Adjustment item for currency translation | Minority interest | Equity capital according to consolidated statement of financial position | Notes |
| -234 | -88 | 53,250 | 128,666 | -17,007 | 111,659 | 49 | -14 | 35 | 111,694 | |
| — | — | 13,715 | 13,715 | — | 13,715 | 2 | — | 2 | 13,717 | |
| 1,793 | 735 | 2,772 | 2,772 | — | 2,772 | — | 3 | 3 | 2,775 | |
| 1,793 | 735 | 16,487 | 16,487 | — | 16,487 | 2 | 3 | 5 | 16,492 | |
| — | — | -7,149 | -7,149 | — | -7,149 | — | — | — | -7,149 | D 59 |
| — | — | — | — | -640 | -640 | — | — | — | -640 | D 58 |
| — | — | — | — | — | — | — | — | — | — | D 55 |
| — | — | 309 | 309 | — | 309 | — | — | — | 309 | D 55 |
| — | — | -6,840 | -6,840 | -640 | -7,480 | — | — | — | -7,480 | |
| 1,559 | 647 | 62,897 | 138,313 | -17,647 | 120,666 | 51 | -11 | 40 | 120,706 | |
| — | — | 18,588 | 18,588 | — | 18,588 | — | — | — | 18,588 | |
| — | — | — | — | — | — | -51 | 11 | -40 | -40 | |
| -2,691 | -133 | -2,824 | -2,824 | — | -2,824 | — | — | — | -2,824 | |
| -2,691 | -133 | 15,764 | 15,764 | — | 15,764 | -51 | 11 | -40 | 15,724 | |
| — | — | -8,478 | -8,478 | — | -8,478 | — | — | — | -8,478 | D 59 |
| — | — | — | — | -6,784 | -6,784 | — | — | — | -6,784 | D 58 |
| — | — | 319 | 319 | — | 319 | — | — | — | 319 | D 55 |
| — | — | -8,159 | -8,159 | -6,784 | -14,943 | — | — | — | -14,943 | |
| -1,132 | 514 | 70,502 | 145,918 | -24,431 | 121,487 | — | — | — | 121,487 | |

CONSOLIDATED STATE- MENT OF CASH FLOWS

for the financial year 2011 of
CEWE COLOR Holding AG, Oldenburg

 Notes E73

| <i>Figures in thousand euros</i> | 2011 | 2010 | Change |
|--|----------------|----------------|----------------|
| EBIT | 30,127 | 28,152 | 7.0 % |
| +/- Adjustments for: | | | |
| +/- Depreciation (+) / allocations (-) | 33,498 | 37,710 | -11.2 % |
| +/- Non-cash foreign currency effects | -1,541 | 1,440 | — |
| +/- Change of other non-current debts | 737 | 181 | 307 % |
| +/- Change of other non-current receivables | -224 | -23 | -874 % |
| +/- Income/loss from the disposal of fixed assets | 153 | 104 | 47.1 % |
| +/- Other non-cash transactions | -137 | 565 | — |
| = EBIT adjustment for cash flow | 32,486 | 39,977 | -18.7 % |
| = EBIT-induced cash flow | 62,613 | 68,129 | -8.1 % |
| +/- Decrease (+) / increase (-) operating net working capital | 4,000 | 5,854 | -31.7 % |
| Decrease (+) / increase (-) other operating net working capital (excluding income tax items) | 3,389 | -9,425 | — |
| +/- Taxes paid | -9,749 | -11,595 | 15.9 % |
| = Working capital and tax-induced cash flow | -2,360 | -15,166 | 84.4 % |
| = Cash flow from operating activities | 60,253 | 52,963 | 13.8 % |
| - Outflows from investments in fixed assets | -30,277 | -26,350 | -14.9 % |
| - Outflows from purchases of consolidated shares/acquisitions | 0 | -1,398 | — |
| - Outflows from investments in financial investments and similar assets | -14 | 0 | — |
| + Inflows from the disposal of tangible and intangible assets | 259 | 0 | — |
| + Inflows from the disposal of financial investments and similar assets | 0 | 425 | — |
| = Cash flow from investing activities | -30,032 | -27,323 | -9.9 % |
| = Free cash flow | 30,221 | 25,640 | 17.9 % |
| - Disbursed dividends | -8,478 | -7,149 | -18.6 % |
| - Purchase of treasury shares | -6,784 | -641 | -958 % |
| - Evaluation of stock options according to IFRS 2 | 319 | 252 | 26.6 % |
| = Outflows to shareholders | -14,943 | -7,538 | -98.2 % |
| +/- Cash flow to (+) / cash flow from (-) the change of financial liabilities | -6,648 | -1,786 | -272 % |
| +/- Cash flow to (+) / cash flow from (-) the change of interest income | -975 | -1,483 | 34.3 % |
| +/- Other non-cash financial transactions | 21 | -27 | — |
| = Cash flow from financing activities | -22,545 | -10,834 | -108 % |
| Cash and cash equivalents at start of period | 23,382 | 8,218 | 185 % |
| +/- Effect of exchange rate changes on cash and cash equivalents | -294 | 358 | — |
| + Cash flow from operating activities* | 60,253 | 52,963 | 13.8 % |
| + Cash flow from investing activities* | -30,032 | -27,323 | -9.9 % |
| +/- Cash flow from financing activities* | -22,545 | -10,834 | -108 % |
| = Cash and cash equivalents at end of period | 30,764 | 23,382 | 31.6 % |

*In the preceding years, the cash flows were combined in cash changes of cash and cash equivalents.

SEGMENT REPORTING*

for the financial year 2011 of CEWE COLOR Holding AG, Oldenburg

| Financial year 2011 | Figures in thousand euros | Photofinishing | | | | Addition Photo- finishing | Retail | | CEWE COLOR Group total |
|--|---------------------------|-------------------|---------------|-------------------|------------------------|---------------------------------|----------------|----------------|---------------------------|
| | | Central Europe | Benelux | Western Europe | Centr. East. Europe | | Eliminations | | |
| Revenues with external third parties | 249,655 | 32,470 | 44,565 | 30,198 | 356,888 | 112,155 | — | 469,043 | |
| Currency effects | -2,032 | — | 164 | 23 | -1,845 | 218 | — | -1,627 | |
| Revenues with external third parties, adjusted for currency effects | 247,623 | 32,470 | 44,729 | 30,221 | 355,043 | 112,373 | — | 467,416 | |
| Revenues with other segments | 35,648 | 2,388 | 2,494 | 3,861 | 44,391 | 798 | -45,189 | — | |
| Segment turnover | 285,303 | 34,858 | 47,059 | 34,059 | 401,279 | 112,953 | -45,189 | 469,043 | |
| Scheduled depreciation | -25,869 | -133 | -2,770 | -2,459 | -31,231 | -2,267 | — | -33,498 | |
| EBIT | 24,187 | 1,204 | 1,207 | 1,110 | 27,708 | 2,419 | — | 30,127 | |
| EBIT before restructuring | 24,187 | 1,204 | 1,207 | 1,110 | 27,708 | 2,419 | — | 30,127 | |
| Other financial result | 21 | — | — | — | 21 | — | — | 21 | |
| Interest expense | -1,406 | — | -4 | -7 | -1,417 | -9 | — | -1,426 | |
| Interest income | 324 | 9 | — | 48 | 381 | 70 | — | 451 | |

| Financial year 2010 | Figures in thousand euros | Photofinishing | | | | Addition Photo- finishing | Retail | | CEWE COLOR Group total |
|--------------------------------------|---------------------------|-------------------|---------------|-------------------|------------------------|---------------------------------|----------------|----------------|---------------------------|
| | | Central Europe | Benelux | Western Europe | Centr. East. Europe | | Eliminations | | |
| Revenues with external third parties | 231,057 | 33,039 | 43,496 | 28,441 | 336,033 | 110,767 | — | 446,800 | |
| Revenues with other segments | 40,180 | 2,169 | 1,908 | 4,988 | 49,245 | 349 | -49,594 | — | |
| Segment turnover | 271,237 | 35,208 | 45,404 | 33,429 | 385,278 | 111,116 | -49,594 | 446,800 | |
| Scheduled depreciation | -28,045 | -199 | -2,807 | -1,770 | -32,821 | -2,897 | — | -35,718 | |
| Unscheduled depreciation | — | — | — | -1,992 | -1,992 | — | — | -1,992 | |
| EBIT | 26,498 | 474 | 1,152 | -1,815 | 26,309 | 1,843 | — | 28,152 | |
| Restructuring expenditures | — | — | — | 2,211 | 2,211 | — | — | 2,211 | |
| EBIT before restructuring | 26,498 | 474 | 1,152 | 396 | 28,520 | 1,843 | — | 30,363 | |
| Other financial result | -293 | — | — | — | -293 | — | — | -293 | |
| Interest expense | -2,102 | — | -4 | -3 | -2,109 | -16 | — | -2,125 | |
| Interest income | 535 | 6 | — | 50 | 591 | 51 | — | 642 | |

* Segment reporting is an integral part of the notes to the consolidated financial statements, and is shown here for better readability.

NOTES

A. General Information

1 | Corporate information

CEWE COLOR Holding AG, based in Oldenburg, (hereinafter referred to as CEWE COLOR Holding) is the parent company of CEWE COLOR Group (hereinafter referred to as CEWE COLOR) and is a public limited company under German law listed on the stock exchange.

CEWE COLOR Group consists of CEWE COLOR Holding and its domestic and foreign subsidiaries. CEWE COLOR is an internationally operating group, whose major activities are photofinishing and the photo retail trade. In these fields, the company is the technological and market leader.

The present consolidated financial statements and the group management report for the financial year 2011 were prepared by the Board of Management of CEWE COLOR Holding and will be submitted to and published by the electronic Federal Gazette.

2 | Principles regarding the preparation of the consolidated financial statements

The consolidated financial statements of CEWE COLOR Holding for the financial year from January 1, 2011 to December 31, 2011 were prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations of the International Accounting Standards Board (IASB) as applicable in the EU, as well as the respective provisions of Section 315a (1) of the German Commercial Code (HGB).

The following standards, adaptations as well as interpretations were also applicable, starting with the year under review (in brackets: effective date in the EU):

- Change to IFRS 1 "Limited Exemption from Other Disclosures for First-time Adopters according to IFRS 7" (June 30, 2010)
- IAS 24 (revised 2009) "Related Party Disclosures" (July 19, 2010)
- Changes to IFRIC Interpretation 14 "The Limit on a Defined Benefit Asset, Minimum Funding and their Interaction" (July 19, 2010)

- IFRIC Interpretation 19 "Extinguishing Financial Liabilities with Equity Instruments" (July 23, 2010)

Any and all changes do not materially affect the net worth, financial position and results of the company, or are not applicable.

The following standards and interpretations were already adopted by European law as at December 31, 2011, however, are not yet mandatory (in brackets: effective date in the EU):

- Change to IFRS 7 "Financial Instruments: Disclosures" (June 30, 2010)
- Change to IAS 32 "Financial Instruments: Presentation" (December 23, 2009)

The following standards and interpretations were already published as at December 31, 2011, however, are not yet adopted by European law (in brackets: date of the publication by the IASB):

- IFRS 9 "Financial Instruments" (November 12, 2009 and October 28, 2010)
- IFRS 10 "Consolidated Financial Statements" (May 12, 2011)
- IFRS 11 "Joint Arrangements" (May 12, 2011)
- IFRS 12 "Disclosure of Interests in Other Entities" (May 12, 2011)
- IFRS 13 "Fair Value Measurement" (May 12, 2011)
- IAS 27 (revised 2011) "Consolidated and Separate Financial Statements" (May 12, 2011)
- IAS 28 (revised 2011) "Investments in Associates and Joint Ventures" (May 12, 2011)
- Change to IAS 12 "Deferred Taxes: Recovery of Underlying Assets" (December 20, 2010)
- Change to IFRS 1 "First-time Adoption of International Financial Reporting Standards" (December 20, 2010)
- Change to IFRS 7 "Financial Instruments: Disclosures" (December 16, 2011)
- Change to IAS 1 "Presentation of Financial Statements" (June 16, 2011)
- Change to IAS 19 "Employee Benefits" (June 16, 2011)
- Change to IAS 32 "Financial Instruments Presentation" (December 16, 2011)

- IFRIC Interpretation 20 “Stripping Costs in the Production Phase of a Surface Mine” (October 19, 2011)

With the exception of IFRS 9, all standards according to IASB are to be applied for financial years beginning on or after January 1, 2013 for the first time. IFRS 9 is to be applied for financial years beginning on or after January 1, 2015. The time when the application of the standards is legally mandatory depends on the endorsement procedure of the EU.

To the extent new standards that have not yet become effective for 2011 can be applied on a voluntary basis, we have not made use of this option. The examination of the effects IFRS 9 will have on the consolidated financial statements has not been completed as yet. The application of standards published as of the reporting date, whose implementation is not yet mandatory, is not likely to have any essential effect on the net worth, financial, and earnings position. Circumstances permitting, some standards may require additional notes. The new standards will not be applied before the conclusion of the endorsement procedure in the EU.

The income statement was prepared in accordance with the total cost type of accounting. Unless otherwise stated, all values are shown in thousand euros.

3 | Scope of consolidation

The consolidated financial statements as at December 31, 2011 include the domestic and foreign companies in which CEWE COLOR Holding has a direct or indirect controlling interest. The companies will be included in the consolidated financial statements starting with the period when control is obtained. Apart from CEWE COLOR Holding AG, Oldenburg, as parent company, the scope of consolidation includes 9 domestic and 17 foreign companies as at December 31, 2011. In addition, the pension commitments transferred to the CEWE COLOR Versorgungskasse e. V., Wiesbaden, according to IAS 19 continue to be included in consolidation. Not included in consolidation are Bilder-planet.de GmbH, Cologne, and Printpartners Nederland B. V., Veenendaal, The Netherlands, on account of their subordinate economic significance. The share in total assets of the group assets is merely 0.01 %, and the share of revenues in group revenues is at 0.00 %. No changes in the scope of consolidation or other transactions subject to reporting have occurred since the financial statements as at December 31, 2010.

4 | Principles of consolidation

The consolidated financial statements were developed from the separate financial statements of the German and foreign subsidiaries included in consolidation in accordance with uniform accounting and valuation methods. The reporting date for the separate financial statements of all companies included in the consolidated financial statements corresponds to that of the consolidated financial statements, i. e. December 31, 2011. Business combinations are shown in the statement of financial position according to the purchase method.

At initial consolidation, all assets and liabilities taken over are remeasured at their applicable fair values at the moment of acquisition. Positive balances resulting from the allocation of purchase prices are capitalised as goodwill.

In the event of additional acquisition of shares in companies already included by way of full consolidation, these will not affect profit or loss. The carrying amounts of assets, liabilities and goodwill of the companies already included in consolidation are not changed. The impairment tests for goodwill to be conducted annually are carried out according to the discounted cash flow method. In doing so, the cash flows to be expected in future from the latest management forecasts are extrapolated using long-term sales growth rates and assumptions on growth for margins and earnings, and discounted using the costs of capital for the business unit. The tests are conducted at the level of the cash-generating unit. In addition, an impairment test will be conducted during the year if events suggest that the value has been impaired sustainably.

Intra-group revenues, expenses and earnings as well as loans, accounts receivable and payable are eliminated. Intercompany profits from group deliveries are consolidated to the extent that these are material for the presentation of a fair view of the actual net worth, financial and earnings position. Intra-group deliveries and services are calculated based on both market prices and transfer prices, determined in line with the principle of dealing at arm's length. To the extent required, deferred taxation is carried out for consolidation processes affecting income.

Stock Option Plans were measured as issued equity instruments for future performance according to IFRS 2 at fair value. The resulting effects were distributed over their term as expenses, carried under employee expenses, and booked against equity. To the extent

that the option conditions are not fulfilled, the item is to be reversed within equity not affecting profit or loss.

Companies that are no longer to be classified as consolidated companies are excluded from consolidation. The date is determined by the date on which the company withdrew from the group, i.e. the date on which control of financial and business policy was lost. Income and expenses of the consolidated company are still included in the consolidated income statement until the date it leaves the group. All assets and liabilities representing the consolidated company at the period directly prior to its withdrawal from the group are regarded as the disposal value. The impact on income from deconsolidation results by comparing the sale or liquidation income with the disposal value. The consolidation methods applied are unchanged compared to the previous year.

5 | Currency translation

The financial statements of the foreign group companies are translated to euros using the functional currency approach. As the subsidiaries operate their business independently in financial, economic and organisational terms, the functional currency is usually identical with the company's respective national currency. The group's reporting and functional currency is the euro.

The assets and liabilities of the foreign companies to be included are translated at the mean rate of exchange on the reporting date (year-end price), income and expenses are translated at the annual average of the respective mean rate of exchange (income statement value).

Goodwill generated by foreign subsidiaries from capital consolidation is carried at historical acquisition costs.

Equity is also translated at historical exchange rates. The resulting exchange rate differences are not carried in the income statement but under a separate equity item. Currency differences from the translation of long-term loans to group companies are also carried directly under equity not affecting profit or loss.

Currency translation is based on the following key exchange rates:

| | | 2011 | | 2010 | |
|-----------------------------|------------------------|----------------|-----------------------|----------------|-----------------------|
| | | Year-end price | Mean rate of exchange | Year-end price | Mean rate of exchange |
| Currency translation | | | | | |
| CHF | Swiss franc | 1.2156 | 1.2327 | 1.2525 | 1.3824 |
| CZK | Czech crown | 25.7870 | 24.5907 | 25.1010 | 25.2925 |
| DKK | Danish crown | 7.4342 | 7.4506 | 7.4538 | 7.4472 |
| HUF | Hungarian forint | 314.5800 | 279.4117 | 277.8400 | 275.3850 |
| NOK | Norwegian crown | 7.7540 | 7.7934 | 7.8100 | 8.0086 |
| PLN | Polish zloty | 4.4580 | 4.1211 | 3.9604 | 3.9952 |
| SEK | Swedish crown | 8.9120 | 9.0293 | 8.9752 | 9.5476 |
| HRK | Croatian kuna | 7.5370 | 7.4393 | 7.3827 | 7.2886 |
| GBP | British pound sterling | 0.8353 | 0.8678 | 0.8625 | 0.8584 |
| USD | US dollar | 1.2939 | 1.3918 | 1.3380 | 1.3271 |

B. Accounting and Valuation Principles

6 | General information

In general, the annual financial statements of the consolidated companies are prepared according to uniform accounting and valuation methods. The accounting and valuation options are exercised in the consolidated financial statements in the same manner as in the separate financial statements. The accounting and valuation methods applied are unchanged compared to the preceding year.

For the preparation of the consolidated financial statements, the Board of Management has to make a series of assessments and estimations as well as assumptions, which have an influence on the application of the accounting principles in the group, and the recognition of the assets and liabilities as well as the income and expenses. The actually resulting amounts may differ from the estimations. The estimations and the underlying assumptions are reviewed continuously. The estimations listed below and the associated assumptions may have an effect on the consolidated financial statements:

To the extent assets of property, plant and equipment as well as intangible assets are acquired within the scope of business combinations, the applicable fair value of these assets at the moment of acquisition as well as the expected useful life have to be estimated. The determination of both the fair values and the useful lives is based on the management's assessments.

For the determination of impairments of assets of property, plant and equipment and of intangible assets, estimations with respect to the cause, the time and the amount of the impairment have to be made. The assessment of indications suggesting impairments, the estimation of future cash flows and the determination of the applicable fair value of assets depend on estimations with respect to the expected cash flows, the useful lives, the discounting rates as well as the residual values. The development of the future cash flows is determined mainly by the development of the future demand for the products. In the event the actual development of the demand falls below expectations, this would have negative effects on the revenue and cash flows. This might result in further expenditure for value adjustments with a negative effect on the future earnings positions.

In order to counter loan loss risk, provisions for doubtful accounts are made. The determination of the provisions is based on the maturity structure, the current market situation as well as past empirical values. If the financial position of the customer deteriorates, the actual loss of receivables may exceed the expected losses.

Income taxes are determined by calculating the expected actual income tax for each taxable entity as well as the deferred taxes resulting from the temporary differences between the items of the statement of financial position of the consolidated financial statements and the tax statements. To this effect, assumptions on the interpretation of tax regulations have to be made, both in Germany and abroad. Moreover, it has to be estimated whether there is a possibility of achieving a sufficiently high taxable income within the scope of the respective type of tax and tax jurisdiction. If the actual results differ from the forecast results or if it becomes necessary to adjust the estimations in future financial years, this may have effects on the tax expenditure as well as on deferred taxes.

Pensions and similar obligations are measured on the basis of actuarial procedures. These valuations are based mainly on assumptions with respect to discount factors, salary and pension trends as well as life expectancy. Essential changes in pensions and other obligations may occur if these assumptions deviate essentially from the actual development on account of changed market and economic conditions.

Recognition and measurement of other provisions and contingent liabilities depend to a large extent on the complexity of the underlying transaction and on estimations. To this effect, assumptions with respect to probability of occurrence and the amount of claim have to be made, which depend on experience, the estimation of cost trends and the estimation of other information. Changes in these estimations may have a considerable effect on the earnings position.

Individual items in the income statement and in the statement of financial position are summarised. They are shown separately in the notes. The group classifies assets and liabilities as current if they are likely to be realised or balanced within twelve months following the reporting date.

7 | Realised earnings and expenses

Normal business activities of CEWE COLOR Group lie in photofinishing and other printing services as well as trading with photo hardware and photofinishing products. All revenues that are connected with the ordinary business activities are shown as revenues in the income statement. All other revenues are shown as "Other operating income". Revenues from the sale of products and services rendered and other operating income are recognised when the service is rendered, or the risk is transferred to the customer. Operating expenses are recognised in income when recourse is taken to the service, or when they are incurred. Revenue-related expenses or provisions are generally taken into account when the corresponding revenues are recognised. This also includes estimated amounts for rebates, discounts and other reductions in revenues. Interest income and expenses are reported on an accrual basis.

8 | Fixed assets

Property, plant and equipment is carried at cost of acquisition or manufacture and, if subject to wear and tear, reduced by scheduled straight-line depreciation. Costs of manufacture comprise all directly attributable costs as well as reasonable portions of the production-related overheads. Financing costs are not capitalised, because no assets exist that have a longer period of construction or manufacturing stage. The basis of depreciation is reduced by an estimated residual value the company can probably recognise at the end of the useful life, less the costs of disposal. The residual value at the reporting date is calculated as if the respective asset already had the age and the degree of wear and tear on the date of the supposed disposal. The residual values are remeasured at regular intervals. In the case of sold and scrapped assets, the historical cost of acquisition or manufacture and the accumulated depreciation are written off. The resulting gains or losses from the write-off of the asset will be determined as difference between the net sales proceeds and the book value, and recognised in the period in which the item is written off, in the income statement as "Other operating income".

9 | Real estate held as financial investment

Real estate held as financial investment includes land and buildings held for generating rental income, or for the purpose of increase in value, and is not used for own production, for the delivery of goods, or the provision of services, for administrative purposes, or for the sale within the scope of ordinary business.

At their initial measurement, the real estate is recognised at amortised cost of acquisition or manufacture, including incidental costs. The book value contains the expenses for replacement investments for an existing real estate held as financial investment at the time such expenses are incurred, provided the recognition criteria are fulfilled. The book value does not include the costs for the daily maintenance of this real estate. Within the scope of the subsequent evaluation, the real estate held as financial investments are recognised at their amortised cost of acquisition.

Real estate held as financial investment are written off when they are sold, or no longer used permanently and no future economic value is expected from their disposal. Gains or losses from the shutdown or disposal of a real estate held as financial investment will be posted in the year of shutdown or disposal.

Real properties will be allocated to the portfolio of real estate held as financial investment, if there is a change in use evidenced by the termination of own use, or the beginning of an operating leasing contract with a third party.

10 | Goodwill

Goodwill is not subject to scheduled depreciation but is reviewed for impairment on an annual basis. Beyond this, a review takes place if there are indications that suggest a potential impairment. To this effect, the applicable fair values of the cash-generating units less any selling costs will be determined. To the extent that impairment is thus recognised, extraordinary depreciation will be made. Increases in value of goodwill are not permitted.

11 | Intangible assets

Intangible assets are industrial property and similar rights, software acquired against payment, internally generated software, customer bases and lists, trademarks as well as the advance payments made on the listed assets. Acquired and internally generated intangible assets are capitalised under the presumptions of IAS 38 "Intangible assets".

Intangible assets acquired against payment are capitalised at acquisition costs, internally generated intangible assets, which are likely to be of future economic benefit to the group, and which can be reliably valued, are capitalised at the production cost, and are subject to scheduled straight-line depreciation over the useful life. Costs of manufacture comprise all directly attributable costs as well as reasonable portions of the production-related overheads. Financing costs are not capitalised, because no assets exist that have a longer period of construction or manufacturing stage. Other development costs are not capitalised either, because the requirements for the capitalisation are generally not fulfilled. Intangible assets are impaired when the achievable amount – the higher value of the applicable fair value less selling costs and the value in use of the asset – is lower than the book value. The internally generated intangible assets mainly concern distribution and production-specific software systems that can be used throughout the group.

12 | Impairment

Scheduled depreciation of fixed assets is essentially calculated on the basis of the following useful lives uniform within the group:

| Standard useful lives | <i>Useful lives in years</i> | Dec. 31, 2011 | Dec. 31, 2010 |
|---------------------------------------|------------------------------|---------------|---------------|
| Asset | | | |
| Customer bases/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 | | | |
| Adhesive binding devices and machines | | 8 | 8 |
| Digital printing machines | | 4 to 6 | 4 to 6 |
| Film development machines | | 6 to 8 | 6 to 8 |
| Sorting lines | | 5 to 8 | 5 to 8 |
| EDP equipment | | 3 to 7 | 3 to 7 |
| Cars | | 5 | 5 |
| Office furniture | | 13 | 13 |

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

Unscheduled depreciation is applied if there are reasons to believe that the recoverable amount of the asset is significantly less than its book value, e. g. in case of disproportionately decreased market values, or due to missing options for its use.

13 | Financial assets

Financial assets are measured based on acquisition costs. Unscheduled depreciation/amortisation is performed if a permanent impairment is likely to be expected. Reinsurance policies included in financial assets are measured at their actuarial cash value. This does not concern plan assets.

14 | Non-current assets held for sale

Non-current assets held for sale are assets or groups of assets the book values of which should mainly be realised by a disposal within the next twelve months, and not by commercial use. The measurement is carried out at the lower amount of book value and applicable fair value less cost of sales. If the applicable fair value increases at a later stage, the recorded impairment will be increased by the respective amount.

15 | Inventories

Inventories are carried at cost of acquisition or production. Production costs include the cost of materials, direct labour, and allocable material and manufacturing overheads on a pro-rata basis. Administrative costs are taken into account to the extent they are attributable to production. Purchased items of inventory are measured at their weighted average value using the average value method. If the net selling value is lower at the reporting date, this value will be applied. Inventories rarely used on account of aging or technical impairment are depreciated by marketability discounts. There are no long-term production orders.

16 | Primary financial instruments

Primary financial instruments are composed of financial assets (accounts receivable, other assets, extended loans and means of payment) as well as financial liabilities (financial liabilities, trade payables and other liabilities). They are shown in the statement of financial position and measured in accordance with the regulations of IAS 39. Accordingly, a financial instrument is recognised when a counter-performance by payment or financial assets is provided. Recognition and de-recognition is generally effected at the applicable fair value, taking into consideration the transaction costs. To the extent they are non-current, receivables not bearing interest and other assets are discounted. According to IAS 39, the follow-up measurement depends on the following categories of financial instruments.

Financial assets

Loans and receivables not listed on an active market are generally measured at amortised cost. These include non-current receivables, trade receivables as well as other current

receivables and assets. If it is doubtful whether the receivables can be collected, they will be recognised at the lower realisable value. Actual defaults lead to de-recognition of the respective receivable. In addition to the required individual write-downs, provision for bad debt is made for recognisable risks from the general credit risk. Foreign currency receivables are translated at the reporting date rate.

Financial assets held for sale are measured at amortised cost. This concerns financial investments recognised in financial assets, for which there is no listed market price and the applicable fair value of which cannot be determined reliably.

Cash and cash equivalents are recognised at fair value. Cash in hand and credit balances in foreign currencies are translated at the reporting date rate.

Financial liabilities

Financial liabilities regularly justify a restitution in funds or other financial assets. This includes, in particular, trade receivables, liabilities to banks, derivative financial liabilities as well as other liabilities.

Financial liabilities are measured at amortised cost.

17 | Derivative financial instruments

Derivative financial instruments such as interest and foreign currency options, interest rate swaps, combined interest and currency swaps, as well as commodity forwards are used in strictly defined limits to hedge currency, interest rate and commodity price risks. According to the risk management principles, no derivative financial instruments are held for trading purposes. Derivative financial instruments are initially recognised in the statement of financial position at acquisition costs and subsequently at their market value. Gains and losses are recorded depending on the type of item to be hedged. At the period a hedge transaction is concluded, the derivatives are either classified as hedges for a planned transaction (cash flow hedge), hedges for the fair value of a disclosed asset or liability (fair value hedge) or hedges for a net investment in an economically independent foreign subsidiary. The change in the market value of derivatives used for and suitable

for use as cash flow hedges, and which prove to be fully effective, are carried under equity. If they are not effective at 100 %, the ineffective changes in value are recognised in income. Upon settlement of the hedged transaction, the amounts previously recognised in equity are reversed with effect on income. In the case of derivative instruments that are used to hedge a fair value, the changes in the fair value of the derivative as well as of the hedged item are recognised in income immediately. In case of a completely effective hedge, the expenses and income from the exchanges in value of the derivative completely compensate for those of the underlying transaction. Hedging for foreign net items is disclosed in analogy with cash flow hedges. If the hedging instrument is a derivative, the actual currency gains and losses from the derivative or from the translation of the credit are carried under equity. The relationships between the hedge instruments and the hedged items as well as the risk management targets for the hedge transaction are documented when the transaction is concluded. This approach links all derivatives classified as hedges with specific planned transactions. In addition, the assumption is documented as to whether the derivatives used as a hedge highly effectively compensate for the changes in cash flow for the hedged transaction. The market values of cross-currency swaps are calculated based on market conditions at the reporting date. Recognised valuation models are used to determine the market value.

18 | Deferred taxes

According to IAS 12, deferred tax assets and liabilities are set up for all temporary deviations of assets and liabilities between tax and IFRS statement of financial position, for tax credits and losses brought forward, as well as consolidation transactions with effect on profit or loss. They are calculated at the reporting date using the national tax rates currently effective or expected in future. The effect of changes in the tax rate on deferred taxes is recognised upon effectiveness of the legal change. Deferred tax assets from losses brought forward are only taken into account to the extent that their realisation is sufficiently substantiated and probable. Changes in deferred taxes in the statement of financial position generally lead to deferred tax expense or tax credit, respectively. To the extent circumstances which entail a change in deferred taxes are directly recorded against equity, the change in the deferred taxes will be allowed for in equity as well.

Deferred tax liabilities are reported in provisions. They are formed on the basis of the internationally accepted liability method, and show the tax effects of the valuation differences between the individual companies, tax statements of financial position and the consolidated financial statements. Neither deferred tax assets nor deferred tax liabilities are discounted.

The deferrals are calculated using the tax rates which are to be expected when the temporary differences are reversed according to current knowledge.

Deferred tax claims and liabilities are netted out to the extent that they relate to the same tax authority and have matching maturities.

| Average tax rates for the calculation of deferred taxes | <i>Figures in %</i> | 2011 | 2010 |
|--|---------------------|-------------|-------|
| Germany | | 30.00 | 30.00 |
| The Netherlands | | 25.00 | 25.50 |
| Belgium | | 33.99 | 33.99 |
| France | | 34.43 | 34.43 |
| Switzerland | | 25.00 | 25.00 |
| Denmark | | 25.00 | 25.00 |
| Norway | | 28.00 | 28.00 |
| Poland | | 19.00 | 19.00 |
| Slovakia | | 19.00 | 19.00 |
| Czech Republic | | 19.00 | 19.00 |
| Hungary | | 10.00 | 11.25 |
| Croatia | | 20.00 | 20.00 |
| United Kingdom | | 26.00 | 28.00 |
| USA | | 23.50 | 30.20 |

19 | Equity capital

Subscribed capital is carried at its nominal amount under equity. The premium from the initial share issue is measured as capital reserve with the difference between the nominal amount of the bearer shares issued and the issuing amount generated. The company received compensation for the new shares issued within the scope of exercising the conversion rights. The amount of this compensation is disclosed at the amount of its nominal value under subscribed capital and to the amount of the premium in excess of the amount under the capital reserve.

Subscribed capital and the capital reserve concern CEWE COLOR Holding AG, Oldenburg, and are disclosed in the same manner as for this company. Treasury shares are carried in the special item for treasury shares as deductible items at the amount of their full original acquisition costs and incidental acquisition costs on the date of their repurchase (see item D58). Revenue reserves and net profits are reported according to statutory provisions and the articles of association of CEWE COLOR Holding AG, Oldenburg, and are carried at their nominal value. They also include the differences to IFRS accounting that result in excess of the HGB results. In addition, effects are disclosed that result from the fair value measurement of hedging transactions as well as the measurement of Stock Option Plans (see item D55), and as the currency translation differences recognised in equity not affecting income. The option premiums received in the context of the option rights issued are also carried under revenue reserves. The change in hidden reserves recognised in conjunction with successive purchases of shares is transferred to the revaluation reserve under revenue reserves.

20 | Pension obligations

Provisions for pensions are taken into account in line with the actuarial projected unit credit method stipulated by IAS 19 for performance-related pension commitments. Accordingly, the future commitment based on the pension rights accrued up to the reporting date from the pension commitments, will be discounted under consideration of additional parameters on its present value. Deviations between the estimated values and the actual development as well as changes of the actuarial estimates lead to actuarial gains and losses. To the extent that these deviations are outside a corridor of 10 % of the total obligation at the beginning of the period, the actuarial gains and losses will be recognised over the average residual service period of the beneficiaries proportionally for the period. The current service costs are shown in employee expenses.

The information given concerns only those employees entitled to a pension for which a pension commitment is carried as liability.

Mortality rates are calculated according to the current 2005G mortality tables published by Heubeck or comparable foreign mortality tables. There is a reinsurance policy in the event that extraordinary payments are required. Dedicated assets for pension commitments exist in France that can be used to satisfy the pension obligations existing there.

21 | Special item for investment grants

Public grants for assets are carried under a special item for investment grants as a deferred liability. Investment grants and investment subsidies are recognised in income on a pro-rata-temporis basis through reversal in line with amortisation/depreciation of the subsidised investment assets.

22 | Provisions

Other provisions for taxes and other provisions are formed to the extent that there is a legal or de-facto obligation resulting from a past event. This is conditional upon the fact that this obligation will probably lead to a future outflow of resources and the burden can be estimated reliably. They are carried if the probability is greater than 50 %, based on the fulfilment amount having the highest probability of occurrence. Provisions for liabilities that will probably not lead to an outflow of resources in the following year are recognised at the amount of the present value of the expected outflow of resources if they are essential. The discount rates correspond to the standard capital market rates. The carrying amount of the provisions is reviewed at each reporting date.

IFRS 2 is observed for the accounting of Stock Option Plans as a special type of remuneration through real options, for which the company has to supply treasury shares to the option holders when they are exercised. The fair value of the options on the grant date is identified based on market prices (prices of Deutsche Börse AG, Frankfurt), taking into account the issuing conditions and generally recognised valuation techniques for financial instruments. The following parameters are included in valuation: the strike price, the term, the current market value of the subject matter of the option (CEWE COLOR share), the expected volatility of the market price, the expected dividends for the shares and the risk-free interest rate for the term of the options. In addition, the following special features are taken into account: the necessary lock-up period and, if required, the earliest possible exercise of the option by the holder. In subsequent accounting, the identified value of the stock options is then distributed as an expense over the term taking into account the assumed length of service or fluctuation of option holders. This is disclosed under employee expenses and in equity under other revenue reserves. The option premiums received in the context of the option rights issued are also carried under revenue reserves.

23 | Research costs and development costs not eligible for capitalisation

Research costs and development costs not eligible for capitalisation are recognised in income at the time of their occurrence.

24 | Contingent liabilities and receivables

Contingent liabilities are liabilities resulting from a possible obligation due to a past event, and whose existence is caused by the occurrence or non-occurrence of one or more uncertain future events that are not entirely under the control of the company. Contingent liabilities can also be generated by a present obligation based on past events, however, that has not been recognised as yet because

- the outflow of resources with economic use is not probable with the fulfilment of this obligation, or
- the amount of the obligation cannot be estimated reliably.

If the outflow of resources with economic use for the company is not probable, no contingent liability will be disclosed.

As a rule, contingent receivables are not recognised in the statement of financial position, and are only disclosed if the inflow of an economic benefit is probable. They contain possible assets that result from past events and the existence of which still has to be confirmed by the occurrence or non-occurrence of uncertain future events that are not entirely under the control of the company.

C. Notes to the Income Statement

25 | Revenues

| Revenues by segment | <i>Figures in thousand euros</i> | 2011 | Percentage | 2010 | Percentage |
|---|----------------------------------|----------------|-------------------|----------------|----------------|
| Photofinishing revenues | | 356,888 | 76.1 % | 336,033 | 75.2 % |
| Change compared to the previous year in % | | 6.2 % | | 6.2 % | |
| Retail revenues | | 112,155 | 23.9 % | 110,767 | 24.8 % |
| Change compared to the previous year in % | | 1.3 % | | 18.5 % | |
| Total | | 469,043 | 100.0 % | 446,800 | 100.0 % |

Revenues are shown after all sales reductions. Other income not stemming from supplies and services of typical products, goods and services, are carried under other operating income.

26 | Other operating income

| Other operating income | <i>Figures in thousand euros</i> | 2011 | 2010 |
|---|----------------------------------|---------------|---------------|
| Income from expenses charged on | | 7,912 | 8,345 |
| Income from silver sales | | 4,887 | 5,552 |
| Income from currency translations | | 1,617 | 3,408 |
| Income from the reversal of provisions | | 1,259 | 1,047 |
| Income from the receipt of written-down receivables | | 615 | 713 |
| Income from insurance benefits | | 241 | 99 |
| Income from the disposal of fixed assets | | 207 | 516 |
| Income from the reversal of special items for investment grants | | 100 | 100 |
| Sundry other operating income | | 6,304 | 5,149 |
| Total | | 23,142 | 24,929 |

Income from charged-on expenses includes costs for selling aids, advertising services, logistics and other transport services.

Income from the sale of silver stems from selling recovered and treated pure silver.

Income from currency translation includes essentially gains from exchange rate fluctuations between the time the transaction arises and the date of payment, or the valuation of the monetary item at the reporting date rate. Also included is income from translation for consolidation purposes. Currency losses from these transactions are carried under other operating expenses (see item C29).

The gains from the reversal of provisions concern different individual items within the scope of the ordinary business activities. Provisions were reversed if, according to the situations at the reporting date, they were no longer expected to be used or to a minor extent only.

Other operating income includes income from the reversal of other liabilities for revenue reductions, rental income, income from car use as well as income from the consolidation of income and expense.

As in the previous year, the company did not receive any government grants in 2011.

27 | Cost of materials

| Cost of materials | <i>Figures in thousand euros</i> | 2011 | 2010 |
|--|----------------------------------|-----------------|-----------------|
| Expenses for raw materials, consumables and supplies and purchased goods | | -169,086 | -164,354 |
| Cost of purchased services | | -4,545 | -4,306 |
| Total | | -173,631 | -168,660 |

The cost of 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, and the purchase of merchandise in the retail segment.

Expenses for purchased services include third-party work in the photofinishing segment.

28 | Employee expenses

| Employee expenses | <i>Figures in thousand euros</i> | 2011 | 2010 |
|--|----------------------------------|-----------------|----------|
| Wages and salaries | | -90,083 | -83,517 |
| Social security | | -16,487 | -15,596 |
| Expenses for pension plans and fringe benefits | | -1,936 | -1,469 |
| Total | | -108,506 | -100,582 |

Total wages for workers were at 22,437 thousand euros (previous year: 21,007 thousand euros), and 55,586 thousand euros for salaries (previous year: 50,864 thousand euros). In the year under review, no expenses for social plans were included in employee expenses (previous year: 208 thousand euros).

Expenses for pension plans and fringe benefits predominantly concern additions to provisions for pensions; an amount of 46 thousand euros (previous year: 93 thousand euros) was allocated for members of the executive bodies of CEWE COLOR Holding AG, Oldenburg. For further details, we refer to the comments on non-current provisions for pensions (see item D62).

| Number of employees | <i>Figures in employees</i> | 2011 | 2010 |
|----------------------------|-----------------------------|--------------|-------|
| White-collar employees | | 1,715 | 1,653 |
| Blue-collar employees | | 996 | 938 |
| Apprentices | | 112 | 90 |
| Total | | 2,823 | 2,681 |

The figures are based on the annual average. As at December 31, 2011, a total of 3,400 persons were employed by the group (December 31, 2010: 2,910 employees).

The initial measurement upon recognition of the current Stock Option Plan (IFRS 2.10 et seq.) gives a present value of 1,277 thousand euros, which is taken into account on a pro-rata basis totalling 319 thousand euros by the end of the lock-up period on May 31, 2014. The offsetting entry is posted in equity under other revenue reserves. The structure of the current Stock Option Plan is detailed in the comments on equity (page 138 et seq.) A Monte Carlo simulation was used for valuation. During this process, the log-normally distributed process for the price of shares of CEWE COLOR is simulated in order to map the performance target in the form of an increase in the average closing price of at least 15 % compared to the underlying price on ten successive trading days.

The possibility of advance exercise is also taken into account in the simulation using a modified version of the method proposed by Hull and White, taking into account the exercise window and the so-called advance exercise behaviour of the participants. In the simulation, 3.00 % of the stock options were exercised immediately after the lock-up period, if this is possible as a result of holders exiting the company. The risk-free interest rate for the term was assumed as being 1.97 % as at April 30, 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 April 30, 2010. No direct payments for benefits were incurred.

| Number of employees by segment | <i>Figures in employees</i> | 2011 | 2010 |
|---|-----------------------------|--------------|-------|
| Photofinishing – Central Europe | | 1,590 | 1,477 |
| Photofinishing – Western Europe | | 202 | 198 |
| Photofinishing – Benelux | | 37 | 35 |
| Photofinishing – Central Eastern Europe | | 266 | 265 |
| Retail | | 728 | 706 |
| Retail | | 2,823 | 2,681 |

In accordance with IAS 8.42, the disclosure of expenses for staff recruitment as well as training courses and further education were adjusted in context with the own staff in financial 2011. The respective costs are disclosed under "Other operating expenses" and no longer under "Employee expenses". Previous year's figures were adjusted accordingly as well.

| Consolidated Income Statement <i>Figures in thousand euros</i> | Published consolidated financial statements | Adjustment | Adjusted consolidated financial statements |
|--|---|------------|---|
| Employee expenses | -102,320 | 1,738 | -100,582 |
| Other operating expenses | -136,362 | -1,738 | -138,100 |
| | -238,682 | — | -238,682 |

This did not give rise to any effects on the net worth, financial and earnings position.

29 | Other operating expenses

| Other operating expenses | <i>Figures in thousand euros</i> | 2011 | 2010 |
|---|----------------------------------|-----------------|----------|
| Sales and marketing costs | | -83,529 | -79,499 |
| Administrative costs | | -17,157 | -17,356 |
| Room costs | | -17,300 | -15,907 |
| Operating costs | | -8,333 | -6,225 |
| Vehicle costs | | -3,102 | -2,911 |
| Amortisation/depreciation and write-down for current assets | | -2,361 | -2,310 |
| Currency translation expenses | | -2,384 | -1,862 |
| Other operating expenses | | -13,194 | -12,030 |
| Total | | -147,360 | -138,100 |

Sales and marketing costs as key items include expenses for courier services among the branches, as well as shipping costs in the photofinishing mail order business. The value adjustments for current assets relate primarily to individual value adjustments for receivables (2011: 1,936 thousand euros; 2010: 383 thousand euros), resulting from estimated defaults for future returns.

The stated currency losses primarily include currency losses from exchange rate differences between the time the transaction arises and the date of payment as well as the

valuation at the reporting date. Also included are expenses from translation for consolidation purposes. Currency gains from these transactions are carried under other operation income (see item C24).

Included in other operating expenses of the year under review are, apart from expenses for external services and employees 2,974 thousand euros (previous year: 2,856 thousand euros), incidental costs of monetary transactions to the amount of 2,118 thousand euros (previous year: 2,116 thousand euros), losses from the disposal of non-current assets of 360 thousand euros (previous year: 338 thousand euros) and warranty expenses of 78 thousand euros (previous year: 176 thousand euros).

The auditor's fees for the consolidated financial statements totalled 543 thousand euros (previous year: 558 thousand euros) and are shown under administrative expenses. The following amounts were invoiced for the respective consulting services (Section 314 (1) no. 9 HGB):

| Auditor's fees | <i>Figures in thousand euros</i> | 2011 | 2010 |
|---|----------------------------------|-------------|------|
| Audit of financial statements | | 225 | 200 |
| Other accounting and reviewing activities | | 60 | 60 |
| Tax consultancy services | | 127 | 129 |
| Other services rendered | | 131 | 169 |
| Total | | 543 | 558 |

The auditor's fees include fees for the audit of the consolidated financial statements as well as for the audit of the separate financial statements of CEWE COLOR Holding AG, Oldenburg, and its German subsidiaries. Professional fees for other accounting services primarily relate to auditing activities with respect to the quarterly financial statements.

Tax consultancy services comprise the preparation of tax returns, the review of tax assessments, opposition and legal procedures, assistance at the occasion of tax audits, as well as the assessment and valuation of tax issues.

Other consulting services encompass the participation at the general meeting, audit-related advisory services, project-related special consulting as well as minor inquiries in the field of accounting.

30 | Depreciation on intangible assets and property, plant and equipment

The breakdown of amortisation, depreciation and unscheduled amortisation can be taken from the fixed-assets schedule. As in the financial year 2010, there was no unscheduled amortisation of goodwill in 2011. Unscheduled depreciation and amortisation to the amount of 1,992 thousand euros in 2010 is the result of the shutdown of the laboratory in Bratislava. In the year 2011, unscheduled depreciation of 167 thousand euros was made regarding a printing machine, due to damage during shipping.

31 | Restructuring expenses

In the previous year, employee and materials expenses were incurred as part of the modification and restructuring of the group. The conversion of the laboratory in Bratislava to a sales company in 2010 burdened earnings with 2,211 thousand euros. The expenses related to social plans for compensation payments of 208 thousand euros, unscheduled depreciation of 1,992 thousand euros and other expenses of 11 thousand euros. A total of 40 employees were affected by the shutdown.

The potential expenses incurred by the shutdown of unprofitable retail branches are not restructuring expenditure in the meaning of IAS 37; they are operating expenses incurred during the course of normal operations in the year. These transactions had no larger effects on the annual results, neither in 2010 nor in 2011.

32 | Financial performance

| Financial results | <i>Figures in thousand euros</i> | 2011 | 2010 |
|--|----------------------------------|-------------|---------------|
| Other interest and similar income | | 451 | 644 |
| Interest and similar expenses | | -1,426 | -2,125 |
| Total net interest | | -975 | -1,481 |
| Expenses incurred by hedging transactions and derivatives/ Depreciation of financial assets/Income from shareholdings | | 21 | -295 |
| Total other financial result | | 21 | -295 |
| Total | | -954 | -1,776 |

The expenses from hedges and derivatives include the effects to be recognised in income from the measurement at fair value amounting to 5 thousand euros (previous year: 295 thousand euros), which resulted from the portion identified as the ineffective part of a cross-currency swap hedge for a net investment in an economically independent foreign subsidiary last year. During the course of the year 2010, the related hedges were dissolved, i. e. the item is now considered a measurement of derivative transactions with effect on income. There are no hedge transactions to hedge income from the sale of silver. Other interests and similar income include interest for term money to the amount of 67 thousand euros (previous year: 35 thousand euros).

33 | Taxes on earnings and income

| Effective and deferred expenses for income taxes | <i>Figures in thousand euros</i> | 2011 | 2010 |
|---|----------------------------------|----------------|----------------|
| Effective taxes Germany ¹ | | -8,553 | -9,294 |
| Effective taxes abroad ² | | -2,072 | -1,634 |
| Total effective taxes | | -10,625 | -10,928 |
| Deferred taxes Germany | | 760 | -594 |
| Deferred taxes abroad | | 17 | -188 |
| Total deferred taxes | | 777 | -782 |
| Total income taxes | | -9,848 | -11,710 |
| ¹ thereof not pertaining to the period, domestic | | -1,361 | -2,142 |
| ² thereof not pertaining to the period, foreign | | 78 | 30 |

In Germany, income taxes comprise corporation tax including the solidarity surcharge as well as trade tax. Abroad, the respective comparable income taxes for the subsidiaries are included.

Tax rate changes from the introduction of new national or foreign taxes did not have a major impact.

The disclosed income tax expense is broken down as follows based on expected income tax expenses:

| Reconciliation of income tax expenses | <i>Figures in thousand euros</i> | 2011 | 2010 |
|---|----------------------------------|--------------|---------------|
| Earnings before taxes | | 29,173 | 25,587 |
| Theoretical tax rate | | 30.0 % | 30.0 % |
| Expected income tax expenses | | 8,752 | 7,671 |
| Increase and decrease in income tax charge due to | | | |
| Deviation through the application of the local tax rate | | -407 | -223 |
| Deviation on account of differing assessment bases | | | |
| - Tax-exempt income (-) | | -670 | -590 |
| - Tax-exempt investment income (-) | | — | —* |
| - Non-deductible expenditure | | 1,331 | 3,750* |
| Recognition and measurement of deferred taxes | | | |
| - Non-recognition of deferred tax assets on loss carry-forwards | | 530 | 536 |
| - Increase/subsequent recognition of deferred taxes | | — | -744 |
| Aperiodic effects | | | |
| - Use of unaccounted loss brought forward (-) | | -505 | -1,157 |
| - Other aperiodic effects | | 602 | 2,524 |
| Other effects | | 215 | -57 |
| Income tax expense shown | | 9,848 | 11,710 |

* Adjustment not affecting income concerns the allocation of the consolidated earnings from shareholdings

A theoretical tax rate of 30 % (previous year: 30.0 %) was used to calculate total income tax expenditure. It is comprised of a tax rate for corporation tax of 15 % (previous year: 15 %), 5.5 % for solidarity surcharge on the corporation tax liability (previous year: 5.5 %) and a flat rate average of around 14 % for trade tax (previous year: 14.0 %) plus minor rounding differences.

Tax refund claims from previous years were legally established on account of an amendment of the law on December 31, 2006. The refund has been paid in equal annual instalments of 560 thousand euros over a ten-year period since 2008. Owing to the fact that the tax refunds do not bear interest, they are discounted and capitalised at their present value. As at December 31, 2011, an accounting interest rate of 2.4 %

(previous year: 3.5 %) was used to calculate total present value. The item is shown in the statement of financial position as non-current income tax receivable to the amount of 2,551 thousand euros (previous year: 2,896 thousand euros), in part as current receivable of 560 thousand euros (previous year: 560 thousand euros).

Deferred tax assets and liabilities were attributed to the difference in values of the following items of the statement of financial position, as well as to losses brought forward:

| | Dec. 31, 2011 | | Dec. 31, 2010 | | |
|---|----------------------------------|----------------------------|---------------------------------|---------------------|--------------------------|
| Allocation to deferred taxes | <i>Figures in thousand euros</i> | Deferred tax assets | Deferred tax liabilities | Deferred tax assets | Deferred tax liabilities |
| Losses carried forward and tax credits | | 2,170 | — | 2,480 | — |
| Property, plant and equipment | | 919 | -858 | 1,119 | -1,483 |
| Intangible assets | | 779 | -922 | 244 | -614 |
| Financial assets | | — | -49 | — | -439 |
| Inventories | | 172 | — | 287 | — |
| Accounts receivable and other assets | | 104 | -1,140 | 70 | -1,039 |
| Special item for investment grants (investment subsidies) | | 59 | — | 40 | — |
| Provisions for pensions | | 1,600 | — | 1,491 | — |
| Other provisions | | 452 | — | 503 | -1 |
| Financial liabilities | | 8 | -1 | — | — |
| Other liabilities | | 864 | — | 953 | -15 |
| Deferred taxation on temporary difference | | 7,127 | -2,970 | 7,187 | -3,591 |
| Netting | | -2,329 | 2,329 | -1,800 | 1,800 |
| Statement of financial position item | | 4,798 | -641 | 5,387 | -1,791 |

The waiver of receivables from the French subsidiary led to a reduction of 3.0 million euros in the tax burden of the German company in 2008. The tax assessments sent out in the second quarter of 2010 for the financial year 2008, raised the deferred tax liabilities by these 3.0 million euros. As a consequence, these liabilities burdened the consolidated deferred tax results. Legal remedies were taken against these tax assessments.

The total loss carry-forward for tax losses not yet used amounts to 50,303 thousand euros (previous year: 48,256 thousand euros) and relates essentially to the company in France. Decisive for the capitalisation of deferred taxes for loss carry-forwards is the future realisation which is largely dependent on future tax profits during those periods in which tax loss carry-forwards can be asserted. For capitalisation, those profit expectations are assumed which are considered rather probable than improbable. For this reason, deferred tax claims were created for tax loss carry-forwards to the amount of 10,334 thousand euros (previous year: 11,362 thousand euros). For companies suffering losses for at least two years, deferred tax assets amounting to 754 thousand euros (previous year: 773 thousand euros) were included in the statement of financial position. Capitalisation was made because the realisation of the losses brought forward can be assumed despite the existing loss situation. Specially tailored utilisation concepts are available for existing loss carry-forwards. Of the losses brought forward, 42,300 thousand euros (previous year: 40,827 thousand euros) can be carried forward without restriction. The remaining losses brought forward can be carried forward until 2016 at the latest.

Total income tax expense in equity:

| | 2011 | 2010 |
|--|---------------|---------|
| Total income tax expense in equity <i>Figures in thousand euros</i> | 2011 | 2010 |
| Income tax expense disclosed in income statement | -9,848 | -11,710 |
| Tax expenditure directly recognised in equity/tax income (+) | -133 | 735 |
| Total | -9,981 | -10,975 |

34 | Other taxes

Other taxes of the group include, in particular, land and vehicle tax as well as various foreign taxes. Due to the "taxe professionnelle" levied in France, this figure includes 238 thousand euros (previous year: 265 thousand euros).

35 | Profit/loss attributable to minority shareholders

In financial 2011, the shares of the minority shareholders in CEWE COLOR a. s., Prague, Czech Republic, were purchased. The profit/loss attributable to the minority shareholders correspond to last year's performance. This is equivalent to the group performance including the subsidiaries in proportion to the interests held.

36 | Earnings per share

| Earnings per share | 2011 | 2010 |
|---|-------------|-----------|
| <i>Figures in thousand euros</i> | | |
| Consolidated earnings after third-party interests | 18,588 | 13,715 |
| Weighted average basic number of shares (<i>in pieces</i>) | 6,538,092 | 6,787,079 |
| Basic earnings per share (<i>in euros</i>) | 2.84 | 2.02 |
| Consolidated earnings | 18,588 | 13,715 |
| + Interests of third-party shareholders entitled to subscription rights | 49 | 53 |
| + Interest expense from shareholder loans of OHG | 13 | 12 |
| - Current and deferred taxes | -10 | -10 |
| Adjusted consolidated earnings | 18,640 | 13,770 |
| Weighted average diluted number of shares (<i>in pieces</i>) | 6,558,092 | 6,807,079 |
| Diluted earnings per share (<i>in euros</i>) | 2.84 | 2.02 |

The basic earnings per share are calculated as the consolidated earnings divided by the weighted average number of outstanding shares during the financial year, less the treasury shares.

The diluted earnings per share as at December 31, 2011 are stated for the purpose of comparison as well. Treasury shares are not included when calculating the diluted earnings per share.

D. Notes to the Statement of Financial Position

Total fixed assets of CEWE COLOR Holding AG Group

| Development 2011 <i>Figures in thousand euros</i> | Property, plant and equipment | Real estate held as financial investment | Goodwill | Intangible assets | Non-current financial investments | Total |
|---|----------------------------------|---|---------------|-------------------|--------------------------------------|----------------|
| Acquisition and production costs | | | | | | |
| Balance on Jan. 1 | 284,404 | 20,548 | 45,011 | 64,970 | 589 | 415,522 |
| Currency translation differences | -2,278 | — | 180 | -288 | — | -2,386 |
| Additions | 25,222 | 522 | 19 | 4,513 | 14 | 30,290 |
| Disposals | -17,725 | -15 | — | -273 | — | -18,013 |
| Reposting/reclassification | -18 | — | — | 18 | — | — |
| Balance on Dec. 31 | 289,605 | 21,055 | 45,210 | 68,940 | 603 | 425,413 |
| Depreciation and amortisation | | | | | | |
| Balance on Jan. 1 | 203,909 | 15,745 | 35,958 | 48,669 | 389 | 304,670 |
| Currency translation differences | -1,460 | — | 180 | -257 | — | -1,537 |
| Scheduled additions | 25,090 | 481 | — | 7,759 | — | 33,330 |
| Unscheduled additions | 167 | — | — | — | — | 167 |
| Disposals | -17,315 | -10 | — | -273 | — | -17,598 |
| Reposting/reclassification | -2 | — | — | 2 | — | — |
| Balance on Dec. 31 | 210,389 | 16,216 | 36,138 | 55,900 | 389 | 319,032 |
| Book value Dec. 31 | 79,216 | 4,839 | 9,072 | 13,040 | 214 | 106,381 |

| Development 2010 <i>Figures in thousand euros</i> | Property, plant and equipment | Real estate held as financial investment | Goodwill | Intangible assets | Non-current financial investments | Total |
|--|----------------------------------|---|---------------|-------------------|--------------------------------------|----------------|
| Acquisition and production costs | | | | | | |
| Balance on Jan. 1 | 304,224 | 20,580 | 45,610 | 65,416 | 683 | 436,513 |
| Changes in the scope of consolidation | 90 | — | — | 1,308 | — | 1,398 |
| Currency translation differences | 1,911 | — | 924 | 496 | — | 3,331 |
| Additions | 22,132 | 56 | — | 4,219 | — | 26,407 |
| Disposals | -23,993 | — | -1,523 | -6,570 | -94 | -32,180 |
| Reposting/reclassification | -19,960 | -88 | — | 101 | — | -19,947 |
| Balance on Dec. 31 | 284,404 | 20,548 | 45,011 | 64,970 | 589 | 415,522 |
| Depreciation and amortisation | | | | | | |
| Balance on Jan. 1 | 217,523 | 15,292 | 35,285 | 46,881 | 389 | 315,370 |
| Currency translation differences | 1,147 | — | 924 | 330 | — | 2,401 |
| Scheduled additions | 27,376 | 463 | — | 7,879 | — | 35,718 |
| Unscheduled additions | 1,992 | — | — | — | — | 1,992 |
| Disposals | -23,614 | — | -251 | -6,421 | — | -30,286 |
| Reposting/reclassification | -20,515 | -10 | — | — | — | -20,525 |
| Balance on Dec. 31 | 203,909 | 15,745 | 35,958 | 48,669 | 389 | 304,670 |
| Book value Dec. 31 | 80,495 | 4,803 | 9,053 | 16,301 | 200 | 110,852 |

37 | Fixed assets

For changes in fixed assets, please refer to the statement of changes in non-current assets (see page 136). The scheduled and unscheduled depreciation of fixed assets included in this table is recognised in the income statement under item amortisation of intangible assets and depreciation of fixed assets and property, plant and equipment. For unscheduled depreciation and amortisation refer to item C30.

| Development of fixed assets 2011 <i>Figures in thousand euros</i> | Land, land rights and buildings including buildings on third-party land | Technical equipment and machinery | Other equipment, operating and office | Advance payments and assets under construction | Total |
|---|---|-----------------------------------|---------------------------------------|--|----------------|
| Acquisition and production costs | | | | | |
| Balance on Jan. 1 | 47,163 | 180,718 | 56,166 | 357 | 284,404 |
| Currency translation differences | -747 | -842 | -668 | -21 | -2,278 |
| Additions | 1,250 | 14,278 | 8,767 | 927 | 25,222 |
| Disposals | -252 | -15,369 | -2,099 | -5 | -17,725 |
| Reposting/reclassification | -162 | 143 | 364 | -363 | -18 |
| Balance on Dec. 31 | 47,252 | 178,928 | 62,530 | 895 | 289,605 |
| Depreciation and amortisation | | | | | |
| Balance on Jan. 1 | 21,933 | 143,744 | 38,232 | — | 203,909 |
| Currency translation differences | -208 | -714 | -538 | — | -1,460 |
| Scheduled additions | 1,656 | 15,552 | 7,882 | — | 25,090 |
| Unscheduled additions | — | 167 | — | — | 167 |
| Disposals | -193 | -15,122 | -2,000 | — | -17,315 |
| Reposting/reclassification | -246 | -42 | 286 | — | -2 |
| Balance on Dec. 31 | 22,942 | 143,585 | 43,862 | — | 210,389 |
| Book value Dec. 31 | 24,310 | 35,343 | 18,668 | 895 | 79,216 |

The book value of the temporarily unused fixed assets is of subordinate significance; this also applies to fixed assets that are no longer in use. It is assumed that the fair value of fixed assets does not essentially differ from the book value. There are no pledged items of fixed assets. The amount of commitments for the acquisition of fixed assets (order obligations) totals 1,016 thousand euros (previous year: 2,356 thousand euros).

| Development of fixed assets 2010 <i>Figures in thousand euros</i> | Land, land rights and buildings including buildings on third-party land | Technical equipment and machinery | Other equipment, operating and office | Advance payments and assets under construction | Total |
|---|---|-----------------------------------|---------------------------------------|--|----------------|
| Acquisition and production costs | | | | | |
| Balance on Jan. 1 | 44,520 | 209,152 | 49,841 | 711 | 304,224 |
| Change in group of consolidated companies | — | — | 90 | — | 90 |
| Currency translation differences | 683 | 575 | 653 | — | 1,911 |
| Additions | 760 | 13,240 | 7,778 | 354 | 22,132 |
| Disposals | -1,266 | -20,050 | -2,662 | -15 | -23,993 |
| Reposting/reclassification | — | -22,413* | — | — | -22,413 |
| | 2,466 | 214 | 466 | -693 | 2,453 |
| Balance on Dec. 31 | 47,163 | 180,718 | 56,166 | 357 | 284,404 |
| Depreciation and amortisation | | | | | |
| Balance on Jan. 1 | 18,242 | 166,775 | 32,506 | — | 217,523 |
| Currency translation differences | 218 | 451 | 478 | — | 1,147 |
| Scheduled additions | 1,650 | 18,242 | 7,484 | — | 27,376 |
| Unscheduled additions | 1,182 | 766 | 44 | — | 1,992 |
| Disposals | -1,247 | -20,045 | -2,322 | — | -23,614 |
| Reposting/reclassification | — | -22,413* | — | — | -22,413 |
| | 1,888 | -32 | 42 | — | 1,898 |
| Balance on Dec. 31 | 21,933 | 143,744 | 38,232 | — | 203,909 |
| Book value Dec. 31 | 25,230 | 36,974 | 17,934 | 357 | 80,495 |

* Transfer without effect on profit or loss to standardise methods of measurement when mapping group-internal disposals of fixed assets.

Intra-group sales of fixed assets (e.g. digital printing machines, DigiFoto Makers, etc.) are mapped using what is known as the net method. This means that the purchase price paid by the buyer is recognised both in the separate and the consolidated financial statements. Historical cost of acquisition and manufacture are derecognised. For the purpose of harmonisation, adjustments not affecting income of the respective appraisals were required for mapping of past events in financial year 2010. The historical cost of acquisition and the accumulated depreciation both changed in equal measure. There are no effects on the book value of fixed assets.

In 2010, the property in Denmark, Skødstrup, was reclassified from current assets to fixed assets, following the discontinuation of the selling intention. Due to the fact that the intention to dispose of the property was given up, depreciation amounting to 152 thousand euros became due.

38 | Leases

There were no finance leases within the meaning of IAS 17. Neither does CEWE COLOR Holding AG, Oldenburg, act as lessor for finance leases.

On the contrary, there are passive rental and lease relationships constituting operating leases in terms of their economic contents, thus the leased assets are not allocable to CEWE COLOR Holding AG, Oldenburg, but to the lessor. These mainly concern agreements for the use of production and office facilities, vehicles, and in individual cases agreements for office equipment and IT hardware. The agreements have a term ranging from one to seven years. The total future minimum lease expenses as lessee from not terminable operating leases are as follows:

| Lease payments | <i>Figures in thousand euros</i> | Dec. 31, 2011 | Dec. 31, 2010 |
|---|----------------------------------|----------------------|---------------|
| Total future minimum income from lease | | 53,362 | 62,117 |
| Due within one year | | 7,837 | 9,541 |
| Due in one to five years | | 37,348 | 42,277 |
| Due after more than five years | | 8,177 | 10,299 |

Assets let under operating leases have a total book value of 4,976 thousand euros (previous year: 4,803 thousand euros). The leasing agreements do not contain any provisions

(e.g. extension, purchase or price adjustment options) which might lead to the assumption of a finance lease for the lessee. The total future minimum lease expenses as lessee from not terminable operating leases are as follows:

| Income from lease | <i>Figures in thousand euros</i> | Dec. 31, 2011 | Dec. 31, 2010 |
|---|----------------------------------|----------------------|---------------|
| Total future minimum income from lease | | 10,368 | 9,251 |
| Due within one year | | 1,563 | 1,243 |
| Due in one to five years | | 7,855 | 6,671 |
| Due after more than five years | | 950 | 1,337 |

This relates to the renting of commercial areas as well as equipment rented to customers. The instalment payments received during the financial year totalled 1,463 thousand euros (previous year: 1,095 thousand euros). They are shown under the item "Miscellaneous other operating income". In conjunction with a systematic contract management, potential lease components are registered and incorporated in the contracts.

39 | Real estate held as financial investment

The real estate held as financial investment refers to commercial properties in Bad Schwartau, Nuremberg and Berlin, rented 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 purchasing costs according to IAS 40. The useful lives that constitute the basis of scheduled straight-line depreciation range between 25 and 50 years. The additions in the financial year exclusively concern subsequent cost of acquisition.

Income from rent in the amount of 800 thousand euros (previous year: 551 thousand euros) was generated in the year under review. The leased objects accounted for expenses totalling 2,164 thousand euros (previous year: 841 thousand euros). It is furthermore assumed that the fair value corresponds to the book value since no sufficiently certain findings exist that would indicate a higher fair value. Occasional attempts to sell the properties have shown that the market conditions are difficult. Investigations to determine the fair market value are currently going on.

| Development of real estate held as financial investment | <i>Figures in thousand euros</i> | 2011 | 2010 |
|--|----------------------------------|---------------|--------|
| Acquisition and production costs | | | |
| Balance on Jan. 1 | | 20,548 | 20,580 |
| Additions | | 522 | 56 |
| Disposals | | -15 | -88 |
| Balance on Dec. 31 | | 21,055 | 20,548 |
| Depreciation and amortisation | | | |
| Balance on Jan. 1 | | 15,745 | 15,292 |
| Scheduled additions | | 481 | 463 |
| Disposals | | -10 | -10 |
| Balance on Dec. 31 | | 16,216 | 15,745 |
| Book value Dec. 31 | | 4,839 | 4,803 |

40 | Goodwill

Goodwill results from the takeover of business operations and from capital consolidation. The development of values by segments is as follows:

| Development of goodwill 2011 | <i>Photofinishing – Central Europe</i> | <i>Photofinishing – Western Europe</i> | <i>Photofinishing – Central Eastern Europe</i> | <i>Retail</i> | Total |
|-------------------------------------|--|--|--|---------------|--------------|
| Balance on Jan. 1 | 6,136 | 2,033 | 502 | 382 | 9,053 |
| Additions | — | — | 19 | — | 19 |
| Balance on Dec. 31 | 6,136 | 2,033 | 521 | 382 | 9,072 |

The book values of intangible fixed assets with unlimited use are not significant, neither individually nor in aggregate.

The addition concerns the goodwill purchased within the context of the acquisition of the remaining minority shares in CEWE COLOR a.s., Prague, Czech Republic.

An impairment test for the year under review did not give rise to any write-downs. Impairment tests were carried out at the respective subsidiaries under income-related aspects for the entire cash-generating unit. When determining the value, it was assumed that the companies being valued are active on separate regional markets. When estimating the cash flow, quantity and value forecasts for the relevant market were assumed on which the operating budget was based as well. Calculations of the amount that can be generated were based on the financial plans for the cash-generating unit and an additional estimate period totalling five years. Forecasts and estimates are based on assumptions regarding the development of quantities on the sales side, the development of selling prices, purchase prices, employee expenses, interest rates and general technical developments in the relevant market. These assumptions are based on past experience.

Discounting was based on a discount rate of 5.5 % (previous year: 5.0 %) plus individual surcharges for operating risks between 30 % and 130 % (previous year: 40 % to 130 %) as well as another surcharge for currency risks between 0.1 % and 5.5 % (previous year: 0.1 % to 5.5 %), to the extent it concerns cash-generating units outside the euro zone. This results in discount rates of 7.2 % to 12.7 %. In order to determine perpetuity, the last year was updated in the detailed planning. A growth rate of 0.0 % was assumed.

Goodwill accounted for by the company diron was reduced by 1,272 thousand euros as a result of an adjustment of the conditional purchase price commitment, not affecting profit or loss. This measure was necessary because the provisions of the contract resulted in a correspondingly lower conditional purchase price. The estimate was based on the changed corporate planning. Since the original business combination took place in 2008, the regulations of IFRS 3 (2004) continue to be applicable as stipulated in IFRS 3.65 (2008), and an adjustment of the conditional purchase price commitment with effect on profit or loss may consequently be omitted. There was no requirement for an adjustment in the current year.

41 | Intangible assets

Software and similar industrial property rights relate to acquired ERP software, various office products for workstations as well as new and subsequent capitalisations of internally generated intangible assets for corporate use and support of the market for production, sales and commercial printing. Within the scope of internally-generated software, own work was capitalised at 683 thousand euros (previous year: 1,455 thousand euros).

There was no significant unscheduled depreciation and amortisation of intangible assets (see also item C30).

An existing order commitment for intangible assets amounted to 431 thousand euros (previous year: 56 thousand euros).

| Development of intangible assets 2011 <i>Figures in thousand euros</i> | Purchased software | Internally generated intangible assets | Customer base/list/trademarks | Advance payments | Total |
|--|--------------------|--|-------------------------------|------------------|---------------|
| Acquisition and production costs | | | | | |
| Balance on Jan. 1 | 28,621 | 19,018 | 17,086 | 245 | 64,970 |
| Currency translation differences | -58 | — | -230 | — | -288 |
| Additions | 2,406 | 683 | 880 | 544 | 4,513 |
| Disposals | -273 | — | — | — | -273 |
| Reposting/reclassification | 263 | — | — | -245 | 18 |
| Balance on Dec. 31 | 30,959 | 19,701 | 17,736 | 544 | 68,940 |
| Depreciation and amortisation | | | | | |
| Balance on Jan. 1 | 21,566 | 15,801 | 11,302 | — | 48,669 |
| Currency translation differences | -51 | — | -206 | — | -257 |
| Scheduled additions | 3,290 | 1,555 | 2,914 | — | 7,759 |
| Disposals | -273 | — | — | — | -273 |
| Reposting/reclassification | -43 | — | 45 | — | 2 |
| Balance on Dec. 31 | 24,489 | 17,356 | 14,055 | — | 55,900 |
| Book value Dec. 31 | 6,470 | 2,345 | 3,681 | 544 | 13,040 |

The book value of the only temporarily unused intangible fixed assets is of subordinate significance; this also applies to intangible assets that are no longer in use. At present, CEWE COLOR has customer bases, customer lists as well as trademarks in the segments Benelux, Western Europe, Central Europe, Central Eastern Europe and in the segment retail trade. This data stems from the acquisition of smaller competitors made at an earlier stage. Although we are of the opinion that they are important for the course of our business, none of them are decisive.

Research and development expenses for intangible and other assets not capitalised were incurred to the amount of 11,102 thousand euros (previous year: 11,917 thousand euros). They essentially consist of employee expenses and other operating expenses.

| Development of intangible assets 2010 <i>Figures in thousand euros</i> | Purchased software | Internally generated intangible assets | Customer base/list/trademarks | Advance payments | Total |
|--|--------------------|--|-------------------------------|------------------|---------------|
| Acquisition and production costs | | | | | |
| Balance on Jan. 1 | 26,297 | 22,832 | 16,155 | 132 | 65,416 |
| Changes in the scope of consolidation | 288 | — | 1,020 | — | 1,308 |
| Currency translation differences | 159 | — | 337 | — | 496 |
| Additions | 2,586 | 1,455 | 26 | 152 | 4,219 |
| Disposals | -166 | -5,269 | -1,135 | — | -6,570 |
| Reposting/reclassification | -543 | — | 683 | -39 | 101 |
| Balance on Dec. 31 | 28,621 | 19,018 | 17,086 | 245 | 64,970 |
| Depreciation and amortisation | | | | | |
| Balance on Jan. 1 | 18,373 | 19,462 | 9,046 | — | 46,881 |
| Currency translation differences | 107 | — | 223 | — | 330 |
| Scheduled additions | 3,243 | 1,608 | 3,028 | — | 7,879 |
| Disposals | -157 | -5,269 | -995 | — | -6,421 |
| Balance on Dec. 31 | 21,566 | 15,801 | 11,302 | — | 48,669 |
| Book value Dec. 31 | 7,055 | 3,217 | 5,784 | 245 | 16,301 |

42 | Financial assets

The group's financial assets include interests in non-consolidated shareholders to the amount of 28 thousand euros (previous year: 28 thousand euros). Other loans in the amount of 184 thousand euros (previous year: 172 thousand euros) relate to the repurchase value of the corporate reinsurance policy.

| Development of non-current financial assets 2011 <i>Figures in thousand euros</i> | Non-current interests in affiliates | Non-current investment interests | Non-current other loans | Total |
|---|-------------------------------------|----------------------------------|-------------------------|--------------|
| Acquisition and production costs | | | | |
| Balance on Jan. 1 | 28 | 389 | 172 | 589 |
| Additions | — | 2 | 12 | 14 |
| Balance on Dec. 31 | 28 | 391 | 184 | 603 |
| Depreciation and amortisation | | | | |
| Balance on Jan. 1 | — | 389 | — | 389 |
| Balance on Dec. 31 | — | 389 | — | 389 |
| Book value Dec. 31 | 28 | 2 | 184 | 214 |

| Development of non-current financial assets 2010 <i>Figures in thousand euros</i> | Non-current interests in affiliates | Non-current investment interests | Non-current other loans | Total |
|---|-------------------------------------|----------------------------------|-------------------------|--------------|
| Acquisition and production costs | | | | |
| Balance on Jan. 1 | 28 | 389 | 266 | 683 |
| Disposals | — | — | -94 | -94 |
| Balance on Dec. 31 | 28 | 389 | 172 | 589 |
| Depreciation and amortisation | | | | |
| Balance on Jan. 1 | — | 389 | — | 389 |
| Balance on Dec. 31 | — | 389 | — | 389 |
| Book value Dec. 31 | 28 | — | 172 | 200 |

43 | Non-current receivables from income tax refunds

The non-interest-bearing corporation tax balance totalling 3,363 thousand euros (previous year: 3,456 thousand euros) is to be discounted on account of the length of the refunding period. As at the reporting date, the present value amounts to 3,112 thousand euros, with the non-current portion totalling 2,551 thousand euros (previous year: 2,896 thousand euros). The current portion is carried under current assets. For details, please refer to the notes on the income taxes (see item C33).

44 | Non-current receivables and assets

Other non-current financial assets include, in particular, security deposits and other security payments. The other non-current receivables and assets exclusively concern prepaid expenses.

| Other non-current receivables and assets <i>Figures in thousand euros</i> | Dec. 31, 2011 | Dec. 31, 2010 |
|---|----------------------|----------------------|
| Other non-current financial assets | 257 | 274 |
| Miscellaneous other non-current receivables and assets | 324 | 83 |
| Total | 581 | 357 |

45 | Deferred tax assets

Deferred tax assets primarily show valuation differences for pension and other provisions as well as impacts on earnings from consolidation. The capitalisation of deferred taxes from existing loss carry-forwards only took place in such cases where the expected results of the respective group company allow the utilisation of losses with sufficient probability and within a reasonable timeframe. For details, please refer to the notes on income taxes (see item C33).

| Deferred tax assets 2011 Composition and changes <i>Figures in thousand euros</i> | From temporary differences | From tax losses carried forward | Total |
|---|----------------------------|---------------------------------|--------------|
| Balance on Jan. 1, 2011 | 2,931 | 2,456 | 5,387 |
| Addition | 268 | 120 | 388 |
| Reversal | -573 | -404 | -977 |
| Balance on Dec. 31, 2011 | 2,626 | 2,172 | 4,798 |

| Deferred tax assets 2010 Composition and changes <i>Figures in thousand euros</i> | From temporary differences | From tax losses carried forward | Total |
|---|-------------------------------|------------------------------------|-------|
| Balance on Jan. 1, 2010 | 3,185 | 2,034 | 5,219 |
| Addition | 274 | 781 | 1,055 |
| Reversal | -528 | -359 | -887 |
| Balance on Dec. 31, 2010 | 2,931 | 2,456 | 5,387 |

46 | Non-current assets held for sale

The measurement of the non-current assets held for sale at the lower amount of book value and applicable fair value less costs of sale, did not result in any impairments. These assets relate to properties in the Czech Republic (segment Central Eastern Europe) not required for operations. The real property in the Czech Republic relates to a vacant lot. As it can be assumed that this property will not be used any more by CEWE COLOR, it was decided to sell it. It can be expected that the selling efforts will be completed in financial 2012.

47 | Inventories

| Inventories | <i>Figures in thousand euros</i> | Dec. 31, 2011 | Dec. 31, 2010 |
|---|----------------------------------|----------------------|---------------|
| Raw materials, consumables and supplies | | 13,728 | 12,082 |
| Unfinished goods, work in progress | | 41 | 13 |
| Finished products and merchandise | | 34,228 | 38,140 |
| Advance payments | | 29 | 52 |
| Total | | 48,026 | 50,287 |

With respect to raw materials, consumables and supplies, this increase relates to inventories of organisational materials. The decrease in finished goods and merchandise particularly concerns the stocks for commodities in the retail segment of the group.

Write-downs of inventories total 350 thousand euros (previous year: 913 thousand euros).

Depreciation of unfinished and finished goods and merchandise is carried in the income statement under the item "Cost of materials". Inventories were not increased in value.

In the year under review, the inventories of Japan Photo Holding Norge AS, Oppegård, Norway, having a book value of 155 thousand euros (previous year: 154 thousand euros) are pledged to hedge rent deposits.

48 | Current trade receivables

| Current trade receivables | <i>Figures in thousand euros</i> | Dec. 31, 2011 | Dec. 31, 2010 |
|--|----------------------------------|----------------------|---------------|
| Trade receivables not impaired | | 68,779 | 69,082 |
| <i>thereof amount covered by insurances</i> | | 43,781 | 53,703 |
| Gross amount of impaired accounts receivable | | 17,651 | 10,159 |
| Value adjustments set up | | -8,569 | -7,217 |
| Total | | 77,861 | 72,024 |

Direct trade receivables are all of a short-term nature and exist vis-à-vis external third parties. Valuation adjustment of trade receivables developed as follows during the course of the year:

| Write-downs of trade receivables | <i>Figures in thousand euros</i> | Development in financial year 2011 | Development in financial year 2010 |
|---|----------------------------------|---|------------------------------------|
| Balance on Jan. 1 | | 7,217 | 8,540 |
| Currency difference | | -11 | 32 |
| Addition | | 2,240 | 1,678 |
| Reversal | | -612 | -956 |
| Use | | -265 | -2,077 |
| Balance on Dec. 31 | | 8,569 | 7,217 |

Additions to valuation adjustments are shown in the income statement under the item "Other operating expenses", reversals are shown in "Other operating income". The predominant portion of the additions stems from Central Europe. Direct default of trade receivables are also shown under the item "Other operating expenses" and total 424 thousand euros (previous year: 1,872 thousand euros).

With respect to trade receivables neither impaired nor in default of payment, there are no indications 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, the inventories of Japan Photo Holding Norge AS, Opegård, Norway, having a book value of 129 thousand euros (previous year: 128 thousand euros) are pledged. In accounting, valuation adjustments of receivables are recognised separately; this also applies accordingly 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.

49 | Current receivables from income tax refund

This relates 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 item D43).

50 | Other current receivables and assets

Other current receivables and assets are composed as follows:

| Other current receivables and assets | <i>Figures in thousand euros</i> | Dec. 31, 2011 | Dec. 31, 2010 |
|--|----------------------------------|----------------------|---------------|
| Other current financial assets | | 13,514 | 17,297 |
| Miscellaneous other current receivables and assets | | 4,104 | 3,686 |
| Total | | 17,618 | 20,983 |

Other current financial assets include the following items:

| Miscellaneous other current financial assets | <i>Figures in thousand euros</i> | Dec. 31, 2011 | Dec. 31, 2010 |
|--|----------------------------------|----------------------|---------------|
| 4-month investment | | 11,000 | 10,000 |
| Loans to customers | | 349 | 350 |
| Loans to suppliers | | 1 | 351 |
| Creditors with debit accounts | | 47 | 112 |
| Receivables from employees | | 105 | 203 |
| Bonus claims against suppliers | | 0 | 2,290 |
| Miscellaneous other current financial receivables and assets | | 2,012 | 3,991 |
| Total | | 13,514 | 17,297 |

The miscellaneous other current receivables and assets include the following items:

| Miscellaneous other current receivables and assets | <i>Figures in thousand euros</i> | Dec. 31, 2011 | Dec. 31, 2010 |
|---|----------------------------------|----------------------|---------------|
| Current prepaid expenses | | 2,393 | 1,252 |
| Tax refund claims | | 1,691 | 2,403 |
| Other current receivables and assets | | 20 | 31 |
| Total | | 4,104 | 3,686 |

51 | Cash and cash equivalents

The item discloses bank balances that are exclusively current in nature, as well as cash in hand. Balances in euros bore interest at different banks at average interest rates from 0.1 % to 1.0 % (previous year: between 0.1 % and 0.7 %). Balances in foreign currencies (2011: 15,379 thousand euros; previous year: 13,830 thousand euros) bore interest in line with the specific rates negotiated; they are measured at the exchange rate applicable at the reporting date.

52 | Subscribed capital

Subscribed capital and the capital reserve relate to CEWE COLOR Holding AG, Oldenburg, and are disclosed in the same manner as for this company.

Share capital totals 19,188 thousand euros and is – as in the previous year – divided into 7,380,000 bearer shares and 20 registered shares, i. e. a total of 7,380,020 no-par shares. Two of the registered shares carry the right to appoint one member each of the Supervisory Board of CEWE COLOR Holding AG, Oldenburg. For details, please refer to page 99 of the management report.

The outstanding shares developed as follows:

| Outstanding shares | <i>Expressed in numbers</i> | Development of financial year 2011 | Development of financial year 2010 |
|------------------------------|-----------------------------|---|------------------------------------|
| Balance as at Jan. 1 | | 6,767,213 | 6,790,663 |
| Purchase of treasury shares | | –248,787 | –23,450 |
| Disposal of treasury shares | | 10,890 | — |
| Balance as at Dec. 31 | | 6,529,316 | 6,767,213 |

53 | Contingent capital

Contingent capital of 52 thousand euros secures the option rights of the holders of subscription right commitment certificates limited until December 31, 2015.

Accordingly, the contingent capital is divided into 20,000 no-par bearer shares with profit-sharing rights from the start of the financial year following the exercise of the subscription right (Section 160 (1) no. 5 AktG). When the option is exercised, the interests held by other shareholders in CEWE COLOR AG & Co. OHG, Oldenburg, will decrease by the same amount, since only certain other shareholders are authorised to exercise the option. This does not result in a change in the earnings per share. These interests are carried as financial liabilities according to IAS 32.

54 | Authorised capital

The Board of Management is thus authorised to increase the basic capital by May 27, 2014 with the approval 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 9,590,000 euros (authorised capital). The Board determines the conditions for the issue of shares with the consent of the Supervisory Board. 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

The Board of Management and the Supervisory Board created the basis for the issue of Stock Option Plans by a resolution of the general meeting on June 30, 2005. This resolution provides for the issuing, once or several times, of subscription rights for up to 400,000 no-par shares of CEWE COLOR Holding AG until June 30, 2010.

The Stock Option Plan 2005 with a total of 199,500 granted options thus set up by the Board of Management and the Supervisory Board, expired on September 30, 2010. Following the return of the issued options, the 2005 tranche was not exercised.

Based on the same resolution, the Stock Option Plan 2010 with a volume of up to 200,000 no-par shares was issued by the Board of Management and the Supervisory Board on April 8, 2010. During the acquisition period from April 14 to April 30, 2010,

the executives purchased a total of 95,500 of the options offered, the Board of Management and the 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 June 30, 2005 were observed.

Total scope of the Stock Option Plans

The following option rights were issued within the scope of the Stock Option Plan 2005:

| Of the issued options were attributable to: | | | |
|---|----------------|---------------|----------------|
| Board of Management | 31,500 | | |
| Managing directors of CEWE COLOR Group | 73,000 | | |
| Other executives of CEWE COLOR Group | | 95,500 | |
| Total | 104,500 | 95,500 | 200,000 |
| Strike price | 31.05 | 31.05 | |

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

Structure of the Stock Option Plan 2010

The options were offered to top-level executives in Germany and abroad at an option premium of 0.50 euros 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 COLOR share in the Xetra-trading of the 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 June 1, 2010, thus ending on May 31, 2015 at the latest. The four-year lock-up period ends on May 31, 2014. The basic price was fixed at 27.00 euros. Thus the strike price as performance target is at 31.05 euros (115 % above the underlying price).

Exercise periods

After the expiration of the lock-up period and the achievement of the performance target, option rights can only be exercised within six four-week exercise periods. These exercise periods commence in each case with the publication of the result of the expired financial

year, the press briefing on annual results, the general meeting and the dates on which quarterly figures are published. The Compliance Officer of CEWE COLOR Group ensures that these periods are complied with.

56 | Reports on shareholdings

The following reports on shareholdings in CEWE COLOR Holding AG, Oldenburg, were made to the company:

| Reporting date | Shareholder | Interest (Sec. 21) | as of | Reporting threshold | Date of publication |
|----------------|--|--------------------|------------|---------------------|---------------------|
| 01/11/2011 | Schroders plc. London, United Kingdom | 3.02 % | 01/05/2011 | Undercutting 3 % | 01/12/2011 |
| 01/11/2011 | Schroder Administration Limited, London, United Kingdom | 3.02 % | 01/05/2011 | Undercutting 3 % | 01/12/2011 |
| 01/11/2011 | Schroder Investment Management Limited, London, United Kingdom | 3.02 % | 01/05/2011 | Undercutting 3 % | 01/12/2011 |
| 04/18/2011 | Norddeutsche Landesbank – Girozentrale (giro centre), Hanover, Germany | 4.99 % | 04/18/2011 | Undercutting 5 % | 04/18/2011 |
| 08/25/2011 | Norddeutsche Landesbank – Girozentrale (giro centre), Hanover, Germany | 2.98 % | 08/24/2011 | Undercutting 3 % | 08/25/2011 |
| 01/04/2012 | Schroders plc. London, United Kingdom | 2.99 % | 01/03/2012 | Undercutting 3 % | 01/09/2012 |
| 01/04/2012 | Schroder Administration Limited, London, United Kingdom | 2.99 % | 01/03/2012 | Undercutting 3 % | 01/09/2012 |
| 01/04/2012 | Schroder Investment Management Limited, London, United Kingdom | 2.99 % | 01/03/2012 | Undercutting 3 % | 01/09/2012 |

57 | Capital reserve

The figures show the premium generated in excess of the nominal amount of the shares (29,175 thousand euros) for the issue of 600,002 bearer shares (following the 1:10 share split implemented in 1999 now 6.000.020 bearer shares), the addition resulting from the capital reduction (1,560 thousand euros) and the amount resulting from the conversion of the atypical silent shares (27,868 thousand euros) reduced by 2,375 thousand euros in the course of financial 2007, on account of the final settlement of this conversion. For details, please refer to the statement of changes in equity.

58 | Special item for treasury shares

| Special item for treasury shares | Total | | Buy-back | | Total |
|--|----------------------------|-------------------------------|----------------------------|--|---------|
| | Effect. date Dec. 31, 2009 | Aug. 25, 2010 – Nov. 15, 2010 | Effect. date Dec. 31, 2010 | Buy-back Mar. 29, 2011 – Oct. 28, 2011 | |
| Buy-back period | | | | | |
| Number of treasury shares held | 589,357 | 23,450 | 612,807 | 237,897 | 850,704 |
| Interest in share capital as of effective date in thousand euros | 1,532 | 61 | 1,593 | 619 | 2,212 |
| Interest in share capital as of effective date in % | 7.99 % | 0.32 % | 8.31 % | 3.22 % | 11.53 % |
| Average purchase price per share in euros | 28.86 | 27.33 | 28.80 | 28.66 | 28.70 |
| Total value of redeemed shares in thousand euros | 17,007 | 640 | 17,647 | 6,784 | 24,431 |

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 posted in the statement of financial position includes transaction costs of 15 thousand euros.

Based on the resolution of the general meeting of May 28, 2008, CEWE COLOR Holding AG, Oldenburg, started a share repurchase programme on June 16, 2008.

The authorised repurchase of treasury shares was renewed by resolution of the general meeting of June 2, 2010, and is now effective until June 15, 2015.

In financial 2010, another 23,450 no-par shares were repurchased.

Based on the resolution of the general meeting of June 2, 2010, the company repurchased further 237,897 no-par shares until October 28, 2011.

Furthermore, the Board of Management resolved in March 2010 to offer the employees of the domestic subsidiaries of CEWE COLOR Holding, company shares at a preferential price as staff shares. A total of 10,890 shares were required for this project. The shares

required for this process were withdrawn from the portfolio of CEWE COLOR Holding AG, Oldenburg.

The number of treasury shares held according to the German Stock Corporation Act (AktG) as at December 31, 2011 by CEWE COLOR Holding AG, Oldenburg, thus totalled 737,952 shares (previous year: 500,055 shares). The 112,752 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 850,704 no-par shares at a total value of 24,431 thousand euros.

In particular, these treasury shares develop as follows:

| Development of treasury shares <i>Expressed in numbers</i> | CEWE COLOR Holding AG | | CEWE COLOR Versorgungskasse e. V. | | CEWE COLOR Group | |
|--|-----------------------|---------|-----------------------------------|---------|------------------|---------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Balance as at Jan. 1 | 500,055 | 476,605 | 112,752 | 112,752 | 612,807 | 589,357 |
| Purchase of treasury shares | 248,787 | 23,450 | — | — | 248,787 | 23,450 |
| Disposal of treasury shares | -10,890 | — | — | — | -10,890 | — |
| Balance as at Dec. 31 | 737,952 | 500,055 | 112,752 | 112,752 | 850,704 | 612,807 |

59 | Revenue reserves and net earnings

Net earnings correspond to the item “Generated group equity” and include the respective earnings after taxes, the annually distributed dividend, as well as the transfer of the special item for the expired Stock Option Plan 2005 of the previous year. In the previous year, group earnings after taxes had increased by minority interests, at 2 thousand euros.

Under HGB accounting, the net earnings of CEWE COLOR Holding AG, Oldenburg, serve as a basis for distribution. After the allocation to revenue reserves pursuant to Section 58 (2) AktG, the net earnings of CEWE COLOR Holding AG, Oldenburg, totalled 15,840 thousand euros (previous year: 16,866 thousand euros). Distribution freezes exist for the treasury shares held by the company (2011: 737,952 no-par shares, previous year: 500,055 no-par shares). In 2011, the dividends distributed totalled 8,478 thousand euros. This corresponds to a distribution of 1.25 euros for each no-par share with dividend rights.

The components of the other revenue reserves can be taken from the consolidated statement of changes in equity. The revaluation reserve concerns the successive acquisition of Dignet GmbH & Co. KG, Cologne. The special item for Stock Option Plans includes the ongoing allocations to the Stock Option Plan 2010. In the previous year, the reserve for the Stock Option Plan 2005 was transferred to generated equity. The reserve for the market assessment of hedges refers to changes in the applicable fair value of hedge transactions that meet the hedge accounting conditions. For hedges of net investments in economically independent foreign subsidiaries, changes not affecting profit or loss of applicable fair values amounting to 244 thousand euros were shown. Hedge accounting was abandoned in financial 2010, since the respective hedge transactions and/or underlying transactions no longer existed. In the preceding year, hedges of net investments in economically independent foreign subsidiaries of 161 thousand euros were reported with effect on income, to the extent they concerned the ineffective portion of the hedging relationship, or due to the fact that the hedge was reversed on account of abandoned underlying transactions. The liquidity claim of the foundation within the scope of its right to convert its shareholdings in CEWE COLOR AG & Co. OHG, Oldenburg, into shares of CEWE COLOR Holding AG, Oldenburg, is posted under “Other equity items”. The adjustment item from currency translation relates to all currency differences generated by the translation of the financial statements of foreign businesses. Income taxes considered as not affecting profit or loss, exclusively related to the currency differences recognised in the adjustment item from currency translation with no effect on profit or loss concerning long-term intra-group loans in the year under review.

60 | Minority interest

In the previous year, this item disclosed the minority interests held in the capital of group companies (totaling 40 thousand euros). This item concerned minority interests in the capital of CEWE COLOR a. s., Prague, Czech Republic. In the year under review, the minority interests were acquired by CEWE COLOR Beteiligungsgesellschaft mbH, Oldenburg; thus, minority interests are no longer disclosed at the reporting date.

For information on changes in equity, please refer to the consolidated statement of changes in equity (page 116).

61 | Non-current special items for investment grants

The special item for investment grants discloses investment grants and investment subsidies from funds of the common task "Improvement to the regional economic structure", which have already been granted.

62 | Non-current pension provision

| Non-current pension provisions | <i>Figures in thousand euros</i> | Development in financial year 2011 | <i>Development in financial year 2010</i> |
|---------------------------------------|----------------------------------|---|---|
| Balance on Jan. 1 | | 10,025 | 9,695 |
| Consumption | | -586 | -571 |
| Addition | | 1,373 | 1,063 |
| Reversal | | -16 | -162 |
| Balance on Dec. 31 | | 10,796 | 10,025 |

There are different types of company pension commitments for current and former employees of CEWE COLOR and their survivors in Germany, the Netherlands and France. The pension commitments are either defined-benefit obligations or, to a lesser extent, defined-contribution obligations. In addition, employees may participate in remuneration conversion plans.

For defined-benefit plans, the company or an external pension fund commits to pay a defined benefit to the beneficiary; contrary to defined-contribution plans, the expenses payable by the company are not determined from the beginning. For this purpose, actuarial calculations are carried out in accordance with the provisions of IAS 19 to determine the expenses of the relevant period. At the relevant reporting date (December 31 of each year), the accounting interest rate is determined based on current capital market data and long-term trend assumptions in line with the principle of the best possible estimate.

Deviations between the calculated and actual development of obligations as well as the underlying assets (so-called actuarial gains and losses) are offset by using the corridor method.

On the other hand, fixed contributions (e. g. related to the decisive income) are committed and paid. The employer actually has no other commitment than to pay the contributions. No provisions are to be set up in the statement of financial position for defined contributions. Only the amount to be paid by the company is recognised in the income statement as an expense item.

The following table shows the significant indicators for defined-benefit pension plans:

| Change in the scope of obligation | <i>Figures in thousand euros</i> | 2011 | 2010 |
|--|----------------------------------|---------------|--------|
| Defined-benefit obligation at the start of the financial year | | 12,913 | 11,348 |
| Current service cost | | 504 | 422 |
| Interest expense | | 627 | 631 |
| Actuarial (gains)/losses | | -612 | 1,160 |
| Payment of benefits | | -603 | -648 |
| Cash value of defined-benefit obligation at the end of the financial year | | 12,829 | 12,913 |
| – thereof directly committed (without plan assets) | | 12,058 | 12,158 |
| – thereof funded with plan assets | | 771 | 755 |

Dedicated assets for pension obligations qualifying as plan assets exist in France.

In summary, these assets have developed as follows:

| Change in plan assets | <i>Figures in thousand euros</i> | 2011 | 2010 |
|---|----------------------------------|-------------|------|
| Fair value of plan assets at the beginning of the financial year | | 215 | 237 |
| Expected returns on plan assets | | 8 | 10 |
| Actuarial (gains)/losses | | -4 | — |
| Employer contributions | | 17 | 19 |
| Payment of benefits | | -19 | -51 |
| Fair value of plan assets at the end of the financial year | | 217 | 215 |

The funded status is as follows:

| Funded status | <i>Figures in thousand euros</i> | 2011 | 2010 |
|---|----------------------------------|---------------|---------------|
| Cash value of defined-benefit obligation at the end of the financial year | | 12,829 | 12,913 |
| Fair value of the plan assets at the end of the financial year | | -217 | -215 |
| Unrecognised (gains)/losses | | -1,733 | -2,585 |
| Changes to plans not yet amortised | | -93 | -100 |
| Year-end value | | 10,786 | 10,013 |
| Experience adjustment in cash value of the defined-benefit obligation | | 161 | 167 |
| Experience adjustment of the fair value of the plan asset | | 4 | — |

The total expenses recognised in the income statement for defined-benefit plans (expenses less income) comprise the following items:

| Net expenses for pensions | <i>Figures in thousand euros</i> | 2011 | 2010 |
|---|----------------------------------|--------------|--------------|
| Current service cost | | 504 | 422 |
| Interest expense | | 627 | 631 |
| Expected return on plan assets | | -8 | -10 |
| Amortisation of actuarial losses | | 243 | 95 |
| Amortisation of effects of plan cuts and/or compensations | | 7 | 7 |
| Total | | 1,373 | 1,145 |

Expenses are expected to stay at about the same level in 2012.

In financial year 2011, actuarial gains totalling 612 thousand euros (previous year: -1,160 thousand euros) were generated.

The premises for the actuarial valuation of the present value of defined-benefit obligations and of the net pension expenses depend on the situation of the country in which the pension plan was established.

The calculations are based on current, actuarial and biometric probabilities. Furthermore, assumptions regarding both the future employee fluctuation in relation to age and length of service as well as group-specific pension probabilities are taken into account.

In relation to the present value of the defined-benefit obligation, the following weighted valuation assumptions have resulted:

| Weighted assumptions for the determination of the defined-benefit obligation | <i>Figures in %</i> | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---------------------|----------------------|---------------|
| Accounting interest rate | | 5.50 | 5.00 |
| Salary trend/rate of pension increase during waiting period | | 2.50 | 2.50 |
| Rate of pension increase during benefit period | | 2.00 | 2.00 |
| Fluctuation | | 1.50 | 1.50 |

The biometric probability applicable in the individual countries was recognised. The earliest date on which the benefits can be claimed is the date of retirement.

The plan assets for the French commitments consist of reinsurance contracts. Accordingly, the investment strategy and the expected income are based on their specifications and statutory provisions. The contributions for 2012 to the French plan are likely to amount to 17 thousand euros. The actual returns on the plan assets amounted to 9 thousand euros (previous year: 9 thousand euros).

| Present value of commitments and fair value of plan assets | <i>Figures in thousand euros</i> | 2011 | 2010 | 2009 | 2008 |
|---|----------------------------------|---------------|---------------|---------------|---------------|
| Present value of commitments | | 12,829 | 12,913 | 11,348 | 12,719 |
| Fair value of plan assets* | | 217 | 215 | 237 | 1,964 |
| Deficit | | 12,612 | 12,698 | 11,111 | 10,755 |

* Excluding the financial instruments of CEWE COLOR Versorgungskasse e. V. Wiesbaden.

| Adjustments based on experience | <i>Figures in thousand euros</i> | 2011 | 2010 | 2009 | 2008 |
|--|----------------------------------|-------------|------|------|------|
| Plan liabilities | | 161 | 167 | 283 | 119 |
| Plan assets | | -4 | — | -3 | 30 |

In financial 2011, the company expended the amount of 1,642 thousand euros for defined-contribution commitments.

63 | Non-current deferred tax liabilities

| Non-current deferred tax liabilities | <i>Figures in thousand euros</i> | Development in financial year 2011 | Development in financial year 2010 |
|---|----------------------------------|---|------------------------------------|
| Balance on Jan. 1 | | 1,791 | 1,650 |
| Currency difference | | -14 | 9 |
| Consumption | | — | -7 |
| Addition | | 198 | 1,033 |
| Transfer | | — | -80 |
| Reversal | | -1,334 | -814 |
| Balance on Dec. 31 | | 641 | 1,791 |

The changes in deferred taxes primarily relate to the change in temporary differences. The maturities of deferred taxes are largely between one and five years.

64 | Other non-current provisions

| Other non-current provisions 2011 | <i>Figures in thousand euros</i> | Employee commitments | Provisions for threatening losses | Total |
|--|----------------------------------|----------------------|-----------------------------------|--------------|
| Balance on Jan. 1 | | 57 | 821 | 878 |
| Transfer | | 100 | -166 | -66 |
| Balance on Dec. 31 | | 157 | 655 | 812 |

| Other non-current provisions 2010 | <i>Figures in thousand euros</i> | Employee commitments | Provisions for threatening losses | Total |
|--|----------------------------------|----------------------|-----------------------------------|--------------|
| Balance on Jan. 1 | | 79 | 1,063 | 1,142 |
| Transfer | | -22 | -242 | -264 |
| Balance on Dec. 31 | | 57 | 821 | 878 |

The non-current employee commitments relate almost exclusively to benefits with respect to the part-time scheme for older staff (Altersteilzeit) in Germany. The item "Provisions for threatening losses" includes losses to be expected by long-term contracts regarding the laboratory in Hamburg shut down in 2002. They relate to the risk of losses from subleases on the back of the best possible estimate of the respective local commercial property

market. The actual value of the obligation is determined by discounting, at an accounting interest rate of 4.49 %, which corresponds to the discount rates according to Section 252 (2) HGB for a residual term of seven years (previous year: 4.59 %). The compounding and adjustment of the interest rate results in a negative interest effect of 131 thousand euros (previous year: 39 thousand euros). The transfers relate to reclassifications to the current provisions.

65 | Non-current financial liabilities

The financial liabilities exist exclusively with respect to banks and all have a residual term of 1 to 3 years (previous year: 1 to 4 years). Interest rates for the current medium- and long-term loan agreements range from 3.82 % to 4.84 % (previous year: between 3.82 % and 4.84 %). For further details, please refer to the item "Current financial liabilities" (see item D68).

66 | Current provisions for taxes

This item includes deferred income tax obligations and obligations for other taxes. They developed as follows:

| Current provisions for taxes 2011 | <i>Figures in thousand euros</i> | Income taxes | Other taxes | Total |
|--|----------------------------------|--------------|-------------|--------------|
| Balance on Jan. 1 | | 3,137 | 1,557 | 4,694 |
| Currency difference | | 3 | 17 | 20 |
| Consumption | | -701 | -1,271 | -1,972 |
| Addition | | 3,855 | 99 | 3,954 |
| Reversal | | -1,126 | -3 | -1,129 |
| Balance on Dec. 31 | | 5,168 | 399 | 5,567 |

| Current provisions for taxes 2010 | <i>Figures in thousand euros</i> | Income taxes | Other taxes | Total |
|--|----------------------------------|--------------|-------------|--------------|
| Balance on Jan. 1 | | 3,403 | 256 | 3,659 |
| Currency difference | | 12 | 47 | 59 |
| Consumption | | -1,457 | -239 | -1,696 |
| Addition | | 1,888 | 1,493 | 3,381 |
| Reversal | | -709 | — | -709 |
| Balance on Dec. 31 | | 3,137 | 1,557 | 4,694 |

67 | Other current provisions

Provisions for employee liabilities include, in particular, commitments in the context of claims earned within the scope of the part-time scheme for older staff (Altersteilzeit), vacation entitlements still outstanding from the year under review, claims to bonuses, claims from overtime, outstanding contributions to insurance companies (e. g. trade associations) and miscellaneous provisions relating to ongoing litigations and other commitments. The transfers relate to reclassifications from the non-current provisions.

| Current other provisions 2011 <i>Figures in thousand euros</i> | Restructurings | Conditional purchase price commitments | Employee commitments | Audit of annual financial statements including internal costs of financial statements | Provisions for threatened losses | Warranties and goodwill | Printing costs | Expenses for members of the Board of Trustees | Supervisory Board remunerations | Legal and consulting costs | Sundry other commitments | Total |
|--|----------------|--|----------------------|---|----------------------------------|-------------------------|----------------|---|---------------------------------|----------------------------|--------------------------|--------------|
| Balance on Jan. 1 | 28 | 728 | 2,778 | 459 | 172 | 857 | 100 | 152 | 181 | 120 | 3,058 | 8,633 |
| Currency difference | — | — | -2 | 1 | — | — | — | — | — | — | -72 | -73 |
| Consumption | -28 | — | -1,467 | -387 | -178 | — | -57 | -141 | -167 | -120 | -1,675 | -4,220 |
| Addition | — | — | 1,740 | 370 | — | 1 | 17 | 171 | 203 | 120 | 1,566 | 4,188 |
| Transfer | — | — | -100 | — | 166 | — | — | — | — | — | — | 66 |
| Reversal | — | — | — | -72 | — | -607 | — | -11 | -13 | — | -475 | -1,178 |
| Balance on Dec. 31 | — | 728 | 2,949 | 371 | 160 | 251 | 60 | 171 | 204 | 120 | 2,402 | 7,416 |

| Current other provisions 2010 <i>Figures in thousand euros</i> | Restructurings | Conditional purchase price commitments | Employee commitments | Audit of annual financial statements including internal costs of financial statements | Provisions for threatened losses | Warranties and goodwill | Printing costs | Expenses for members of the Board of Trustees | Supervisory Board remunerations | Legal and consulting costs | Sundry other commitments | Total |
|--|----------------|--|----------------------|---|----------------------------------|-------------------------|----------------|---|---------------------------------|----------------------------|--------------------------|---------------|
| Balance on Jan. 1 | 5,339 | 2,000 | 1,099 | 314 | 247 | 387 | 90 | 103 | 123 | 29 | 1,904 | 11,635 |
| Currency difference | — | — | 31 | 14 | — | — | — | — | — | — | 23 | 68 |
| Consumption | -4,714 | — | -619 | -208 | -257 | -148 | -82 | -86 | -103 | -9 | -843 | -7,069 |
| Addition | — | — | 2,245 | 370 | — | 658 | 100 | 152 | 181 | 102 | 2,090 | 5,898 |
| Transfer | — | — | 22 | — | 242 | — | — | — | — | — | — | 264 |
| Reversal | -597 | -1,272 | — | -31 | -60 | -40 | -8 | -17 | -20 | -2 | -116 | -2,163 |
| Balance on Dec. 31 | 28 | 728 | 2,778 | 459 | 172 | 857 | 100 | 152 | 181 | 120 | 3,058 | 8,633 |

68 | Current financial liabilities

Current financial liabilities are explained by the following table:

| Current financial liabilities | Balance on Dec. 31, 2011 | Balance on Dec. 31, 2010 |
|--------------------------------------|-------------------------------------|-----------------------------|
| <i>Figures in thousand euros</i> | | |
| Loans from banks | 7,385 | 6,573 |
| Current accounts with banks | 8 | 68 |
| Total | 7,393 | 6,641 |

69 | Other current trade payables

Trade payables amounting to 90,175 thousand euros (previous year: 82,599 thousand euros) were generated. Their rise by 7.6 million euros is explained by the seasonal migration of business into the fourth quarter. Corresponding to the increased business volume, more supplies and services are deployed at year-end than in the past.

70 | Other current liabilities

The other current receivables and assets are comprised as follows:

| Other current liabilities | Balance on Dec. 31, 2011 | Balance on Dec. 31, 2010 |
|----------------------------------|-------------------------------------|-----------------------------|
| <i>Figures in thousand euros</i> | | |
| Other current liabilities | 9,281 | 10,480 |
| Other current liabilities | 18,801 | 16,266 |
| Total | 28,082 | 26,746 |

| Miscellaneous other current liabilities | Balance on Dec. 31, 2011 | Balance on Dec. 31, 2010 |
|--|-------------------------------------|-----------------------------|
| <i>Figures in thousand</i> | | |
| Debtors with a credit balance | 8,111 | 9,164 |
| Liabilities from deferred interest expenditure | 4 | 5 |
| Other current financial liabilities | 58 | 24 |
| Liabilities to partners | 1,108 | 1,287 |
| Total | 9,281 | 10,480 |

| Other current liabilities | Balance on Dec. 31, 2011 | Balance on Dec. 31, 2010 |
|---|-------------------------------------|-----------------------------|
| <i>Figures in thousand</i> | | |
| Tax liabilities | 7,507 | 5,956 |
| Liabilities within the scope of social security | 1,258 | 1,238 |
| Liabilities from wages and salaries | 7,724 | 6,571 |
| Deferred items | 114 | 201 |
| Other liabilities | 2,198 | 2,300 |
| Total | 18,801 | 16,266 |

A portion of the liabilities amounting to 8,111 thousand euros (previous year: 9,164 thousand euros) was determined using best-possible estimates. Essentially, they relate to future charges and the resulting payment for deliveries and services already received as well as obligations towards customers.

71 | Financial risk management

The company is exposed to financial risks in the course of its operations. These are in particular liquidity, currency, interest and credit risks. The risks are controlled and limited by management. Monitoring is carried out by the group's risk management.

The liquidity risk is the risk that the company can no longer meet its financial obligations. This risk is counteracted by liquidity planning as well as by cash management by continuously monitoring and controlling all inflow and outflow of funds. The main sources of liquidity are the operating business and external funding. Outflowing funds are essentially used for funding working capital and investments.

As at December 31, 2011, CEWE COLOR Group has the following credit lines at its disposal:

| Credit lines 2011 | <i>Figures in million euros</i> | thereof with residual term up to 1 year | thereof with residual term more than 1 year | Total as at Dec. 31 |
|--------------------------|---------------------------------|---|---|----------------------------|
| Germany | | 46.84 | 36.26 | 83.10 |
| Abroad | | 0.23 | 0.01 | 0.24 |
| Total | | 47.07 | 36.27 | 83.34 |

| Credit lines 2010 | <i>Figures in million euros</i> | thereof with residual term up to 1 year | thereof with residual term more than 1 year | Total as at Dec. 31 |
|--------------------------|---------------------------------|---|---|----------------------------|
| Germany | | 40.50 | 48.60 | 89.10 |
| Abroad | | 0.64 | 0.02 | 0.66 |
| Total | | 41.14 | 48.62 | 89.76 |

Of these credit lines, 59.26 million euros (previous year: 59.13 million euros) were not availed and, in addition to cash and cash equivalent of 30.8 million euros (previous year: 23.4 million euros), were available to cover future liquidity requirements. The slight decline of the credit lines results from the scheduled redemption of loans, which also influences the amount of the total facilities.

An overview of the maturities of the undiscounted payment flows associated with the financial liabilities and the liabilities under derivative financial instruments, taking into account the associated payments of interest, shows the expected outflow of payments as at the reporting date of December 31, 2011:

| Cash flows from financial liabilities 2011 | Dec. 31, 2011 book value | Residual term up to 1 year | Residual term more than 1 up to 5 years | Total |
|---|---------------------------------|----------------------------|---|----------------|
| <i>Figures in thousand euros</i> | | | | |
| Liabilities to banks | 24,092 | 8,487 | 17,851 | 26,338 |
| Trade payables | 90,175 | 90,175 | — | 90,175 |
| Other financial instruments | 25,707 | 25,707 | 144 | 25,851 |
| Total | 139,974 | 124,368 | 17,995 | 142,364 |

| Cash flows from financial liabilities 2010 | Dec. 31, 2010 book value | Residual term up to 1 year | Residual term more than 1 up to 5 years | Total |
|---|---------------------------------|----------------------------|---|----------------|
| <i>Figures in thousand euros</i> | | | | |
| Liabilities to banks | 30,740 | 8,027 | 26,344 | 34,371 |
| Trade payables | 82,599 | 82,599 | — | 82,599 |
| Other financial instruments | 24,216 | 24,216 | 578 | 24,794 |
| Total | 137,555 | 114,842 | 26,922 | 141,764 |

Owing to the international orientation of CEWE COLOR Group, payment flows in different currencies are generated. Currency risks result from sales invoiced in a currency different from the currency of the associated costs from the assets and liabilities in foreign currencies reported in the statement of financial position, the fair value of which can be affected by a change in the exchange rates, as well as from pending businesses in foreign currencies whose future payment flows may have a negative effect on account of exchange rate fluctuations. Risk management continuously monitors the risk positions resulting from currency risks. In order to limit these risk items, business relationships denominated in euros of companies in countries not belonging to the euro zone are reduced, if possible, outside the field of delivery and service. Following a detailed examination, hedge transactions are concluded with the principal bankers for current business beyond the currency area from case to case.

The essential market risk in the area of foreign currencies concerns open currency items at the reporting date. Significant foreign currency items exist for the British and the Czech national companies. For a sensitivity analysis, the respective foreign currency items are assessed at hypothetical prices. If the two foreign currencies were to decrease in value by 30 % each compared to the euros, the following opportunities (positive values) or risks (negative values), respectively, would result:

| Currency sensitivity | <i>Figures in thousand euros</i> | 2011 | 2010 |
|-----------------------------|----------------------------------|-------------|--------|
| Financial assets | | -2,262 | -1,775 |
| Financial liabilities | | 1,678 | 1,587 |

If both foreign currencies were to increase by 30 % each, the following opportunities (positive values) or risks (negative values), respectively, would result:

| Currency sensitivity | <i>Figures in thousand euros</i> | 2011 | 2010 |
|-----------------------------|----------------------------------|-------------|--------|
| Financial assets | | 4,201 | 3,296 |
| Financial liabilities | | -3,117 | -2,948 |

CEWE COLOR Group is subject to negligible interest risks vis-à-vis third parties. Interest-sensitive assets include loans to customers and employees as well as short-term credit balances with banks. Interest-sensitive financial liabilities include non-current liabilities to banks. This did not result in any essential risk items on account of the current development of interest rates. The interest hedge strategy aims at regularly concluding new medium- to long-term loan agreements with fixed interests.

If the interest rate for financial assets and liabilities bearing variable interest were to decrease by 10 %, the following opportunities (positive values) or risks (negative values), respectively, would result:

| Interest sensitivity | <i>Figures in thousand euros</i> | 2011 | 2010 |
|-----------------------------|----------------------------------|-------------|------|
| Income from interest | | -45 | -64 |
| Interest expenditure | | 0 | 213 |

If the interest rates for financial assets and liabilities bearing variable interest were to increase by 10 % each, the following opportunities (positive values) or risks (negative values), respectively, would result:

| Interest sensitivity | <i>Figures in thousand euros</i> | 2011 | 2010 |
|-----------------------------|----------------------------------|-------------|------|
| Income from interest | | 45 | 64 |
| Interest expenditure | | 0 | -213 |

The following hedge transactions existed:

| Derivative transactions | Nominal volume | | Remaining term > 1 year | | Fair value | |
|----------------------------------|----------------------|---------------|-------------------------|---------------|----------------------|---------------|
| | Dec. 31, 2011 | Dec. 31, 2010 | Dec. 31, 2011 | Dec. 31, 2010 | Dec. 31, 2011 | Dec. 31, 2010 |
| <i>Figures in thousand euros</i> | | | | | | |
| Currency derivatives | | | | | | |
| Interest-rate / currency swaps | - | 1,000 | - | 1,000 | - | -368 |
| Interest-rate derivatives | | | | | | |
| Rate swaps | 3,000 | 3,000 | 3,000 | 3,000 | -158 | -134 |

As of the reporting date of the preceding year, December 31, 2010, hedging relationships primarily existed to hedge interest risks from non-current liabilities. When interpreting the positive and negative fair values of the financial instruments, it should be noted that they are offset by underlying transactions with corresponding risks. Irrespective of their purpose, all derivative financial instruments are measured at their fair value. The maturities of the derivatives are based on the term of the underlying transactions and are thus, without exception, of short to medium term. The nominal volume of the derivatives discussed below is not netted. It shows the total of all bid and sell amounts on which the loans are based. 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 from the use of derivatives. Risks from changes to interest rates and currencies regarding the derivatives are measured using the value-at-risk method in line with international banking standards. Based on historical volatilities, the maximum potential loss that could result from a change in the market prices is calculated with a confidence interval of 99 % and a holding period of one day. Following the dissolution of the underlying transactions in financial year 2011, the hedging relationships were cancelled; thus, the remaining derivative is measured at fair value with effect on earnings.

At first, financial instruments are measured at their cost of acquisition. Financial assets measured at fair value and recognised in income relate to derivative financial instruments. There are no financial assets classified as available for sale. Financial liabilities measured at fair value and recognised in income also relate to derivative financial instruments as well as possible compensation obligations to minority shareholders of CEWE COLOR AG & Co. OHG, Oldenburg.

| Net results from financial instruments by measurement categories | Balance on Dec. 31, 2011 | Balance on Dec. 31, 2010 |
|---|-------------------------------------|-----------------------------|
| <i>Figures in thousand euros</i> | | |
| Financial assets measured at fair value affecting profit or loss | 0 | 0 |
| Financial assets measured at amortised cost | -3,194 | -1,597 |
| Total | -3,194 | -1,597 |

The net results from these financial instruments include, in particular, interest, valuation adjustments, income from receivables written down as well as the results from the measurement at fair value. Income from dividends is not included. Ineffectiveness amounting to 51 thousand euros from cash flow hedges was recognised in income in the past year. In the year under review, 244 thousand euros were withdrawn from equity and included in the result of the period. The reason behind this was the termination of the hedging relationship due to the discontinuation of the underlying transactions. The hedging transactions of the current and the previous period were not realised for hedging acquisition costs or another book value of non-financial assets or liabilities. The underlying transactions of the cross-currency swaps are loans granted to subsidiaries. Derivative transactions will lead to an outflow of funds of 91 thousand euros (previous year: 136 thousand euros) and between two and five years to outflows of 144 thousand euros (previous year: 577 thousand euros). Interest income not related to the financial instruments measured at fair value and recognised in income totals 451 thousand euros (previous year: 642 thousand euros), corresponding interest expenses total 1,426 thousand euros (previous year: 2,125 thousand euros). This results in a balance of -975 thousand euros (previous year: -1,483 thousand euros). In 2011, impairments of financial instruments measured at amortised cost, totalled 424 thousand euros (previous year: 1,871 thousand euros); they were posted to receivables due to depreciation. No valuation adjustments were made for financial instruments recognised at fair value.

The reconciliation of statement of financial position items to the classes of financial instruments as at December 31, 2011 is as follows:

| | Figures in thousand euros | Statement of financial position item as of Dec. 31, 2011 | No measurement according to IAS 39 | Measurement according to IAS 39 | | | Total of items valued according to IAS 39 | |
|---|---------------------------|--|------------------------------------|---|--|-------------------|---|-------------|
| | | | | Amortised acquisition costs (category: Loans and receivables) | Amortised acquisition costs (category: Available for sale) | Fair value (rest) | Book values | Fair values |
| Financial instruments | | | | | | | | |
| Non-current assets | | | | | | | | |
| Financial assets | | 214 | 184 | — | 30 | — | 30 | 30 |
| Non-current receivables | | 581 | 324 | 257 | — | — | 257 | 257 |
| Current assets | | | | | | | | |
| Trade receivables | | 77,861 | — | 77,861 | — | — | 77,861 | 77,861 |
| Other current financial assets | | 13,514 | — | 13,514 | — | — | 13,514 | 13,514 |
| Other current receivables and assets | | 4,104 | 4,084 | 20 | — | — | 20 | 20 |
| Cash and cash equivalents | | 30,764 | — | — | — | 30,764 | 30,764 | 30,734 |
| Non-current liabilities | | | | | | | | |
| Non-current financial liabilities | | 16,699 | — | 16,699 | — | — | 16,199 | 16,199 |
| Other non-current liabilities | | 255 | — | 255 | — | — | 255 | 255 |
| Current liabilities | | | | | | | | |
| Current financial liabilities | | 7,393 | — | 7,393 | — | — | 7,393 | 7,393 |
| Other current trade payables | | 90,175 | — | 90,175 | — | — | 90,175 | 90,175 |
| Miscellaneous other current financial liabilities | | 9,281 | — | 9,281 | — | — | 9,281 | 9,281 |
| Other current liabilities | | 18,801 | 114 | 18,687 | — | — | 18,687 | 18,687 |

| | Figures in thousand euros | Statement of financial position item as of Dec. 31, 2010 | No measurement according to IAS 39 | Measurement according to IAS 39 | | | Total of items valued according to IAS 39 | |
|---|---------------------------|--|------------------------------------|---|--|-------------------|---|-------------|
| | | | | Amortised acquisition costs (category: Loans and receivables) | Amortised acquisition costs (category: Available for sale) | Fair value (rest) | Book values | Fair values |
| Financial instruments | | | | | | | | |
| Non-current assets | | | | | | | | |
| Financial assets | | 200 | 172 | — | 28 | — | 28 | 28 |
| Non-current receivables | | 357 | 83 | 274 | — | — | 274 | 274 |
| Current assets | | | | | | | | |
| Trade receivables | | 72,024 | — | 72,024 | — | — | 72,024 | 72,024 |
| Other current financial assets | | 17,297 | — | 17,297 | — | — | 17,297 | 17,297 |
| Other current receivables and assets | | 3,686 | 3,655 | 31 | — | — | 20 | 20 |
| Cash and cash equivalents | | 23,382 | — | — | — | 23,382 | 23,382 | 23,382 |
| Non-current liabilities | | | | | | | | |
| Non-current financial liabilities | | 24,099 | — | 24,099 | — | — | 24,099 | 24,099 |
| Other non-current liabilities | | 183 | — | 183 | — | — | 183 | 183 |
| Current liabilities | | | | | | | | |
| Current financial liabilities | | 6,641 | — | 6,641 | — | — | 6,641 | 6,641 |
| Other current trade payables | | 82,599 | — | 82,599 | — | — | 82,599 | 82,599 |
| Miscellaneous other current financial liabilities | | 10,480 | — | 10,480 | — | — | 10,480 | 10,480 |
| Other current liabilities | | 16,266 | 201 | 16,065 | — | — | 16,065 | 16,065 |

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 interest at normal market conditions.

The book values are determined in line with banking practices.

The credit risk is the risk that a contracting party does not meet its obligations and the account receivable is lost. Within the scope of accounts receivable management as part

of the risk management system, accounts receivables are analysed in detail monthly on the level of the individual companies, and reported to central company management on the level of the group headquarters in the context of the delcredere reporting. Collateral security agreements are concluded with medium-sized and large customers. To the extent that no insurance coverage or excess insurance exists, individual allowances are made for other accounts receivable, if there are substantive indications suggesting that the receivable will very likely become uncollectible. The overall risk of default is countered by general provisions for bad debts based on experience. The maximum credit

risk resulting from a possible insolvency of debtors from loans and receivables amounts to 91,653 thousand euros as at December 31, 2011 (previous year: 89,626 thousand euros) and is composed as follows:

| Credit risk | <i>Figures in thousand euros</i> | Dec. 31, 2011 | Dec. 31, 2010 |
|---|----------------------------------|----------------------|---------------|
| Non-current receivables | | 258 | 274 |
| Trade receivables and other current receivables | | 91,395 | 89,352 |
| Total | | 91,653 | 89,626 |

The adjusted loans and receivables have changed as follows:

| <i>Figures in thousand euros</i> | Dec. 31, 2011 | Dec. 31, 2010 |
|----------------------------------|----------------------|---------------|
| Gross value | 17,651 | 10,159 |
| Valuation adjustment | -8,569 | -7,218 |
| Total | 9,082 | 2,941 |

Another 8,053 thousand euros (previous year: 8,655 thousand euros) were already overdue, but not value-adjusted. The maturity of the overdue receivables is as follows:

| <i>Figures in thousand euros</i> | 2011 | 2010 |
|----------------------------------|-------------|-------|
| Up to 30 days | 7,183 | 6,726 |
| Between 30 and 90 days | 1,187 | 2,348 |
| Older than 90 days | -317 | -419 |

The foremost aim of capital management of CEWE COLOR Group is to ensure the group's ability to redeem debts and to also preserve its intrinsic value in the future.

The essential capital items are presented below. The net financial liabilities result from netting the gross financial liabilities with cash and cash equivalents as at the reporting date.

| <i>Figures in thousand euros</i> | Balance on Dec. 31, 2011 | Balance on Dec. 31, 2010 |
|-----------------------------------|---------------------------------|--------------------------|
| Total assets | 289,738 | 287,510 |
| Equity | 121,487 | 120,706 |
| Equity ratio (in %) | 41.9 % | 42.0 % |
| Non-current financial liabilities | 16,699 | 24,099 |
| Current financial liabilities | 7,393 | 6,641 |
| Cash and cash equivalents | 30,764 | 23,382 |
| Net financial liabilities | -6,672 | 7,358 |

The capital management aims at ensuring a sufficient funding, particularly through long-term debts. On the back of this, CEWE COLOR AG & Co. OHG, Oldenburg, restructured the funding of the group with the principal banking partners, at mid-year 2009. Apart from securing the long-term supply of liquidity, the interest rate risk was limited and a renewed flexible loan structure as coverage of the seasonal course of business was achieved. Beyond the reinforcement of uniform covenant regulations with the banking partners involved, no collateral was provided.

The parameters agreed upon were a slightly adapted form of equity ratio uniform to all banks, as well as the ratio of net financial liabilities to operating results before depreciation (EBITDA), the net debt equity ratio. Both parameters were determined so as to provide sufficient margin for future fluctuations during the course of business, usual in the industry. In the long-term hypothetical retrospect as well, CEWE COLOR did not exceed or fall short of the binding threshold values at any point. In case of a breach of covenant, the lending banks would be entitled to a price adjustment or to give notice, if required. The compliance with the agreed parameters is monitored consistently within the scope of capital management.

According to the articles of association, CEWE COLOR Holding AG, Oldenburg, is not subject to any capital requirements. For further details regarding the conditional capital, approved capital and the obligation to sell or issue shares within the scope of Stock Option Plans, reference is made to the corresponding pages of these notes (D53, D54, D55).

E. Other Notes

72 | Shareholdings

| Shareholdings | Interest in % | Dec. 31, 2011 fixed capital | Dec. 31, 2010 fixed capital |
|---|---------------|--------------------------------|--------------------------------|
| 1. CEWE COLOR AG & Co. OHG, Oldenburg ^{1,2,4} | | 99.75 | 99.75 |
| 2. Fotocolor GmbH, Eschbach, Freiburg | | 99.75 | 99.75 |
| 3. CEWE COLOR Beteiligungsgesellschaft mbH, Oldenburg | | 99.75 | 99.75 |
| 4. CEWE COLOR S.A.S., Paris, France | | 99.75 | 99.75 |
| 5. CEWE COLOR Belgium N.V., Mechelen, Belgium | | 99.75 | 99.75 |
| 6. CEWE COLOR Nederland B.V., Nunspeet, The Netherlands | | 99.75 | 99.75 |
| 7. Printpartners Nederland B.V., Veenendaal, The Netherlands ³ | | 99.75 | 99.75 |
| 8. CEWE COLOR Magyarországi Kft, Budapest, Hungary | | 99.75 | 99.75 |
| 9. CEWE COLOR a.s., Prague, Czech Republic | | 99.75 | 99.31 |
| 10. CEWE COLOR a.s., Bratislava, Slovak Republic | | 99.75 | 99.75 |
| 11. CEWE COLOR Fotoservice AG, Dübendorf, Switzerland | | 99.75 | 99.75 |
| 12. CEWE COLOR Nordic ApS, Skødstrup, Denmark | | 99.75 | 99.75 |
| 13. Fotojoker Sp. z o.o., Kozle, Poland | | 99.75 | 99.75 |
| 14. CEWE COLOR Sp. z o.o., Kozle, Poland | | 99.75 | 99.75 |
| 15. Japan Photo Holding Norge A/S, Oppegård, Norway | | 99.75 | 99.75 |
| 16. Japan Photo Danmark A/S, Copenhagen, Denmark | | 99.75 | 99.75 |
| 17. Japan Photo Sverige AB, Gothenburg, Sweden | | 99.75 | 99.75 |
| 18. CEWE COLOR Zagreb d.o.o., Croatia | | 99.75 | 99.75 |
| 19. CEWE COLOR Limited, Warwick, United Kingdom | | 99.75 | 99.75 |
| 20. Zweite CEWE COLOR Beteiligungsgesellschaft AG, Dübendorf, Switzerland | | 99.75 | 99.75 |
| 21. Dignet GmbH & Co. KG, Cologne ² | | 99.75 | 99.75 |
| 22. Bilder-planet.de GmbH, Cologne ³ | | 99.75 | 99.75 |
| 23. Dignet Management GmbH, Cologne | | 99.75 | 99.75 |
| 24. Wöltje GmbH & Co. KG, Oldenburg ² | | 99.75 | 99.75 |
| 25. Wöltje Verwaltungs-GmbH, Oldenburg | | 99.75 | 99.75 |
| 26. diron GmbH & Co. KG, Münster ² | | 99.75 | 99.75 |
| 27. diron Wirtschaftsinformatik Beteiligungs-GmbH, Münster | | 99.75 | 99.75 |
| 28. CEWE COLOR Inc., New York, USA | | 99.75 | 99.75 |

In the year under review, the same applies to the shareholdings as in the previous year:

¹ Directly held holding companies; all other participating interests held indirectly via the holding company CEWE COLOR AG & Co. OHG, Oldenburg.

² German subsidiaries having the legal form of partnerships make use of the options of exemption of Section 264b HGB. The individual companies are stated in the list of shareholdings.

73 | Notes to the statement of cash flows

The statement of cash flows shows how the cash and cash equivalents in the group have changed during the financial years 2011 and 2010. In line with IAS 7, the cash flow was broken down into the cash flow from operating activities, the cash flow from investing activities and the cash flow from financing activities. The cash and cash equivalents reported cover the statement of financial position's items "Bank balances" with a residual term of up to three months, and "Cash in hand" including any fixed-term deposits. They correspond to cash in hand recognised in the statement of financial position. Not included are financial assets in registered bonds that are attributable to the other operating net working capital.

The outflows for investments in fixed assets, mapped in the cash flow from investing activities, include additions of non-cash items for own work capitalised to the amount of 937 thousand euros.

The balance of the inflow and outflow of funds from net interest income (–975 thousand euros) relates to interest paid, at 1,426 thousand euros, and at 451 thousand euros to interest received. The cash flow from financing activities includes non-cash transactions. In accordance with IFRS 2, the measurement of the stock option is reported at 319 thousand euros (previous year: 252 thousand euros), and other non-cash transactions at 21 thousand euros (previous year: –27 thousand euros).

In the preceding year, the operations of Eurofoto A/S, Breim (Norway), were taken over within the scope of an asset deal by Japan Photo Holding Norge A/S. This transaction resulted in an outflow of funds from acquisitions in the amount of 1,400 thousand euros.

The cash inflows and outflows from the change in financial debts are attributed to repayments, scheduled reclassifications and the taking up of loans as follows:

³ Non-consolidated companies.

⁴ The shareholding is composed of the paid-in capital to the amount of 15,600 thousand euros, as well as an atypical silent partnership of 5,148 thousand euros.

| Change in financial indebtedness 2011 <i>Figures in thousand euros</i> | Current financial liabilities | Non-current financial liabilities | Gross financial liabilities |
|--|----------------------------------|--------------------------------------|--|
| Balance on Jan. 1 | 6,641 | 24,099 | 30,740 |
| Repayments | -6,641 | -15 | -6,655 |
| Reclassification | 7,385 | -7,385 | — |
| Taking up of loans | 8 | — | 8 |
| Balance on Dec. 31 | 7,393 | 16,699 | 24,092 |

| Change in financial indebtedness 2010 <i>Figures in thousand euros</i> | Current financial liabilities | Non-current financial liabilities | Gross financial liabilities |
|--|----------------------------------|--------------------------------------|--|
| Balance on Jan. 1 | 6,462 | 26,062 | 32,524 |
| Repayments | -6,462 | -12,890 | -19,352 |
| Reclassification | 6,573 | -6,573 | — |
| Taking up of loans | 68 | 17,500 | 17,568 |
| Balance on Dec. 31 | 6,641 | 24,099 | 30,740 |

No further long-term loans were taken up in financial 2011. The loan of 17,500 thousand euros taken up in the preceding year was effected within the scope of a reorganisation of financing.

74 | Segment reporting

Since financial 2009, segment reporting has been effected in compliance with the regulations of IFRS 8 "Operating Segments". The segment report in the photofinishing segments is divided into the segments Central Europe, Western Europe, Benelux and Central Eastern Europe, as well as the segment retail trade. Also included in the segment Western Europe are the business operations of CEWE Inc. in the United States. This division corresponds to internal management reporting. CEWE COLOR allocates its turnover to the product categories that generate the turnover: turnover with photofinishing products – i. e. analogue and digital photos, CEWE PHOTOBOOKS, photo calendars and greeting cards as well as other photo gifts and personalised products – was allocated to the segment photofinishing. Turnover with hardware sold without further processing, e. g. cameras and accessories, was allocated to the segment retail trade.

Internal revenues of the group are consolidated in the column "Eliminations". Earnings before taxes (EBIT) are reported as key earnings and performance indicators. A detailed explanation of the segment report is shown in the management report (page 54).

As a rule, sales and revenues between the segments are recorded at prices that are also agreed with third parties. Administrative services are charged as cost allocations. The effects on earnings from consolidation were distributed to the segments according to their causes; where necessary, a best possible estimate was made.

Various delivery and service relationships exist among the companies of CEWE COLOR Group, as well as financing and funding with cash and cash equivalents. All intra-group transactions are conducted at standard commercial terms.

Turnover is broken down according to the following geographic regions:

| <i>Figures in thousand euros</i> | 2011 | 2010 |
|---|-------------|---------|
| Germany | 182,623 | 172,634 |
| Abroad | 286,420 | 274,166 |
| thereof Poland (more than 10 % of total turnover) | 66,936 | 66,887 |
| thereof Norway (more than 10 % of total turnover) | 48,787 | 46,732 |

The turnover categories are photofinishing revenues and retail trade revenues. Their breakdown is shown in the segment report.

In the year under review and in the previous year, turnover with a major account exceeded 10 %.

Fixed assets are broken down by the following geographic regions:

| <i>Figures in thousand euros</i> | 2011 | 2010 |
|----------------------------------|----------------|----------------|
| Germany | 81,406 | 81,887 |
| Abroad | 24,761 | 28,765 |
| Total | 106,167 | 110,652 |

In the year under review, previous year's figures were also adjusted according to IAS 8.42 in the segment report. Owing to an incorrect allocation of effects from consolidation in the preceding year, turnovers with external third parties of the segments Central Europe and Central Eastern Europe were not reported correctly. This did not give rise to any effects on the net worth, financial and earnings position of the company.

| Segment reporting Figures in thousand euros | Turnover with external third parties | | Adjusted consolidated financial statements |
|--|--|------------|---|
| | Published consolidated financial statements | Adjustment | |
| Central Europe | 229,189 | 1,868 | 231,057 |
| Benelux | 33,039 | — | 33,039 |
| Western Europe | 43,496 | — | 43,496 |
| Central Eastern Europe | 30,309 | -1,868 | 28,441 |
| Total Photofinishing | 336,033 | — | 336,033 |
| Retail trade | 110,767 | — | 110,767 |
| Group | 446,800 | — | 446,800 |

75 | Other explanatory notes

Contingent liabilities existed from the granting of guarantees and grants to third parties, from pending risk of litigation and from other issues to the amount of 2,233 thousand euros (previous year: 1,863 thousand euros). The risk of claims being filed for these contingent liabilities is estimated as low to less probable. The estimation of the amounts and the respective level of their probability of occurrence are monitored continuously. Contingent claims did not exist. In each case, the information represents nominal values.

CEWE COLOR Group defines the related parties to include the members of the Board of Management and the Supervisory Board, as well as the heirs of Senator h. c. Heinz Neumüller, Oldenburg, and companies associated with the latter.

In the year under review, short-term benefits to members of the Board of Management totalled 1,549 thousand euros (previous year: 1,322 thousand euros). No other payments were granted because of the termination of employment or other share-based remunerations.

In 2011, business transactions with related companies and persons took place. Major transactions concern individual lease agreements between the group and affiliated

companies of the community of heirs of Senator h. c. Heinz Neumüller, Oldenburg, existing for commercially used real estate. The benefits in connection therewith amounted to 2,256 thousand euros (previous year: 2,241 thousand euros). With the exception of the leases already mentioned, any and all transactions with related parties are of a lesser extent only. The remuneration report as part of the management report of CEWE COLOR Group provides further individualised information on the remuneration system of the Board of Management and the Supervisory Board.

Pension commitments exist for members of the management in key positions, i. e. the Board of Management of CEWE COLOR Holding AG, Oldenburg. In the year under review, provisions for past service cost amounting to 193 thousand euros (previous year: 169 thousand euros) were incurred. The total of the present values of the performance-related commitments amounts to 3,529 thousand euros (previous year: 3,136 thousand euros).

On February 27, 2012, the Board of Management decided to offer shares of CEWE COLOR Holding AG, Oldenburg, in accordance with Section 3 no. 39 EStG, as staff shares to the employees of CEWE COLOR Group, at special conditions.

On February 2, 2012, the online printing shop Saxoprint GmbH, Dresden, along with five domestic and foreign sales companies were purchased. The group of companies is leading the market of online printing and has extensive, online verifiable offset printing capacities for higher volumes at its disposal to considerably expand the product portfolio of CEWE COLOR in this segment. Initial consolidation took place in the first quarter of 2012.

The purchase price for 100 % of the shares amounts to 28.0 million euros, and is divided into a fixed purchase price of 25.0 million euros and a performance-related variable purchase price. Based on the most probable corporate planning for the financial years 2012 to 2014, a variable purchase price of 3.0 million euros is likely to be incurred. The maximum variable purchase price is stated at 5.0 million euros.

Since the allocation of the purchase price is not as yet completed at the time of the publication of these financial statements, the simplification provisions of IFRS 3.B66 are applied.

76 | Subsidiaries take recourse to option of exemption

The following subsidiaries, included in the full consolidation of these consolidated financial statements, take recourse to the option of exemption from the disclosure provisions according to Section 325 HGB, and the possibility of release from the duty of preparing a management report according to Section 264b HGB:

- CEWE COLOR AG & Co. OHG, Oldenburg
- diron GmbH & Co. KG, Münster
- Dignet GmbH & Co. KG, Cologne
- Wöltje GmbH & Co. KG, Oldenburg

77 | Corporate bodies

Supervisory Board including Supervisory Board mandates as well as mandates in comparable and foreign control committees:

Hubert Rothärmel, resident in Oldenburg (Chairman)

Retired (former chairman of the Board of Management of CEWE COLOR Holding AG, Oldenburg, former chairman of the Board of Management of the Neumüller CEWE COLOR Stiftung, Oldenburg)

- Chairman of the Supervisory Board of CEWE COLOR Holding AG, Oldenburg
- Member of the Board of Trustees of the Neumüller CEWE COLOR Stiftung, Oldenburg
- Chairman of the Supervisory Board of CEWE COLOR a. s., Prague, Czech Republic^{1,2}
- Chairman of the Supervisory Board of CEWE COLOR a. s., Bratislava, Slovakian Republic^{1,2}
- Member of the Advisory Board of Gräper Holding GmbH, Ahlhorn²

Hartmut Fromm, resident in Berlin (Deputy Chairman)

Lawyer and partner of the law firm Buse Heberer Fromm Rechtsanwälte
Tax advisor partnership company, Frankfurt am Main

- Deputy Chairman of the Supervisory Board of CEWE COLOR Holding AG, Oldenburg
- Chairman of the Board of Management of IMW Immobilien AG, Berlin (until August 10, 2011)
- Chairman of the Administrative Board of IMW Immobilien SE, Berlin (since August 11, 2011)
- Chairman of the Supervisory Board of Swarco Traffic Holding, Munich (until July 31, 2011)
- Deputy Chairman of the Supervisory Board of Swarco AG, Wattens, Austria (until June 30, 2011)²
- Member of the Board of Directors of Vermar Verwaltungs- und Marktstudien AG, Zurich, Switzerland²
- President of the Board of Directors of Vermar Beteiligungs AG, Zurich, Switzerland²
- Member of the Advisory Board of Homburg Invest Inc., Halifax, Canada (until February 2011)²
- Chairing, non-executive member of the Administrative Board of Homburg Invest Inc., Halifax, Canada (since March 2011)
- Director of HoT JWP Music Inc., Miami, USA
- Chairman of the Advisory Board of Zamek Nahrungsmittel GmbH & Co. KG, Düsseldorf²
- President of the Board of Directors of Bohem Press AG, Zurich, Switzerland²
- President of the Board of Directors of ZOEY PF Schuhe und Accessoires AG, Zurich, Switzerland²

Prof. Dr. Dr. h. c. Hans-Jürgen Appelrath, resident in Oldenburg

University professor for information technology at Oldenburg University

- Member of the Supervisory Board of CEWE COLOR Holding AG, Oldenburg
- Member of the Supervisory Board of BTC Business Technology Consulting AG, Oldenburg
- Chairman of the Supervisory Board of icsmed AG, Oldenburg
- Chairman of the Supervisory Board of ELAN AG, Oldenburg
- Chairman of the Supervisory Board of InfoAnalytics AG, Oldenburg

Otto Korte, resident in Oldenburg

Lawyer, tax advisor, tax expert and partner of the law firm Korte

Dierkes Künnemann & Partner, Oldenburg

- Member of the Supervisory Board of CEWE COLOR Holding AG, Oldenburg
- Member of the Board of Trustees of the Neumüller CEWE COLOR Stiftung, Oldenburg
- Member of the Advisory Board of Deerberg Systems GmbH, Oldenburg
- Member of the Foundation Board of the Stiftung Wirtschaftsakademie Ost-Friesland, Leer

Professor Dr. Michael Paetsch, resident in Willich

Professor at the University of Applied Sciences Pforzheim

- Member of the Supervisory Board of CEWE COLOR Holding AG, Oldenburg
- Member of the Advisory Board of Turck India Automation Pvt. Ltd., Pune, India²

Dr. Joh. Christian Jacobs, resident in Hamburg

Lawyer and partner of the law firm White & Case LLP, Hamburg

- Member of the Supervisory Board of CEWE COLOR Holding AG, Oldenburg
- 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 Skytower Pte. Ltd., Singapore²
- Member of the Supervisory Board of Neumann Gruppe GmbH, Hamburg
- Member of the Administrative Board of Hemro AG, Bachenbülach, Switzerland

Dr. Rolf Hollander, resident in Oldenburg

- Chairman of the Board of Management of the Neumüller CEWE COLOR Stiftung, Oldenburg
- Member of the Supervisory Board of Vierol AG, Oldenburg

Andreas F. L. Heydemann, resident in Bad Zwischenahn

- Member of the Supervisory Board of CEWE COLOR Belgium N. V., Kontich, Belgium^{1,2}
- Member of the Advisory Board of CEWE COLOR Fotoservice AG, Dübendorf, Zurich, Switzerland^{1,2}
- Member of the Advisory Board of the Zweiten CEWE COLOR Beteiligungsgesellschaft AG, Dübendorf, Zurich, Switzerland^{1,2}
- Member of the Supervisory Board of Japan Photo Holding Norge AS, Oppegård, Norway^{1,2}
- Member of the Supervisory Board of Japan Photo Sverige AB, Göteborg, Sweden^{1,2}
- Member of the Supervisory Board of Japan Photo Danmark A/S, Skødstrup, Denmark^{1,2}
- Member of the Supervisory Board of CEWE COLOR Inc., New York, USA^{1,2}

Dr. Reiner Fageth, resident in Oldenburg

- Chairman of the Supervisory Board of CEWE COLOR a. s., Prague, Czech Republic^{1,2}
- Member of the Supervisory Board of CEWE COLOR Inc., New York, USA^{1,2}

Dr. Olaf Holzkämper, resident in Oldenburg

¹ Group mandate

² Membership in comparable German and foreign control committees of business enterprises

Total remuneration of the members of the Board of Management of CEWE COLOR Holding AG, Oldenburg, in financial year 2011, received for the execution of their duties in the parent company and in the subsidiaries amounted to 1,549 thousand euros (previous year: 1,322 thousand euros) for active members and 307 thousand euros (previous year: 403 thousand euros) for former members. As of the reporting date of December 31, 2011, the Board of Management held 56,675 no-par shares (previous year: 56,675 no-par shares). In addition, the members of the Board of Management held a total of 31,500 option rights (previous year: 31,500 option rights). The fair value per option pursuant to IFRS 2.10 et seq. for members of the Board of Management amounted to 6.39 euros as at the date of granting. For details, reference is made to the explanations on employee expenses on page 131 (item C28).

In the year under review, the variable remuneration elements connected with the group result totalled 489 thousand euros (previous year: 286 thousand euros). Compared to the previous year, they increased by 71.0 %. The portion of the total remuneration amounted to 31.5 % (previous year: 21.6). Variable, performance-related special benefits for the financial year 2011 to be paid in 2012 will, in the forecast, be at approx. 496 thousand euros on account of the 2011 earnings situation.

Total remunerations of the Supervisory Board in the amount of 213.8 thousand euros (previous year: 158.3 thousand euros) were comprised, in 2011, of a fixed remuneration of 45.0 thousand euros (previous year: 45.0 thousand euros), attendance fees of 28.0 thousand euros (previous year: 27.0 thousand euros), an additional remuneration depending on the decided dividend amounting to 75.0 thousand euros (previous year: 60.0 thousand euros), as well as a performance-related remuneration of 65.8 thousand euros (previous year: 26.3 thousand euros). The amounts are net amounts. As at December 31, 2011, members of the Supervisory Board held a total of 443,517 no-par shares (previous year: 443,517 no-par shares) and no option rights (previous year: 0 option rights).

For detailed information on the remuneration of the Board of Management as defined by Section 314 (6a) sentences 5 to 9 HGB, and of the Supervisory Board, please refer to the remuneration report on page 94 (Section 315 (2) no. 4, sentence 2 HGB).

No consulting and intermediary services and other personal services were performed by members of the Supervisory Board (previous year: 3.8 thousand euros) in the year under review. Separate approvals of the Supervisory Board existed for these services.

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 for this group of persons.

For details, reference is made to the explanations of the remuneration report on page 99.

78 | Approval and publication of the consolidated financial statements as at December 31, 2011

The consolidated financial statements prepared by the Board of Management as at December 31, 2011, and the management report of CEWE COLOR Group, will be approved upon the signing by the Board of Management.

79 | Declaration concerning the German Corporate Governance Code

The declaration of conformity with the German Corporate Governance Code required according to Section 161 AktG was made by the Board of Management and by the Supervisory Board and made available to the shareholders via the Internet at: www.cewecolor.de

Oldenburg, March 7, 2012

CEWE COLOR Holding AG
– The Board of Management –

CONFIRMATION OF THE STATEMENT OF FINANCIAL POSITION

Declaration according to Sections 297 (2) sentence 4, 315 (1) sentence 6 HGB
(confirmation of the statement of financial position)

To the best of our knowledge, and in accordance with the applicable reporting principles for consolidated financial reporting, we confirm that the consolidated financial statements give a true and fair view of the net worth, financial and earnings position of the group, and that the consolidated notes contain the necessary disclosures and particular circumstances, which provide a correct description of the group's position.

To the best of our knowledge, we also confirm that the group management report gives a fair view of the course and performance of the business and the position of the group, and accurately reflects the essential opportunities and risks of the future development of the group in the new financial year.

Oldenburg, March 7, 2012

CEWE COLOR Holding AG
– The Board of Management –



Dr. Rolf Hollander
(Chairman of the Board of Management)



Dr. Reiner Fageth



Andreas F.L. Heydemann



Dr. Olaf Holzkämper

AUDITOR'S OPINION

We have audited the consolidated financial statements of CEWE COLOR Holding AG, Oldenburg, comprised of the statement of financial position, the income statement, the statement of changes in equity, the statement of cash flows and the notes to the financial statements – as well as the group management report for the financial year from January 1 to December 31, 2011. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as to be applied in the EU, and the supplementary provisions of the Handelsgesetzbuch (HGB – German Commercial Code) as set out in Section 315a (1) HGB as well as the additional provisions included in the articles of association, is the responsibility of the company's legal representatives. Our responsibility is to express an opinion, based on our audit, on the consolidated financial statements and on the group management report. In addition, we were commissioned to evaluate the compliance of the consolidated financial statements with IFRS as a whole.

We conducted our audit in accordance with Section 317 HGB and observing the German principles of proper auditing adopted by the Institut der Wirtschaftsprüfer (IDW – German Institute of Chartered Accountants). These standards require that we plan and perform the audit in such a way that misstatements and infringements materially affecting the presentation of the net worth, financial position and results of operations in the consolidated financial statements in accordance with the generally accepted auditing standards and the group management report are detected with reasonable assurance. Knowledge of the

business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The audit includes examining, largely on a random test basis, the effectiveness of the accounting-related internal control system and evidence supporting the disclosures in the consolidated financial statements and the group management report. The audit also involves assessing the annual financial statements of the companies included in consolidation, the definition of the scope of consolidation, the accounting and consolidation principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We are of the opinion that our audit provides a sufficiently sound basis on which to make an assessment.

Our audit has not led to any objections.

In our opinion, based on the results of our audit, the consolidated financial statements comply with IFRS, as to be applied in the EU, and the supplementary provisions of Section 315a (1) HGB and the supplementary provisions of the articles of association, and convey a true and fair view of the group's net worth, financial position and result of operations in compliance with these provisions. The group management report is in line with the consolidated financial statements, provides an overall accurate picture of the group's situation and accurately reflects the opportunities and risks of future development.

Oldenburg, March 7, 2012

COMMERZIAL TREUHAND
Gesellschaft mit beschränkter Haftung
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dipl.-Kfm. Manfred Szuszies
Certified Public Accountant

ppa. Dipl.-Kfm. Thomas Münchenberg
Certified Public Accountant

CEWE COLOR GROUP – STRUCTURE AND CORPORATE BODIES

Neumüller CEWE COLOR Stiftung

Board of Trustees

- Wilfried Mocken, Rheinberg (Chairman)
- Otto Korte, Oldenburg (Deputy Chairman)
- Maximilian Ardelt, Munich
- Helmut Hartig, Oldenburg
- Dr. Peter Nagel, Bad Kreuznach
- Hubert Rothärmel, Oldenburg

Board of Management

- Dr. Rolf Hollander, Oldenburg (Chairman)
- Dr. Michael Fries, Oldenburg
- Harald H. Pirwitz, Oldenburg
- Felix Thalmann, Oldenburg
- Frank Zweigle, Oldenburg

Management

- Dr. Reiner Fageth, Oldenburg
- Thomas Grunau, Oldenburg (until June 30, 2011)
- Andreas F.L. Heydemann, Bad Zwischenahn
- Dr. Olaf Holzkämper, Oldenburg

CEWE COLOR Holding AG

Supervisory Board

- Hubert Rothärmel, Oldenburg (Chairman)
Retired; former Chairman of the Board of Management of CEWE COLOR Holding AG, Oldenburg, former Chairman of the Board of Management of the Neumüller CEWE COLOR Stiftung, Oldenburg
- Hartmut Fromm, Berlin (Deputy Chairman)
Lawyer and partner of the law firm Buse Heberer Fromm Rechtsanwälte Steuerberater Partnerschaftsgesellschaft, Frankfurt am Main
- Prof. Dr. Dr. h. c. Hans-Jürgen Appelrath, Oldenburg
University professor for information technology at Oldenburg University
- Otto Korte, Oldenburg
Lawyer/tax advisor/specialist for tax law and partner of the law firm Korte Dierkes Künnemann & Partner, Oldenburg
- Professor Dr. Michael Paetsch, Willich
Professor at the University of Applied Sciences Pforzheim
- Dr. Joh. Christian Jacobs, Hamburg
Lawyer and partner of the law firm White & Case, Hamburg

Board of Management

- Dr. Rolf Hollander, Oldenburg (Chairman)
- Dr. Reiner Fageth, Oldenburg
- Andreas F.L. Heydemann, Bad Zwischenahn
- Dr. Olaf Holzkämper, Oldenburg



Large-sized prints

An employee processes large-formatted pictures behind acrylic glass or on Alu Dibond or on a rigid foam board, using UV direct printing. In UV direct printing, the ink is directly applied to the material and immediately hardened by means of ultraviolet radiation.

FURTHER INFORMATION

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FINANCIAL STATEMENTS OF CEWE COLOR HOLDING AG

Income Statement of CEWE COLOR Holding AG

for the period from January 1 to December 31, 2011 (according to HGB)

| <i>Figures in thousand euros</i> | 2011 | 2010 |
|---|---------------|---------------|
| Income from investments | 18,162 | 21,160 |
| Other operating income | 18 | 89 |
| Personnel expenses | | |
| Wages and salaries | -250 | -226 |
| Social security, pension and other benefit costs | -88 | -112 |
| | -338 | -338 |
| Depreciation of own shares | -1,730 | -1,708 |
| Other operating expenses | 3,148 | 3,097 |
| Other interest and similar income | 0 | -22 |
| Result from operating activities | 19,260 | 22,278 |
| Income taxes | 0 | -64 |
| Net income for the year | 19,260 | 22,214 |
| Profit carried forward from previous year | -3,589 | -4,740 |
| Withdrawal from revenue reserves | 15,671 | 17,474 |
| Addition to revenue reserves | 16,866 | 13,781 |
| Dividend | -8,597 | -7,249 |
| Allocations to other revenue reserves | -8,100 | -6,500 |
| Remaining profits brought forward from the previous year | 169 | 32 |
| Expenses incurred by the purchase of own shares | 0 | -640 |
| Net retained profits | 15,840 | 16,866 |

Statement of Financial Position of CEWE COLOR Holding AG

as of December 31, 2011 (according to HGB)

| ASSETS | <i>Figures in thousand euros</i> | 2011 | 2010 |
|---|----------------------------------|----------------|----------------|
| Non-current assets | | | |
| Financial assets | | 20,748 | 20,748 |
| Current assets | | | |
| Receivables and other assets | | | |
| Receivables from affiliated companies | | 140,937 | 140,587 |
| Other assets | | 3,119 | 3,466 |
| | | 144,056 | 144,053 |
| Checks, cash in hand and balances with banks | | 0 | 1 |
| Prepaid expenses | | 56 | 35 |
| | | 164,860 | 164,837 |
| | | | |
| | | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | <i>Figures in thousand euros</i> | 2011 | 2010 |
| Equity | | | |
| Subscribed capital | | 19,188 | 19,188 |
| Own shares | | -1,919 | -1,300 |
| Expended capital | | 17,269 | 17,888 |
| Capital reserve | | 56,829 | 56,509 |
| Revenue reserves | | | |
| Legal reserves | | 1,534 | 1,534 |
| Provision set up for own shares (BilMoG) | | 1,919 | 1,300 |
| Other revenue reserves | | 69,663 | 68,347 |
| | | 73,116 | 71,181 |
| Net retained profits | | 15,840 | 16,866 |
| Total equity | | 163,054 | 162,444 |
| Provisions | | | |
| Provisions for pensions and similar commitments | | 518 | 452 |
| Provisions for tax | | 740 | 1,331 |
| Other provisions | | 383 | 436 |
| | | 1,641 | 2,219 |
| Liabilities | | | |
| Trade payables | | 155 | 164 |
| Other liabilities | | 10 | 10 |
| | | 165 | 174 |
| | | 164,860 | 164,837 |

MULTI-YEAR OVERVIEW

Consolidated Income Statement Total Year

| <i>Figures in million euros</i> | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Revenues | 428.4 | 431.1 | 396.0 | 413.5 | 420.0 | 409.8 | 446.8 | 469.0 |
| Increase/decrease in the inventory of finished and unfinished products | 0.0 | -0.1 | -0.1 | 0.0 | -0.1 | 0.0 | 0.0 | 0.0 |
| Other own work capitalised | 1.5 | 1.5 | 0.9 | 1.5 | 1.6 | 1.2 | 1.5 | 0.9 |
| Other operating income | 21.0 | 34.6 | 24.9 | 24.6 | 27.3 | 28.3 | 24.9 | 23.1 |
| Cost of materials | -162.8 | -153.1 | -139.6 | -154.6 | -163.2 | -154.7 | -168.7 | -173.6 |
| Gross profit | 288.1 | 314.0 | 282.1 | 285.0 | 285.6 | 284.6 | 304.5 | 319.5 |
| Employee expenses | -124.3 | -131.1 | -111.5 | -108.4 | -105.0 | -104.8 | -100.6 | -108.5 |
| Other operating expenses | -103.6 | -114.3 | -107.4 | -123.8 | -127.9 | -124.0 | -138.1 | -147.4 |
| Income before taxes, interest and depreciation (EBITDA) | 60.2 | 68.6 | 63.2 | 52.8 | 52.8 | 55.9 | 65.9 | 63.6 |
| Depreciation of property, plant and equipment and amortisation of intangible assets | -44.3 | -39.9 | -36.8 | -38.5 | -40.4 | -37.2 | -37.7 | -33.5 |
| Earnings before interest and taxes (EBIT) | 15.9 | 28.7 | 26.4 | 14.3 | 12.4 | 18.7 | 28.2 | 30.1 |
| Financial results | -1.7 | -3.2 | -5.3 | -1.5 | -1.7 | -1.9 | -1.8 | -1.0 |
| Earnings before taxes (EBT) | 14.2 | 25.5 | 21.1 | 12.8 | 10.7 | 16.8 | 26.4 | 29.2 |
| Income taxes | -10.7 | -11.6 | -1.0 | -5.5 | -2.5 | -9.2 | -11.7 | -9.8 |
| Other taxes | -2.3 | -2.4 | -2.2 | -1.4 | -1.1 | -0.8 | -0.9 | -0.7 |
| Earnings after taxes | 1.2 | 11.5 | 17.9 | 5.9 | 7.0 | 6.7 | 13.7 | 18.6 |
| Profit/loss attributable to minority shareholders | 0.9 | 4.4 | 3.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Profit/loss attributable to shareholders of the parent company | 0.2 | 7.1 | 14.0 | 5.9 | 7.0 | 6.7 | 13.7 | 18.6 |

Cash Flow Total Year

| <i>Figures in million euros</i> | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|-------|-------|-------|-------|-------|-------|-------|-------|
| Cash flow from operating activities | 45.9 | 50.6 | 33.8 | 52.6 | 34.8 | 36.5 | 53.0 | 60.3 |
| Cash flow from investments | -35.0 | -34.3 | -32.8 | -41.9 | -33.8 | -26.6 | -27.3 | -30.0 |
| Free cash flow | 10.9 | 16.3 | 1.0 | 10.7 | 1.0 | 9.9 | 25.6 | 30.2 |
| Cash flow from financing activity | -5.4 | -6.3 | -14.0 | -18.1 | 2.3 | -11.9 | -10.8 | -22.5 |
| Net changes in liquid funds due to payments | 5.6 | 10.0 | -13.0 | -7.4 | 3.3 | -2.0 | 14.8 | 7.7 |

Consolidated Income Statement Fourth Quarter

| <i>Figures in million euros</i> | Q4 2004 | Q4 2005 | Q4 2006 | Q4 2007 | Q4 2008 | Q4 2009 | Q4 2010 | Q4 2011 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
| Revenues | 109.5 | 102.6 | 96.4 | 110.5 | 120.7 | 127.4 | 150.0 | 161.0 |
| Increase/decrease in the inventory of finished and unfinished products | 0.0 | -0.1 | 0.0 | 0.1 | -0.1 | 0.0 | 0.0 | 0.0 |
| Other own work capitalised | 0.4 | 0.4 | -0.2 | 0.4 | 0.0 | 0.2 | 0.3 | -0.1 |
| Other operating income | 9.6 | 9.1 | 12.4 | 7.6 | 9.1 | 8.2 | 8.7 | 9.3 |
| Cost of materials | -40.6 | -33.4 | -36.2 | -41.1 | -46.2 | -44.7 | -52.3 | -54.4 |
| Gross profit | 78.9 | 78.7 | 72.4 | 77.4 | 83.5 | 91.1 | 106.6 | 115.8 |
| Employee expenses | -34.3 | -35.3 | -29.0 | -29.5 | -24.7 | -26.3 | -27.5 | -30.4 |
| Other operating expenses | -31.0 | -31.4 | -31.6 | -37.8 | -40.5 | -39.4 | -48.3 | -51.1 |
| Income before taxes, interest and depreciation (EBITDA) | 13.6 | 12.0 | 11.8 | 10.1 | 18.3 | 25.4 | 30.9 | 34.3 |
| Depreciation of property, plant and equipment and amortisation of intangible assets | -11.1 | -12.6 | -12.0 | -10.0 | -10.1 | -9.8 | -9.1 | -8.5 |
| Earnings before interest and taxes (EBIT) | 2.5 | -0.6 | -0.2 | 0.1 | 8.2 | 15.7 | 21.8 | 25.8 |
| Financial results | -0.3 | -1.3 | -0.7 | -0.6 | -0.5 | -0.5 | -0.3 | -0.2 |
| Earnings before taxes (EBT) | 2.2 | -2.0 | -0.8 | -0.4 | 7.7 | 15.2 | 21.5 | 25.6 |
| Income taxes | -3.8 | -0.8 | 4.2 | -0.3 | -1.0 | -5.3 | -6.4 | -7.2 |
| Other taxes | 0.2 | 0.0 | 0.0 | 0.8 | -0.2 | -0.2 | -0.2 | -0.2 |
| Earnings after taxes | -1.4 | -2.7 | 3.4 | 0.1 | 6.6 | 9.8 | 14.8 | 18.1 |
| Profit/loss attributable to minority shareholders | -0.1 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Profit/loss attributable to shareholders of the parent company | -1.4 | -2.6 | 3.4 | 0.1 | 6.6 | 9.8 | 14.8 | 18.1 |

Cash Flow Fourth Quarter

| <i>Figures in million euros</i> | Q4 2004 | Q4 2005 | Q4 2006 | Q4 2007 | Q4 2008 | Q4 2009 | Q4 2010 | Q4 2011 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| Cash flow from operating activities | — | — | — | — | — | 24.2 | 22.2 | 26.4 |
| Cash flow from investments | — | — | — | — | — | -4.0 | -8.1 | -11.0 |
| Free cash flow | — | — | — | — | — | 20.2 | 14.1 | 15.4 |
| Cash flow from financing activity | — | — | — | — | — | -20.9 | -8.9 | -3.6 |
| Net changes in liquid funds due to payments | — | — | — | — | — | -0.7 | 5.2 | 11.7 |

MULTI-YEAR OVERVIEW

Consolidated Statement of Financial Position

| ASSETS <i>Figures in million euros</i> | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Property, plant and equipment | 118.5 | 116.4 | 110.6 | 110.9 | 95.4 | 86.7 | 80.5 | 79.2 |
| Real estate held as financial investment | 0.0 | 0.0 | 0.0 | 0.0 | 3.2 | 5.3 | 4.8 | 4.8 |
| Goodwill | 6.2 | 2.5 | 2.5 | 5.3 | 10.3 | 10.3 | 9.1 | 9.1 |
| Intangible assets | 8.7 | 9.0 | 9.4 | 21.5 | 22.6 | 18.5 | 16.3 | 13.0 |
| Financial assets | 1.3 | 1.9 | 2.1 | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 |
| Non-current receivables from income tax refund | 0.0 | 0.0 | 4.2 | 3.7 | 3.3 | 3.0 | 2.9 | 2.6 |
| Non-current receivables and assets | 3.0 | 0.6 | 0.5 | 0.6 | 0.5 | 0.3 | 0.4 | 0.6 |
| Deferred tax assets | 1.6 | 2.9 | 3.1 | 5.7 | 5.5 | 5.2 | 5.4 | 4.8 |
| Non-current assets | 139.3 | 133.2 | 132.4 | 148.0 | 141.2 | 129.7 | 119.5 | 114.3 |
| Assets held available for sale | 0.0 | 0.0 | 0.0 | 0.0 | 2.8 | 2.0 | 0.2 | 0.2 |
| Inventories | 34.6 | 39.0 | 34.2 | 41.2 | 36.8 | 52.3 | 50.3 | 48.0 |
| Current trade receivables | 60.4 | 53.4 | 56.4 | 55.8 | 54.3 | 66.5 | 72.0 | 77.9 |
| Current receivables from income tax refund | 0.6 | 0.4 | 6.9 | 3.3 | 5.8 | 1.1 | 1.2 | 1.0 |
| Current other receivables and assets | 8.7 | 8.0 | 13.1 | 9.5 | 10.9 | 8.7 | 21.0 | 17.6 |
| Cash and cash equivalents | 17.2 | 27.4 | 14.5 | 7.1 | 10.1 | 8.2 | 23.4 | 30.8 |
| Current assets | 121.4 | 128.1 | 125.0 | 116.8 | 120.8 | 138.9 | 168.0 | 175.4 |
| | 260.7 | 261.3 | 257.4 | 264.8 | 262.0 | 268.6 | 287.5 | 289.7 |

| SHAREHOLDERS' EQUITY AND LIABILITIES <i>Figures in million euros</i> | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Subscribed capital | 15.6 | 15.6 | 19.2 | 19.2 | 19.2 | 19.2 | 19.2 | 19.2 |
| Capital reserve | 29.2 | 29.2 | 58.6 | 56.2 | 56.2 | 56.2 | 56.2 | 56.2 |
| Special item for treasury shares | -12.1 | -10.4 | -6.0 | -14.2 | -16.4 | -17.0 | -17.6 | -24.4 |
| Revenue reserves and net profits | 60.4 | 65.0 | 55.6 | 59.3 | 53.3 | 53.3 | 62.9 | 70.5 |
| Third-party interests | 13.4 | 13.7 | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Equity | 106.4 | 113.0 | 127.4 | 120.6 | 112.4 | 111.7 | 120.7 | 121.5 |
| Non-current special items for investment grants | 1.2 | 1.0 | 0.9 | 0.7 | 0.6 | 0.5 | 0.4 | 0.3 |
| Non-current provisions for pensions | 8.3 | 8.7 | 9.3 | 9.7 | 9.7 | 9.7 | 10.0 | 10.8 |
| Non-current deferred tax liabilities | 4.5 | 2.0 | 1.5 | 5.7 | 2.3 | 1.7 | 1.8 | 0.6 |
| Non-current other provisions | 4.2 | 4.4 | 2.2 | 1.9 | 1.5 | 1.1 | 0.9 | 0.8 |
| Non-current financial liabilities | 11.8 | 10.1 | 5.6 | 10.4 | 14.5 | 26.1 | 24.1 | 16.7 |
| Non-current other liabilities | 12.9 | 14.2 | 0.9 | 0.6 | 0.7 | 0.1 | 0.2 | 0.3 |
| Non-current liabilities | 43.0 | 40.3 | 20.4 | 29.1 | 29.3 | 39.1 | 37.4 | 29.5 |
| Current special items for investment grants | 0.3 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Current provisions for taxes | 5.8 | 8.4 | 7.9 | 2.9 | 3.0 | 3.7 | 4.7 | 5.6 |
| Current other provisions | 8.7 | 14.0 | 11.1 | 11.4 | 10.9 | 11.6 | 8.6 | 7.4 |
| Current financial liabilities | 8.8 | 7.2 | 17.3 | 10.2 | 20.8 | 6.5 | 6.6 | 7.4 |
| Current other trade payables | 58.8 | 45.7 | 46.9 | 66.7 | 63.6 | 73.2 | 82.6 | 90.2 |
| Current other liabilities | 28.9 | 32.5 | 26.4 | 23.9 | 21.8 | 22.7 | 26.7 | 28.1 |
| Current liabilities | 111.3 | 108.0 | 109.7 | 115.1 | 120.2 | 117.7 | 129.4 | 138.7 |
| | 260.7 | 261.3 | 257.4 | 264.8 | 262.0 | 268.6 | 287.5 | 289.7 |

MULTI-YEAR OVERVIEW

Key Figures

| Volume and Employees | | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|-----------------------------|-----------------------------|---------|---------|---------|---------|---------|---------|---------|-------------|
| Digital prints | <i>in million units</i> | 508.6 | 829.8 | 1,114.4 | 1,514.5 | 1,786.1 | 2,035.8 | 2,129.1 | 2,246.1 |
| Prints from film | <i>in million units</i> | 3,025.4 | 2,603.0 | 1,765.0 | 1,277.3 | 828.9 | 558.3 | 367.7 | 251.3 |
| Total prints | <i>in million units</i> | 3,534 | 3,433 | 2,879 | 2,792 | 2,615 | 2,594 | 2,497 | 2,497 |
| CEWE PHOTOBOOKS | <i>in million units</i> | — | 0.1 | 0.5 | 1.5 | 2.6 | 3.6 | 4.3 | 5.1 |
| Employees | <i>on a full-time basis</i> | 3,829 | 3,730 | 3,131 | 3,124 | 2,921 | 2,742 | 2,681 | 2,823 |

| Income | | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--------------------------|-------------------------|--------|--------|--------|--------|--------|--------|--------|-------------|
| Revenues | <i>in million euros</i> | 428.5 | 431.1 | 396.0 | 413.5 | 420.0 | 409.8 | 446.8 | 469.0 |
| EBITDA | <i>in million euros</i> | 60.2 | 68.6 | 63.2 | 52.8 | 52.8 | 55.9 | 65.9 | 63.6 |
| EBITDA margin | <i>in % of revenue</i> | 14.0 % | 15.9 % | 16.0 % | 12.8 % | 12.6 % | 13.6 % | 14.7 % | 13.6 % |
| EBIT | <i>in million euros</i> | 15.9 | 28.7 | 26.4 | 14.3 | 12.4 | 18.7 | 28.2 | 30.1 |
| EBIT margin | <i>in % of revenue</i> | 3.7 % | 6.7 % | 6.7 % | 3.5 % | 2.9 % | 4.6 % | 6.3 % | 6.4 % |
| Restructuring costs | <i>in million euros</i> | 2.6 | 12.9 | 6.7 | 12.2 | 11.4 | 9.5 | 2.2 | 0.0 |
| EBT before restructuring | <i>in million euros</i> | 18.5 | 41.6 | 33.1 | 26.5 | 23.8 | 28.2 | 30.4 | 30.1 |
| EBT | <i>in million euros</i> | 14.2 | 25.5 | 21.1 | 12.8 | 10.7 | 16.8 | 26.4 | 29.2 |
| Profit after taxes | <i>in million euros</i> | 1.2 | 11.5 | 17.9 | 5.9 | 7.0 | 6.7 | 13.7 | 18.6 |


| Capital | | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---------------------------|---|--------|--------|--------|--------|--------|--------|--------|-------------|
| Total assets | <i>in million euros</i> | 260.7 | 261.3 | 257.4 | 264.8 | 262.0 | 268.6 | 287.5 | 289.7 |
| Capital Employed (CE) | <i>in million euros</i> | 158.5 | 160.8 | 165.1 | 160.0 | 162.6 | 157.4 | 164.8 | 158.5 |
| Equity | <i>in million euros</i> | 106.4 | 113.0 | 127.4 | 120.6 | 112.4 | 111.7 | 120.7 | 121.5 |
| Equity ratio | <i>in % of assets</i> | 40.8 % | 43.3 % | 49.5 % | 45.5 % | 42.9 % | 41.6 % | 42.0 % | 41.9 % |
| Net debt | <i>in million euros</i> | 3.4 | -10.0 | 8.3 | 13.6 | 25.2 | 24.3 | 7.4 | 6.7 |
| ROCE (previous 12 months) | <i>in % of average capital employed</i> | — | 18.1 % | 16.6 % | 8.5 % | 7.6 % | 11.7 % | 17.8 % | 19.8 % |

| Cash Flow | | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Cash flow from operations | <i>in million euros</i> | 45.9 | 50.6 | 33.8 | 52.6 | 34.8 | 36.5 | 53.0 | 60.3 |
| Cash flow from investments | <i>in million euros</i> | -35.0 | -34.3 | -32.8 | -41.9 | -33.8 | -26.6 | -27.3 | -30.0 |
| Free cash flow | <i>in million euros</i> | 10.9 | 16.3 | 1.0 | 10.7 | 1.0 | 9.9 | 25.6 | 30.2 |
| Cash flow from financing activities | <i>in million euros</i> | -5.4 | -6.3 | -14.0 | -18.1 | 2.3 | -11.9 | -10.8 | -22.5 |
| Cash changes in cash and cash equivalents | <i>in million euros</i> | 5.6 | 10.0 | -13.0 | -7.4 | 3.3 | -2.0 | 14.8 | 7.7 |

| Share | | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|-----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Number of shares (nominal value 2.60 euros) | <i>in units</i> | 6,000,020 | 6,000,020 | 7,380,020 | 7,380,020 | 7,380,020 | 7,380,020 | 7,380,020 | 7,380,020 |
| Earnings per share (diluted) | <i>in euros</i> | 0.19 | 1.43 | 2.39 | 0.83 | 1.02 | 1.00 | 2.02 | 2.84 |
| Year-end share price | <i>in euros</i> | 22.26 | 41.35 | 33.00 | 27.00 | 14.05 | 22.60 | 33.35 | 31.39 |
| Dividend per share | <i>in euros</i> | 0.60 | 1.20 | 1.20 | 1.20 | 1.00 | 1.05 | 1.25 | 1.40* |
| Year-end dividend yield | <i>in %</i> | 2.25 % | 2.90 % | 3.64 % | 4.44 % | 7.12 % | 4.64 % | 3.75 % | 0.00 % |

* Dividend recommendation made by the Board of Management and the Supervisory Board at their meeting on March 21, 2012.

PRODUCTION PLANTS AND DISTRIBUTION BRANCHES

 Page 5
General map with all locations

 Contact persons of our sales offices
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FINANCIAL DIARY

March 22, 2012 Financial Statements Press Conference,
Analyst conference, Frankfurt


May 15, 2012 Q1 Interim Report

June 6, 2012 General Meeting, Park Hotel, Bremen

Aug. 9, 2012 Q2 Interim Report

Nov. 8, 2012 Q3 Interim Report

Nov. 12, 2012 Equity Forum of the Deutsche Börse,
Frankfurt

 You will also find upcoming dates and events on the Internet at
www.cewecolor.com



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IMPRINT

This annual report is also available in German.
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GLOSSARY

i Note:

The mention of digital photos in this annual report always includes the number of CEWE PHOTOBOOK prints as well as the photos of the photo gifts.

All of these figures are generally rounded with the most accurate values and rounded commercially in the tables. This might lead to differences in the subsequent rounding of the decimal point.

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 fixed assets and cash and cash equivalents

Core capital employed

Capital employed less cash and 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

EBIT-induced cash flow

EBIT plus depreciation (EBITDA) and further adjustments; subtotal before cash flow from operating activities, i. e. prior to financing effects from net working capital and paid taxes

EBITDA

Earnings before interest, taxes, depreciation and amortisation

EBT

Earnings before taxes and financial result

Equity capital

The 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 in the statement of financial position under other credit lines

Free cash flow

Cash flow from operating activities minus cash flow to investing activities (both according to statement of cash flows)

Gross cash flow

Earnings after taxes plus amortisation on intangible assets and depreciation on property, plant and equipment

Gross financial liabilities

Total of non-current financial liabilities and current financial liabilities

Gross working capital

Current assets without cash and cash equivalents

Liquidity ratio

Ratio between cash and cash equivalents and total assets

Net cash flow

Gross cash flow less investments

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 current special items for investment grants and without current financial liabilities

Nopat

The Nopat is defined from EBIT less income taxes and other taxes

Operating net working capital

Inventories plus current trade receivables minus current trade payables

Other net working capital

Contains the assets held for sale, current receivables from income tax refunds, current receivables and assets less current provisions for taxes, as well as other current provisions and other current liabilities

Return On Capital Employed (ROCE)

Earnings before taxes and before the financial result (EBIT) for a full annual cycle compared to the four-quarter average of capital employed

Working capital and tax-induced cash flow

Changes from net working capital and paid taxes

from
£5.99*



*Recommended listed price for a "small" CEWE PHOTOBOOK including VAT. Price may be subject to packing and postage charge.

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