

*Annual Report 2010*





## 50 YEARS OF CEWE COLOR – 50 YEARS OF INNOVATION:

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*“Apart from being the established market leader in the industrial photo-finishing 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. The most striking evidence is our market-leading CEWE PHOTOBOOK. We intend to further expand this position. We are also using our newly won digital printing competence to head off to new horizons in commercial digital printing. We invite all readers to visit us at **www.viaprinto.de.**”*

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



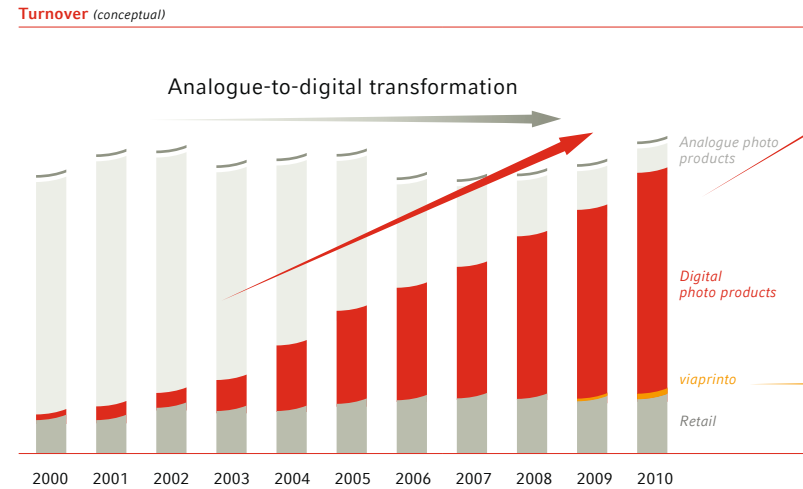
## HIGHLIGHTS

### 2010 targets achieved and exceeded



The average value is shown with respect to the target corridor 2010.

### Analogue-to-digital transformation mastered with innovation



The journal "WirtschaftsWoche" and the management consultancy A. T. Kearney awarded CEWE COLOR the prize of "Best Innovator 2010" for the successful tackling of the technological transformation.

**Further development in the core business: Photofinishing**



**Photofinishing:**

The CEWE PHOTOBOOK is the definite market leader in Europe, with 4.3 million books and a respective market share of over 25 %. The brand CEWE PHOTOBOOK and the strong growth of photo greeting cards, photo calendars and further individualised photo products have decisively contributed to the success of fiscal 2010.

**Growth in the new business: Commercial digital printing**



**Commercial digital printing:**

With viaprinto.de CEWE COLOR established an online printing service for high-quality and fast printing jobs in small quantities. The easy-to-use webshop viaprinto.de processes, apart from PDF, Word and PowerPoint files as well.

*CEWE COLOR: European market leader  
in photofinishing and in digital printing for  
photo books and other photo products*

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 2010, the company developed **2.5 billion photos** and over **4.3 million CEWE PHOTOBOOKS** and photo gifts.

Our main competitive advantages are the "CEWE PHOTOBOOK", the leading photo book brand throughout Europe, our high level of competence in digital printing, efficient industrial production and logistics, as well as the wide distribution via the Internet and through **45,000 retailers**.



# CEWE COLOR at a glance

- 12 Production plants
- 24 European countries
- 2,681 Employees
- 45,000 Retailers
- 2.5 billions Digital prints
- 4.3 millions CEWE PHOTOBOOKS
- 50 years Successful in Europe



● Production plants      □ Delivery area  
 ● Distribution branches



### Photo processing

The photo shows the buffer on the photo cutter for 2,000 metres of photographic paper rolls. It serves as buffer for a continuous inline production process in photo processing of analogue films and digital photo data.



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

*Dear Shareholders,*

In 2010, our company's performance was excellent.

This is also reflected by the following headlines with which the media reported on the publication of our annual results:

*"CEWE COLOR produces sparkling results at Christmas"*

*"CEWE COLOR succeeds in presenting brilliant annual accounts"*

*"CEWE COLOR doubles revenues thanks to CEWE PHOTOBOOKS"*

*"CEWE generates record turnover"*

With the completion of this year at the latest, the earnings position proves that CEWE COLOR has emerged strengthened from the analogue/digital transformation: all targets were either reached or exceeded. Record turnover. Earnings per share doubled.

On the first page of this report, you will find the highlights of the CEWE year 2010 at a glance.

However, the 2010 revenues are not only the result of our work during the past year: as early as 1994, CEWE COLOR recognised the trend towards digital photography and invested strongly in products, production technology and software – although the volume of analogue photos was still growing at this point until 2002.

In 1997 – noticeably before the market – CEWE COLOR installed an order station for digital photos in stores. As early as 1998, CEWE COLOR opened up the Internet as a new channel of distribution by introducing an order platform for digital photos. In 2002 alone, the company invested around 280 million euros in new technologies – in over 50 modern digital printing machines, industrial book binding production lines, and 25,000 order terminals for the trading partners and other projects.

Apart from these technical developments, CEWE COLOR set up its marketing operations – almost from scratch. If the analogue product range had essentially been a regular factor at CEWE COLOR for many decades, many new products were developed during the analogue-to-digital transformation decade. It was necessary to take steps to market these new products. We have accepted this challenge and launched a branded article, the CEWE PHOTOBOOK, which is today clearly the European market leader with a 25 % market share.

For me personally, some of the decisions were far from easy – and in this respect I can also speak for my colleagues on the Board and our employees. These decisions included, for instance, the shutdown of production sites: we decreased the number of our locations from 28 to 12, so as to use our economy of scales and the efficiency of an industrial production throughout Europe. I wish to express my gratitude to our employees who have contributed to making the established market leader in the industrial photofinishing of analogue photos, to become the market leader in a completely new market for digital customised products as well. This year, 2011, CEWE COLOR will be celebrating its 50th anniversary, and is represented more strongly than ever in all attractive market segments. We regularly set standards for quality and innovation and, therefore, were particularly pleased to receive the “Best Innovator 2010” award in the past year. 50 years of CEWE COLOR means 50 years of innovation.

For detailed information on our strategy, please refer to the interview on pages 17 to 21.

Dear shareholders, you as owners of CEWE COLOR can be proud that the company succeeded in managing such an encompassing transformation of the market. Meanwhile, this positive development is also reflected by the share price, which has more than doubled during the past two years: on January 2, 2009, the share price was at 14 euros, on January 3, 2011, it had increased to nearly 34 euros. And: we paid a dividend of 2.05 euros per share for these two years. This corresponds to an added value of around 22 euros per share within two years. Our new dividend recommendation of 1.25 euros reflects that the company will go into the future as a well-funded, profitable and confident one.

We are working together with the entire team to make our company more valuable year after year!

Oldenburg, March 23, 2011

With best wishes



*“The branded product CEWE PHOTOBOOK with a market share of 25 % is clearly the European market leader. We are proud to have established this premium product in the market. Our aim is to maintain this position.”*



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

## REPORT OF THE SUPERVISORY BOARD

The fiscal year 2010 was a good and successful year for CEWE COLOR. The targets set were achieved by the Board of Management and the employees in almost all significant segments and, in part, even exceeded. On the back of this, the Supervisory Board is able to present a really encouraging report to its shareholders.

The composition of the Supervisory Board has not changed in 2010:

- 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

In addition, the Board of Management of CEWE COLOR Holding AG was expanded by Dr. Olaf Holzkämper, who was appointed for a period of five years as of April 1, 2010. Dr. Holzkämper has since been responsible at Board level for the segments finance, controlling, corporate development and investor relations.

In fiscal 2010, the Supervisory Board performed its duties as required by law, the articles of association, rules of procedure and corporate governance intensively and conscientiously, and thus made the respective decisions carefully. In performing its duties, the Supervisory Board was able to rely on the records and documents of internal audit and on the reports of the respective experts and officers. If required, the Supervisory Board called upon external consultants. The Board of Management informed the Supervisory Board with respect to the corporate planning including financial and investment planning and decisions of fundamental significance extensively and on a timely basis.

The Supervisory Board controlled and advised the company's Board of Management. It was informed by the Board of Management by written reports and, during its meetings, orally and in writing regarding the course of business and the group's situation including the subsidiaries to the extent required by the articles of association of the stock company. The above also applied to extraordinary events to the extent they required reporting. The Supervisory Board intensively and openly discussed such reports both with the Board of Management and internally. The Board of Management was always ready and able to provide the Supervisory Board with all required information, including extensive and in-depth information. In individual cases additional in-depth reports were requested. There was nothing that gave rise to special audit procedures.

*"The fiscal year 2010 was a good and successful year for CEWE COLOR. The targets set were achieved by the Board of Management and the employees in almost all significant segments and, in part, even exceeded."*

In addition, the Board of Management informed the Chairman of the Supervisory Board at short intervals about significant events and decisions.

In 2010, the Supervisory Board held five meetings, namely on February 11, April 8, June 2, September 8, and on November 11. The meeting held on April 8 was, at the same time, the meeting of the Audit Committee. Year-to-date meetings took place on February 17 and March 23 (Audit Committee). During the meeting of March 23, the Supervisory Board chaired by Mr. Otto Korte exercised the duties of the Audit Committee, and made its resolutions after thorough preparation and discussion.

Following the official meetings, the Supervisory Board regularly convened an internal meeting together with the Board of Management.

Additionally, a strategy workshop of the Supervisory Board and the Board of Management took place on April 27, 2010, which was successfully dedicated at the further development of new lines of business.

Due to its limited number of members, the Supervisory Board continues to also exercise 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. If convened as Audit Committee, the Supervisory Board will be chaired by Mr. Otto Korte, with Dr. Joh. Christian Jacobs acting as Deputy Chairman. The Supervisory Board as a whole also performs the duties of a Personnel Committee and a Nomination Committee.

The attendance at the Supervisory Board meetings was, again, exemplary. Three members of the Supervisory Board missed a meeting once; all other members attended all five meetings in 2010.

In particular, the Supervisory Board dealt with the following topics very intensively:

#### Development of the segment digital printing for commercial users

In each of its meetings, the Supervisory Board was extensively informed about the efforts of management to gain a foothold in the segment digital printing, which is significant for the growth of CEWE COLOR. The Supervisory Board continues to attach high priority to this project and to promote it strongly in order to accelerate the implementation of the approaches decided on.

#### Auditing

During its meetings, the Supervisory Board assured itself that both the extensive internal and external auditing is functioning properly. It was presented with the essential results during these meetings. No irregularities occurred and none were reported by the “Ombudsman” with whom the Supervisory Board is in personal contact. Furthermore, it acknowledged with approval the results of an external IT and EDP auditing, respectively, and a review of the precautions taken to avoid fraud and the like (keyword “fraud”).

#### Risk management

The Board of Management and the statutory auditor again comprehensively informed the Supervisory Board on the early recognition system of risks, the development of risk assessment, and the internal control system. 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 carried out by the statutory auditor. In the year under review, there was no examination by the Financial Reporting Enforcement Panel (DPR – Deutsche Prüfstelle für Rechnungslegung) according to Section 342 HGB.

#### Compliance and corporate governance

The Supervisory Board dealt with the topics of corporate governance and compliance in each of its meetings. It assured itself of the competent compliance with and observation of the relevant regulations. It introduced the alignment of the rules of procedure for the Board of Management and Supervisory Board as defined by these regulations.

In fiscal 2010, CEWE COLOR AG & Co. OHG was counselled by Prof. Dr. Michael Paetsch. Total expenses were at 3,800 euros plus legal VAT.



The Supervisory Board gave its consent since, according to its orderly review, this was related exclusively to technical issues which do not fall under the activities of the Supervisory Board.

During 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 no conflicts of interest occurred.

The members of the Supervisory Board declared that they do not exercise any tasks for major competitors and that no conflicts of interest were generated.

The individual remuneration of all members of the Supervisory Board is shown in the remuneration report starting on page 92 .

In its meeting of September 8, 2010, the Supervisory Board dealt with the future composition of the Supervisory Board (keyword “diversity”). The Supervisory Board is aiming to win at least one female member for the reappointment of the entire committee planned for 2012. Also, the composition of the Supervisory Board/Audit Committee with at least one independent financial expert is again firmly planned. Following a thorough examination, the Supervisory Board is of the opinion that its members already have extensive and in-depth international knowledge and experience with respect to the criterion “internationality”. In preparing the recomposition of the committee in 2012, this point of view will again be taken into account.

For detailed information on corporate governance, please refer to the mutual corporate governance report of Board of Management and Supervisory Board on page 79. The Supervisory Board adopted the declaration of conformity for 2010 jointly with the Board of Management. The shareholders have permanent access to the declaration on the website of our company. The Supervisory Board obtained regular reports from the compliance officer and is convinced that no inadmissible insider dealings were made.

#### Implementation of the legal stipulations regarding the adequacy of the remuneration of members of the Board of Management (VorstAG)

All management contracts have been supplemented and converted within the meaning of the VorstAG. Respective details are to be found in the remuneration report on page 92.

#### Quarterly reports

The Supervisory Board discussed the figures and the statements of the quarterly reports with the Board of Management prior to their publication, either personally or by telephone.

#### Sustainability report

The Supervisory Board acknowledged with approval the sustainability report first prepared in fiscal 2010.

#### Efficiency audit

Once again, the Supervisory Board carried out and discussed an efficiency audit of its work. The conclusions of the efficiency audit were included in the work of the Supervisory Board.

#### Separate and consolidated financial statements 2010

The annual financial statements of CEWE COLOR Holding AG prepared by the Board of Management including the management report, as well as the consolidated financial statements including the group management report as of December 31, 2010 were audited by and bear the unqualified opinion of the Commercial Treuhand GmbH Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Oldenburg (auditing and tax consulting company), which was again appointed as statutory auditor by the general meeting on June 2, 2010. According to the resolution of the general meeting, the Supervisory Board assigned the audit. Prior to the submission of the nomination to the general meeting, the Supervisory Board assured itself of the independency of the auditor, supported by the recommendation of the Audit Committee.

 Page 79  
Corporate Governance Report

 Page 92 | Remuneration 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 (Stock Corporation Act).

The annual financial statements and the management report of CEWE COLOR Holding AG as well as the consolidated financial statements including the group management report, together with the auditor's reports, were handed over to the Audit Committee and to all the members of the Supervisory Board in due time prior to the meeting on the approval of the balance sheet, on March 23, 2011.

The undersigned statutory auditors participated in the consultation of the Supervisory Board as Audit Committee on the documents to be audited, and reported on the essential results of its audit to the Supervisory Board. The auditors were at the Supervisory Board's disposal to answer any kind of questions. The Supervisory Board agreed to the result of the audit; there were no objections.

The Supervisory Board supervised the audit and assured itself of the adequacy of the auditor's fees. The breakdown of the total fee charged by the auditor is shown in the notes on page 130.

The Supervisory Board examined the annual financial statements and the management report of CEWE COLOR Holding AG as prepared by the Board of Management, as well as the consolidated financial statements and the group management report including the proposal for the appropriation of net profits. Following the final result of its own examination, the Supervisory Board approves the annual financial statements of CEWE COLOR Holding AG as prepared by the Board of Management, which is thus adopted in accordance with Section 172 AktG.

The Supervisory Board agrees with the management report and particularly with the assessment of the future development of the company. The Supervisory Board approved the proposal of the Board of Management presented on the appropriation of net profits of CEWE COLOR Holding AG for the meeting of March 23, 2011, and supports its proposal with respect to the distribution of dividends. The proposal provides for a dividend of 1.25 euro per no-par value share. In addition, the statutory auditor also examined the information provided by the Board of Management regarding the relations to affiliated parties for the business year 2010 in accordance with IAS 24. This report did not give rise to any objections.

The Supervisory Board expresses its gratitude to all employees and members of the Board of Management for their high commitment and consistent performance in the business year 2010. Moreover, the Supervisory Board expresses its gratitude to the shareholders of CEWE COLOR Holding AG for their consistent confidence in the company.

Oldenburg, March 23, 2011

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, in your opinion, what are the reasons for the strong upswing in earnings?*

As expected, the completion of the analogue/digital transformation released us from substantial burdens on earnings. The structural changes resulted in a jump in earnings of net 7.3 million euros for the EBIT.

*However, EBIT also rose by 9.5 million euros. Where does this increase come from?*

Yes, that is correct. The effect of the structural changes is just under 7 million euros. The additional improvement is generated by our marketing investments, which we increased from 18 million euros to 28 million euros. We used the extra funds generated to invest in future earnings potential. Further enhancing the CEWE PHOTOBOOK brand was a very significant part of this process. For consumers, this name stands for high quality and is the reason for its popularity. Moreover, this positioning as a branded product is an advantage for all trading partners: we engage in active marketing to guarantee the advance sales with the consumers and direct consumers to our trading partners.

*“As expected, the completion of the analogue/digital transformation released us from substantial burdens on earnings. We used the extra funds generated to invest in future earnings potential. In this process, the further establishment of the brand CEWE PHOTOBOOK was a very significant task.”*

*“If there is an opportunity, for example, to achieve a surge in growth in commercial digital printing, which is organically only possible by higher expenses, then we can imagine an acquisition. For all decisions there is a clear criterion: we want to raise the value of our company for our employees, customers and shareholders.”*

*Was it worth the risk to invest such high amounts in marketing?*

A definite yes: CEWE PHOTOBOOKS were up 19 % and value-added products such as photo calendars rose by 45 %, photo greeting cards were up 57 % and wall decoration was up 90 %. We are bound to benefit from the additional brand awareness in 2011 as well; at the same time, we will continue to invest in making CEWE COLOR a synonym for customised value-added products for the consumers. The record turnover and the jump in earnings of 9.5 million euros to 28.2 million euros, which you already mentioned, speaks volumes: yes, the efforts have paid off.

*What counts in the end is the cash. Well, it seems that the rise has arrived, hasn't it?*

Yes, our business model increasingly generates more free cash flow, because we already coped with the main burden of the investments in the past few years. In 2010, we earned an impressive growth of 15.7 million euros, to 25.6 million euros. Nevertheless, we have to differentiate between the various effects: the improvements in working capital management will not generate cash flow each year, because at some stage the tied-up capital will be strongly reduced and optimised. Of course, earnings-induced cash flow is always a means of strengthening the free cash flow.



*How do you intend to deploy the cash flows?*

*To redeem debts, for dividends, for the repurchase of shares?*

In the past year, we have already reduced the ratio of our borrowed capital to EBITDA from 58 % to 48 %, and we intend to increase the dividend for 2010.

*What exactly does that mean? Do you intend to use the funds for acquisitions, or do you see opportunities to earn an attractive yield by additional investments in your operating business?*

In this respect, we are opportunistic in the best sense of the word. If there is an opportunity, for example, to achieve a surge in growth in commercial digital printing, which is organically only possible by higher expenses, then we can imagine an acquisition. For all decisions there is a clear criterion: we want to raise the value of our company for our employees, customers and shareholders.

*Which progressive trend are you focusing on?*

We see two value drivers: first, we intend to further strengthen our core business of photofinishing. Here, we established the clear European market leader, the CEWE PHOTOBOOK. We are well aware of the fact that such a market leadership is not written in stone. It is particularly the market leader who has to fulfil his commitment to perform. And this includes quality and innovation. There are only two acceptable aggregate states: maintain the lead, or – better still – expand the lead. Everyone who in his function works on the product works precisely to this end. In the event some of the numerous

smaller suppliers should disappear from the market, the CEWE PHOTOBOOK is the natural consolidator, with a 25 % market share in Europe. We want to fulfil this role, but definitely remain the premium supplier. The CEWE PHOTOBOOK is a brand product, which has noticeable competitive advantages against other suppliers for the consumers, and is thus worth its price. The second value driver are the other value-added products such as photo greeting cards, photo calendars, wall decorations and other new products, which strengthen the trend “from mass to class” in the photofinishing area.

*How much growth do you expect from these measures in photofinishing?*

A double-digit growth for value-added products is offset by a beginning decline of individually processed digital photos. We are prepared for this shift in demand – and we actively pushed it. It is simply more pleasant to design a CEWE PHOTOBOOK, which can be reproduced in any number and which will remain a unique copy, than to have the photos developed individually and to tediously paste them into an album. And of course, the last 10 to 15 % sales with analogue photos will disappear from the market in the next few years. In sum, I expect a growth analogous to the European economic growth – not on account of the high correlation, but rather because the different large lines of development should lead to a single-digit growth. The basic trend of a higher value-added share of the value-added products, however, offers an opportunity for slightly higher revenues.

*And on a medium to long term?*

By means of the typical CEWE competencies such as smallest quantities, shortest delivery delays, efficient processes in the commercial scale and services throughout Europe, we will be able to open up a completely new growth potential in commercial digital printing with the Web-to-Print approach. This is an essential part of the second value drive, which will particularly be the motor behind our growth in the medium to long term.

*Web-to-Print?*

This is an online print shop. CEWE COLOR is establishing such an online print shop on the website [www.viaprinto.de](http://www.viaprinto.de) for high-quality and fast printing of small quantities, which can be used by everyone.

*What type of print products do you offer on this platform?*

Mainly books at present – in all sorts of binding methods such as hardcover, softcover, brochure and spiral binding – also, folders and flyers. That seems to be a good range to start with. Depending on the customers' wishes, we will add further products.

*Does this also work for annual reports?*

Of course it does. This model is ideal for a customised print – whether it be an annual report, a presentation, company or product brochure. Our industrial-efficient processes make the unit price very attractive. Nobody will have to have enormous offset copies printed anymore, only to dispose 20 % of them in the waste paper bin, because the company brochure is no longer up-to-date the day after tomorrow.

*Now, what do you have to do to have an annual report printed by your company?*

Using the address [www.viaprinto.de](http://www.viaprinto.de), you can have the most recent version of your presentation, company or product brochure printed. Select the product softcover, for example. If you prefer a shortcut, just click on "Jetzt erstellen" (create now). You can then upload your document – PDF file or Word and PowerPoint files. In the next step, you will be able to leaf through your book on the monitor and make changes, if required. Then you can place your order straight away.

*How much turnover do you expect to earn with viaprinto?*

That is still hard to say. In general, we assume that the commercial digital printing in the Web-to-Print approach will represent a growing and substantial part of total revenues for CEWE COLOR for many years.

*When, if ever, do you expect a visible turnover? The subject of commercial digital printing was already under discussion at CEWE one year ago.*

Correct. Even before that. The start of viaprinto was a double challenge. First, we had to sort out a lot of details: what does a website look like that is easy to use for the acceptance of print data? How can Word and PowerPoint files be processed both in the webshop and in production? Which products are requested by companies? And much more. We have made great progress in this respect.

*“Our optimism regarding our drive towards commercial digital printing with [www.viaprinto.de](http://www.viaprinto.de) is primarily the result of the enthusiasm of everyone who has experienced the simple handling and high quality of printing. Now it is a matter of making progress.”*

The second challenge was to establish such services in the market. The way is similar to that of the photo book. In 2005, we produced 70,000 photo books only; five years later it was 4.3 million. It would be presumptuous to assume such a growth for viaprinto.de, but the trend is bound to go in this direction. Just as you have asked me to describe the fundamental procedure of the use of viaprinto.de, all other potential consumers would have done the same. We are presently coping with this sales task.

*What makes you so sure?*

On the one hand, the positive reaction of everyone who has experienced the simple handling and high quality of printing at viaprinto.de. By the way, our annual reports have been printed by viaprinto for a long time. On the other, the fact that a company in the USA is already earning over 100 million euros with exactly this product today. It will also be a great success in Europe. And who would be better positioned to establish this business model in Europe than CEWE. We are, for that matter, the largest European digital print shop for high-quality multiple colour printing with proven Internet expertise. This makes us very confident for our second value driver.



# CEWE – 50 YEARS OF INNOVATION



1961

Heinz Neumüller founds the CEWE COLOR enterprises at the Carl Wöltje headquarters



1964

Transition from black-and-white to colour photography

1971

Opening up of the Dutch market

1972

Opening of an enterprise in Munich

1973

Opening of enterprises in Hamburg and Bremen

1975

Opening of enterprises in Nuremberg and Lübeck

1983

Opening of an enterprise in Freiburg

1989

CEWE launches the Eurocombi envelope for storing photo orders and receives the environment award

CEWE develops a variable-speed paper development machine, sidestepping darkrooms



1985

Introduction of an environment-friendly recycling process for bleach and fixing baths, later also for developers

1988

Opening of an enterprise in Worms

1987

New building in Berlin and Munich

1986

Opening of enterprises in Mönchengladbach and Paris

1994

CEWE invents the Photo Index, the first digital mass-market product ever



1993

Initial public offering

New enterprises in Denmark and France

1992

Restructuring of the group under the umbrella of CEWE COLOR Holding AG

Opening of an enterprise in Dresden

1995

CEWE introduces Photoscreen: digitalisation of analogue photos, delivered as photo show on a floppy disk







1996

CEWE introduces DigitalPhoto: exposure of digital photo data on silver halide paper

CEWE patents individualised coupons (36th photo) as advertising option in photo orders



1997

CEWE sets up the worldwide first terminal for photo data in a specialist point of sale

Photo World: CEWE makes it possible for customers to order digital photos online

Picture CD with picture processing and presentation software

Photo Net: online library for photos  
Foundation of CEWE Digital GmbH

2000

Opening of enterprises in Budapest and Prague

Introduction of mail-order service

2002

CEWE introduces, as first ever company in the photographic industry, a digital printer for the production of FotoIndex, calendars and playing cards

2001

DigiFoto Maker terminal as digital drop-off point for the mass market

2003

Home Photo Service offline software for ordering photos

2004

Picture ordering via mobile phone



2005

Introduction of CEWE PHOTOBOOK as branded product with self-developed layout software

2006

First step into the "connected world": introduction of order service for photo services directly from Nokia smartphones

CEWE represented with own stand for the first time at photokina



2009

First CEWE PHOTOBOOK TV campaign to boost the Christmas business



2010

Production of the 10 millionth CEWE PHOTOBOOK

Winner of Best Innovator 2010 award

Introduction of the first CEWE iPhone App, which wins the Photokina Star innovation award

Get connected: CEWE PHOTOBOOKS for users of Facebook and mobile devices

1996

2000

2005

2010

2011

To the Shareholders

## 50 YEARS OF INNOVATION – SUPERIOR!

[www.best-innovator.com](http://www.best-innovator.com)  
[www.marken-award.de](http://www.marken-award.de)  
[www.deloitte.com](http://www.deloitte.com)  
[www.innovationspreis2010.de](http://www.innovationspreis2010.de)



The “WirtschaftsWoche” journal and A. T. Kearney management consultants have awarded CEWE COLOR the Best Innovator 2010 prize for the successful transformation from analogue to digital photography.



Deloitte awards CEWE COLOR with the Axia prize 2010 for pioneering innovation ideas in the category “Shaping the future together with our customers – using customer ideas to drive innovation”. With its concept of a special reciprocal relationship with its customers, CEWE COLOR was able to win over the jury. CEWE COLOR is in continuous dialogue with both end users and more than 45,000 trading partners throughout Europe. After an internal screening process, the feedback from both groups flows into the innovation and optimisation process.



With the CEWE PHOTOBOOK, CEWE COLOR won 2nd place in the “Best New Brand” category of the brand awards of the marketing magazine “absatzwirtschaft” and the Deutsche Marketing Verband (DMV). The award underlines the power of innovation and the close proximity to its customers. The jury was particularly impressed by the successful transformation of a manufacturing company into a brand manufacturer and the market success of the CEWE PHOTOBOOK.



In 2010, the CEWE COLOR Group won the innovation prize of the German printing industry for the first time. With a personalised issue of the arts and politics magazine “Cicero” for 622 members of the German federal parliament (Bundestag), the pan-European photo and digital printing specialist won 2nd place in the category “Newspapers and Magazines”, and thus one of the coveted “PrintStars 2010” awards. The prize has been awarded since 2004 for the most innovative products and services in publishing, and the competition – the largest and best known in the printing industry with 350 entries and around 800 participating companies – reflects the potential of the printing and media sector.

## CEWE COLOR SHARE

### Upward trend characterises financial market in 2010

The first year after the financial crisis of 2009, which shook financial markets and the bank system to their foundations, was characterised throughout by a general recovery. The feared consumer restraint did not occur. In 2010, all German stock exchange segments were able to outperform the world share index MSCI World, which grew by a moderate 7.8 %. The DAX recorded a year-on-year increase of 16.1 %, the MDAX rose by 34.9 % and the SDAX grew by 45.4 %.

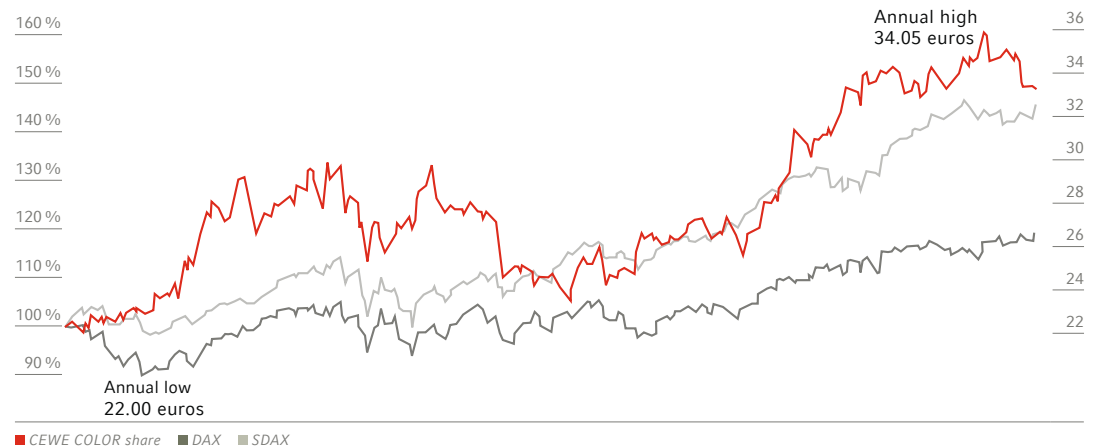
### CEWE COLOR share stronger than SDAX in 2010 as well: +47.6 %

The price of the CEWE COLOR share developed very positively in 2010 with a gain of 47.6 %. With this increase in share price, the performance of the CEWE COLOR share was almost three times stronger than the DAX and even better than that of the SDAX.

#### 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 2010	19,927 units
Annual high 2010	34.05 euros
Annual low 2010	22.00 euros
Closing rate 2010	33.35 euros

#### CEWE COLOR share January 1, 2010 to March 9, 2011 in euros



**Strong demand for CEWE COLOR shares:  
trading volume surges 79.4 %**

The CEWE COLOR share was traded with increasing interest on the German stock exchange. Whereas an average of 11.109 CEWE COLOR shares were traded per day in 2009, this figure rose to as high as 19.927 in 2010, a gain of 79,4 %. In 2010 as a whole, more than 5.1 million CEWE COLOR shares were traded on the German stock exchanges.

**Analysts rate CEWE COLOR consistently positive**

All external analysts that tracked CEWE COLOR agree unanimously in their positive analysis. Seven out of nine analysts give an overall "Buy" or "Overweight" rating, two analysts have ranked the CEWE COLOR share at "Hold" on the basis of the good price development of the past twelve months.

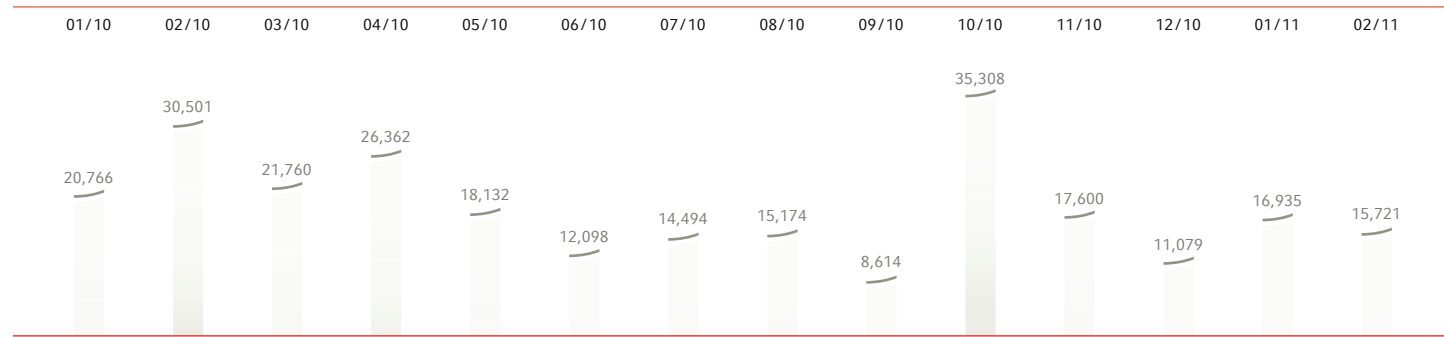
**CEWE COLOR solidly positioned on the SDAX**

Both the increase of the trading volume and the positive development of the share price have strengthened the position of the CEWE COLOR share on the SDAX in 2010. In terms of "trading volume", CEWE COLOR was ranked 74th in December 2010, and 90th in terms of "market capitalisation". The CEWE COLOR share has thus established itself as a major player on the SDAX index, which typically includes shares that rank 110th or higher.

**Stable shareholder structure strengthens the management's  
expansionary policy**

With the 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 %), the NORD/LB (7.8 %), and the Sentosa Beteiligungs GmbH (Dr. Joh. Christian Jacobs) (5.3 %). The successful completion of the transformation has evidently made CEWE COLOR interesting for international institutional investors. Schroders of London joined the Danish capital investment company Sparinvest in the group of shareholders subject to registration.

**Average trading volume** in shares per day



### Investor relations is at the service of the shareholders

At CEWE COLOR, the investor relations work is dedicated to keeping all market participants informed promptly, comprehensively and equally and to ensuring a high overall transparency.

CEWE COLOR publishes all business and interim reports simultaneously on the Internet at [www.cewecolor.de](http://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 2010, 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. Furthermore, contact to private shareholders was intensified through participation at trading days and share forums. The dates for 2011 are available in the financial diary on page 177 of this report.

[www.cewecolor.de/en/investor-relations](http://www.cewecolor.de/en/investor-relations)

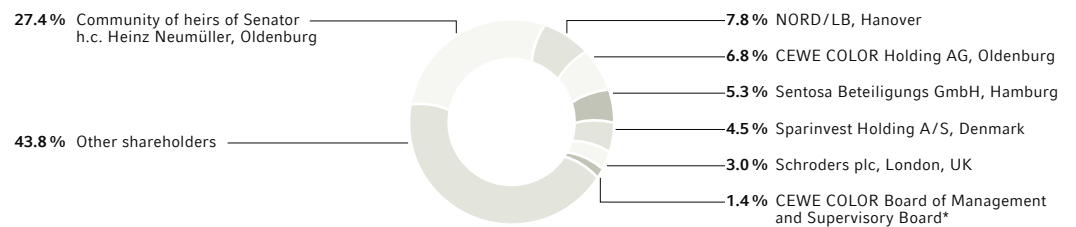
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### Börse Online: CEWE COLOR – Germany’s best investor relations

The readers of the journal “Börse Online” voted the investor relations work of CEWE COLOR to 1st place in the SDAX category. CEWE COLOR is the winner of BIRD 2010 – Best Investor Relations Deutschland. CEWE COLOR achieved an outstanding 3rd place in the overall ranking across the categories DAX, MDAX, SDAX and TecDAX.

Overview of the current analyst ratings	Analysis	Date
DZ Bank	Buy	Feb. 25, 2011
GSC Research	Hold	Feb. 24, 2011
Bankhaus Lampe	Buy	Feb. 24, 2011
Silvia Quandt Research	Buy	Feb. 23, 2011
Warburg Research	Hold	Feb. 23, 2011
Nord/LB	Buy	Feb. 23, 2011
Close Brothers Seydler Bank	Buy	Feb. 23, 2011
BHF Bank	Overweight	Nov. 15, 2010
Commerzbank	Buy	Nov. 10, 2010

### Shareholder structure (March 2010) in % (100 % refer to 7.38 million shares)



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




**CEWE PHOTOBOOK on  
photographic paper**

The photo shows the CCF unwinding device for a photographic paper roll including the decurling unit. These ensure that individual pages from the developed photographic paper roll can be fitted torsion-free during the CEWE PHOTOBOOK production process.

## GROUP MANAGEMENT REPORT

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## MARKETS AND PRODUCTS

### Overall economic setting

#### Emerging markets head growth

According to the IMF, the global economy expanded strongly during 2010: Following a  $-0.6\%$  decline in the global gross domestic product in the preceding year, global economy stepped up by  $5.0\%$ . The dynamics of the emerging markets such as China ( $+10.3\%$ ) or India ( $+9.7\%$ ), however, was noticeably higher than in the industrial countries of the euro zone ( $+1.6\%$ ) or in the USA ( $+2.6\%$ ), where it was primarily the investing activities of the companies and increasing warehousing, the very dynamic world trade supported by the industrial nations and the government anti-recession packages that stimulated economic growth. In this process, according to the Kiel Institute for World Economics, the course of global economy is increasingly entering a “phase of moderate expansion”. The stimulating impulses lost their power, at the same time an increasing number of governments had to return in the direction of a restrictive financial policy to be able to combat the high state budget deficits. The central banks supported real economy and the finance sector with a very expansive cash flow. The European Central Bank (ECB) left the key lending rate at the historical low of  $1.0\%$  for the euro zone. The US central bank Federal Reserve Fed also supported the economic development as well as the banking sector with lending rates of  $0.00\%$  to  $0.25\%$  and its additional measures of stimulation by the very extensive purchase of bonds (“quantitative easing”). On the other hand, the People’s Bank of China raised the reference rates for deposits and loans with a term of one year twice, by a total of 50 basis points to  $2.75\%$  and  $5.81\%$ , respectively, due to the rising pressure of inflation.

#### Germany: driver of economic growth in the euro zone

The recovery of global economy stimulated the highly export-driven German economy particularly strongly, which had still tailed off by  $4.7\%$  in 2009. The positive international impetus and the domestic demand that strongly advanced during the course of the year, led to a plus of  $3.6\%$  (Destatis data). Thus, economics did not only expand strongest in the euro zone, but also achieved the highest growth rate since the reunification. On the other hand, according to IMF data, the 2010 GDP only rose by  $1.8\%$  (2009:  $-4.1\%$ ) in the euro zone. The economies of Greece, Ireland, Portugal, Italy and Spain, which had to implement extensive budget cuts, considerably curbed growth in the euro zone.

#### Inflation seems to be growing

The rate of inflation rose by  $1.5\%$  on the annual average in the euro zone. Nevertheless, in December it exceeded the ECB target value ( $2\%$ ) for the first time in around two years, at  $2.2\%$ ; primarily, the prices for energy and food rose. The rate of inflation in Germany was at an annual average of  $1.9\%$ .

#### Commodity prices up 21 % (in US dollars)

The prices for commodities rose strongly in 2010: thus, the HWWI commodity price index (excluding energy costs) climbed by  $21\%$  in US dollars and by  $30.7\%$  in euros, from January to December. The increasing demand caused by the economic recovery around the globe led, in particular, to a noticeable rise in commodity prices of, for instance, non-ferrous metals, agricultural commodities as well as food and beverages. Moreover, a shortfall in supplies and speculation on the commodity markets led to a strong upswing in prices.



### Euro loses 5.4 % as against the US dollar

The payment problems of Greece that became known in spring 2010 and, during the course of the year, of further economies in the euro zone, also led to occasional high fluctuations in the price of the euro in relation to the major currencies. On account of the worsening debt crisis of several EU member states, a financial rescue package of 750 billion euros had to be launched. Compared to the US dollar, the euro was able to noticeably gain ground during the period up to the beginning of November, after heavy losses in value until mid-July. However, the EU currency again lost in value due to the tensions coming up again in the euro zone. The closing price of the euro on the first trading day in 2010 was determined at 1.4413 US dollars, and at 1.3362 US dollars on the last trading day. The euro reached the highest price on January 11, at 1.4514 US dollars, and the lowest on June 7, at 1.1917 US dollars. On the average, the euro was around 5.4 % lower than last year's comparable value, at 1.32 US dollars. On January 12, 2011, the nominal effective exchange rate of the euro as measured by the currencies of 20 of the main trading partners of the euro currency area was 4.0 % lower than its annual average of 2009.

### Effects of the general setting on CEWE COLOR

During the generally difficult market conditions in the 2008/2009 period the following became apparent: CEWE COLOR's business is largely independent of general economic climate. The consumers attach a high emotional value to the products of the core business, photofinishing, which at the same time involves a comparably low financial input. In 2008 and 2009, the negative economic course and the consumer restraint did not materially affect CEWE COLOR. In the UK and Central Eastern Europe alone, the impact of the general consumer restraint on CEWE's business was more pronounced. The change to higher-priced value-added products (e. g. wall decoration products) would seem to indicate that this product segment is more dependent on consumer sentiment. However, no actual trend in this direction has as yet been detected.

## Photo Market

### Digital cameras continue to be very popular

For almost a decade now, the strong growth in the area of digital cameras has been persisting. According to the Gesellschaft für Konsumforschung (GfK) (Association for Consumer Research), 140 million digital cameras were sold worldwide in 2008. 35 million thereof were sold in Western Europe, with Germany being the largest buying country according to the GfK, with 8.5 million units. More than 10 % of all digital cameras sold in Western Europe were high-grade reflex cameras, corresponding to an increase of 15 % as against last year. The latest market forecasts show that the demand for cameras – despite a more than 50 % saturation of the households – will remain at a high level in the coming years as well. This development is to be seen in conjunction with the opening up of new target groups, and the fact that particularly the consumers replace or supplement their photographic equipment at shorter intervals than in the past.

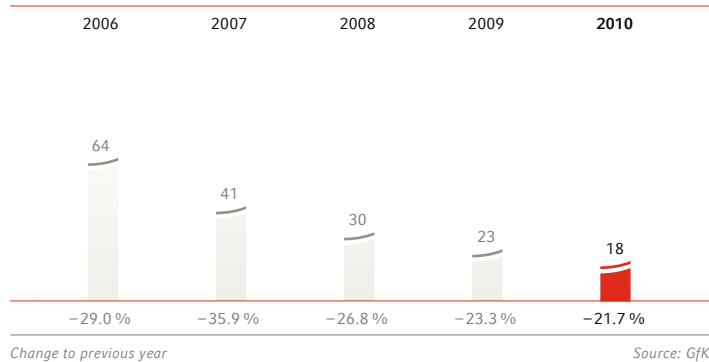
### 91 % of the possible maximum decrease of analogue films mastered successfully

As a result of the growing market share of digital cameras, analogue cameras were used to a lesser extent, thus reducing the need for film purchases. In the year 2000, film sales of 191 million units reached their absolute peak in Germany. In 2010, a mere 18 million units were sold – a decline to around 9 % of the original sales volume.

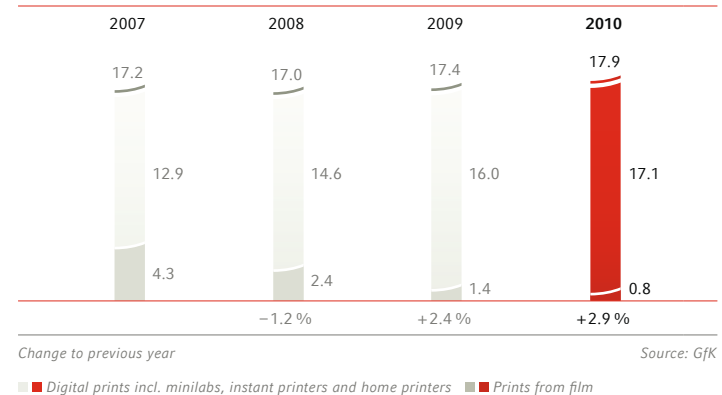
### Digital technology changes the order habits

In line with the change to digital photography, the type of photo processing and the number of paper prints have changed. Whereas the consumer still exposed an average of 120 photos per year in the analogue era, about 22 % of 500 digital photos are exposed on paper. However, a very encouraging trend towards using photo books and digital value-added products, such as photo greeting cards, photo calendars and wall decoration can be noticed.

Sales of analogue films in Germany in million units



Colour print growth in Western Europe in billion units



### Photo books and digital value-added products with strong growth potential

Owing to the noticeably higher photo volume and the increasing spreading of high-grade digital cameras, the consumer has sufficient photographic material at his disposal to be enhanced in the form of a photo book or a digital value-added product.

The photo book was widely welcomed by consumers throughout Europe. According to FutureSource, a total of 3.6 million photo books were sold in Germany in 2008, in 2010 it was already 6.0 million units. In Western Europe, even more than 17.3 million photo books were sold in the past year. The market research company FutureSource is of the opinion that the number of photo books sold will increase to just short of 21 million units by 2012. The strongest

sales markets are Germany, the Netherlands, Belgium and France, representing a share of 64 % of the Western European market in 2010. Large growth potentials can also be found in France and Spain in particular.

According to FutureSource, the market for digital value-added products grew by 16 % to 334 million euros in Western Europe in 2010 (source: Marktforschung FutureSource). According to the assessment of the market researchers, the market will have grown to around 368 million euros by 2012. Essential impetus for growth stems from photo greeting cards, photo calendars as well as wall decoration. Currently, the most important markets are Germany, France, the UK and the Benelux countries with a share of approx. 71 % in the Western European market.



[www.dm-digifoto.de](http://www.dm-digifoto.de)



[www.schlecker.de](http://www.schlecker.de)



[www.mueller.de](http://www.mueller.de)



[www.budni.de](http://www.budni.de)

## Products and Marketing

Apart from many new products (CEWE PHOTOBOOKS and digital value-added products, and others), photos are still an important pillar of the digital business.

### Industrial finishing of digital photos with cost advantages, instant printing in the shops

Digital photos may be ordered via home printers, kiosk systems in stores (instant printing) as well as in the industrial laboratory. Home printing on the consumer printer and instant printing with dye-sublimation or inkjet printers in shops of the photo trade provide the consumer with "quick" but "more expensive" photos. Industrial photofinishing, on the other hand, offers noticeably cheaper digital paper prints within a delivery period of one to two days. Whereas home printing has been declining for several years now, the exposure of photos in the industrial laboratory and through so-called kiosk systems in the shops is growing, since the consumer increasingly appreciates the comfortable instant printing. The market research institute FutureSource has calculated that the number of photo kiosks with instant printing installed between 2009 and 2010 in Germany, Austria, Switzerland, France, Belgium and the Netherlands rose from 42.6 thousand to 45.7 thousand units (FutureSource as at Sept. 2010), with an above-average growth in Germany, from 20.6 thousand to 23.0 thousand units, when comparing the different countries. CEWE COLOR already achieves 8 % of its photofinishing sales by instant printing with kiosk systems, and was able to sell several hundred new kiosk systems in the European market during the past months.

### Internet as order channel more and more popular

The broadband initiative of the German government and the telecommunication industry will noticeably strengthen the Internet as channel of distribution. There are plans to provide 75 % of the households with Internet access of 50 MBit/s by 2014. This will render the transmission of large photo files and photo book data considerably more comfortable.

Currently more than about 70 % of the population in Baden-Wuerttemberg are already able to use fast Internet access of up to 100 MBit/s. CEWE COLOR identified the growing significance of the Internet as distribution channel at an early stage, and has been providing its trading partners with end-to-end e-commerce solutions for ordering digital photos for many years. CEWE COLOR designs the Internet sites, coordinates the marketing, develops the software and operates computer centres for its trading partners. Internet photo providers, Internet portals and chemist's retail chains are the strongest users of these CEWE COLOR services.

### CEWE PHOTOBOOK – Europe's most popular photo book

With the CEWE PHOTOBOOK, CEWE COLOR has very successfully established itself as market leader in this product area by continuous product development and the marketing of the product category, and is consistently expanding its leading market position in Europe. According to FutureSource, CEWE COLOR was able to expand its quantity-related market share in the photo book market in 2009 for the second consecutive time (2009 vs. 2008: +2 %); meanwhile, CEWE holds a market share that is more than triple the share of the second-largest supplier in Western Europe. The market researcher GfK attests CEWE COLOR a market share of industrial laboratories in the photo book market of 47 % in 2010 in Germany alone. With more than 4.3 million CEWE PHOTOBOOKS sold, CEWE COLOR has consolidated its position as European market leader also in 2010. Meanwhile, the ten millionth CEWE PHOTOBOOK was produced in the third quarter, and another milestone in the success story of the CEWE PHOTOBOOK was reached.

### CEWE PHOTOBOOK – sustainable branding

The branding of the CEWE PHOTOBOOK was started in 2005 and has been pushed consistently over the past years to establish the leading photo book brand on the market. In 2010, accompanying television campaigns to support sales and raise the brand awareness were launched in Germany, Austria, Switzerland and France, both

for the summer and the Christmas business. These campaigns were launched in addition to the communication channels, print advertisements and Internet marketing, which generated positive results in the Christmas business 2009. Therefore, the unprompted brand awareness was raised from 15 to 21 % in Germany, from 8 to 16 % in Austria and from 4 to 10 % in Switzerland on a year-on-year comparison.

**The CEWE PHOTOBOOK – serial winner of tests**

The CEWE PHOTOBOOK was awarded with the Plus X Award in the category “Ease of Operation” within the scope of the worldwide largest technology, sports and lifestyle contest. The seal “Best Product of the Year 2010” impressively substantiates the leading position that CEWE COLOR and the CEWE PHOTOBOOK hold in the European market. Moreover, the distinction in the category “Ease of Operation” confirms the investments the company makes in the continuous further development of the CEWE PHOTOBOOK software. In July, the CEWE PHOTOBOOK XXL was selected as test winner in the category luxury photo books by the magazine “DigitalPHOTO”. Europe’s largest Apple magazine, “Macwelt”, has tested the order software of the CEWE PHOTOBOOK, using the Mac version: from a

total of eight suppliers, the CEWE PHOTOBOOK emerged as winner once again with the overall rating “GOOD” at the end of 2010.

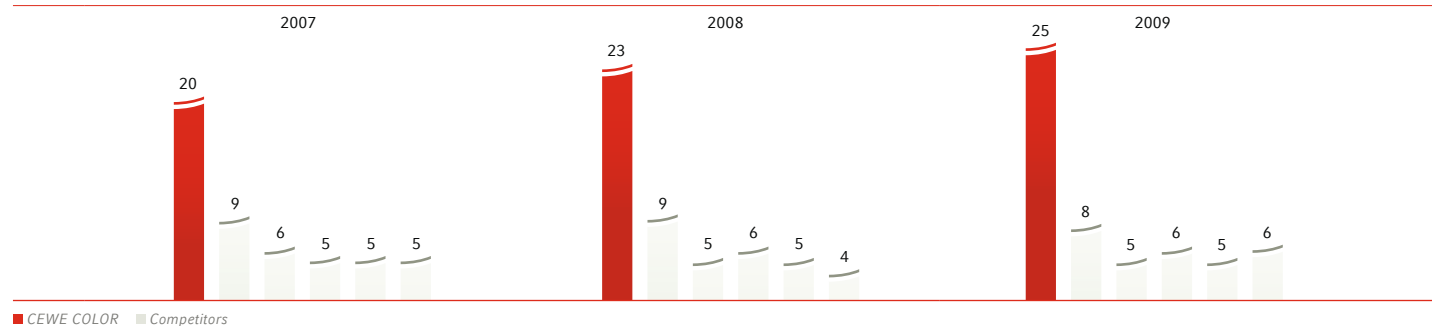
**Extensive product range of CEWE PHOTOBOOKS**

The CEWE PHOTOBOOK in portrait format (approx. 21 x 28 cm) with individual hardcover is definitely the bestseller of the product range. However, larger formats such as the CEWE PHOTOBOOK Large Panorama are increasingly gaining importance. In 2010, however, products on photographic paper and the newly introduced formats in high-gloss finish were particular popular. The new inexpensive format Compact Panorama (21 x 15 cm – DIN A5) with different covers, introduced at the beginning of 2010 in Germany and Austria, was also very successfully introduced on European markets during the course of the year. On the whole, it became apparent how important it is that CEWE COLOR offers a wide variety of different CEWE PHOTOBOOK versions, ranging from 26 to 154 pages. Photo books are very personal products in which the consumers want to realise their own ideas and concepts. CEWE COLOR meets these demands by offering a wide range of products.

Some awards for the CEWE PHOTOBOOK



Market shares CEWE PHOTOBOOK in % of revenue



Source: FutureSource 2010

#### CEWE PHOTOBOOK on photographic paper

Photos on traditional photographic paper are still very suitable for ambitious photographers as these offer optimum sharpness, clear whites and defined blacks as well as the largest colour space. Photographic paper is particularly suited to exploit the potential performance of digital reflex cameras and high-resolution compact cameras, and to develop fascinating pictures. Developed by international research teams in accordance with the most modern criteria, the special photographic paper presents itself to the eye and to the touch as a new paper quality for the presentation of photo books. The particularly flat "Lay Flat" cover is particularly suitable for panorama shots. The CEWE PHOTOBOOK on photographic paper is available in the following formats: portrait (28 x 21 cm), square (21 x 21 cm) and XL (30 x 30 cm).

#### Photo calendars and photo greeting cards

The orders for photo calendars and photo greeting cards enjoyed very high growth rates in 2010. This growth was driven by a clear orientation toward the requirements of the customers. Well in time for the Christmas business, CEWE COLOR introduced further product innovations in this area as well.

Photo greeting cards and folded cards are a popular means of transmitting personal messages verbally and visually. For more exclusivity, folded cards on premium paper with fitted envelopes were introduced: the paper weighs 350 g/m<sup>2</sup> and has a light structure, thus enhancing the product with additional glossy effect, and is available in a set of 10 in the sizes Classic and XL. At the occasion of the photokina 2010, a total of over 3,000 new designs for greet-

ing cards were presented, which allow a much greater degree of individualisation. The design templates are available in nine formats each, custom-made for every occasion and all holidays. They are oriented to the latest European market trends and take into account the different preferences of the various target groups.

Also in the product range of photo calendars in high-quality digital printing or on photographic paper, CEWE COLOR offers its consumers more and more opportunities for individual photo presentations and photo gifts. Over 600 new designs promise a wide selection of themes and diverse design options. Apart from the XXL A2 and A3 as well as the XL A4 wall decoration calendar in portrait and landscape format, appointment, kitchen and table calendars are part of the product range. The new calendar designs range from different theme worlds such as "Nature & Landscape" or "Travel & Holiday" up to suitable layouts for traditional festive occasions such as birthdays, weddings, baptisms and confirmations/communions. The layouts supplement and underline the style of the selected photos in the calendar and make it a uniform and coherent composition. The photo calendar from CEWE COLOR is particularly popular as a Christmas gift or a personal greeting for the New Year.

#### Smartalbum

CEWE COLOR developed a handy album especially for digital photo customers, which can be ordered without any design efforts. The Smartalbum comprises 18 to 154 photos in the format 10 x 15 cm. It consists of a cover with photo and text, and inside pages with one photo per page. The Smartalbum is suitable as a gift for family and friends, as well as an alternative to the traditional pocket album.

### Products for school and office

At the end of 2008, CEWE COLOR began developing the market segment "Products for school and office" with the college block product, and introduced four additional new products particularly for the Dutch and German markets at the beginning of the third quarter 2009. Together with the new products pupils' agenda, personal organisers, exercise books A4/A5 as well as note pads, CEWE COLOR introduced a new digital value-added product portfolio.

### Wall decorations

The traditional photo posters as wall decoration are increasingly being replaced by more sophisticated products such as collage posters and photos on canvas. In addition, the category with the products "Posters behind acryl glass" (4 available formats), "Posters on Alu Dibond" (4 formats) and "Posters XXL" (23 formats) was supplemented by three new versions. Posters XXL are mat posters produced in the sizes up to 50x150 cm. These posters are offered in the classic 2:3 format as well as in the popular 3:4 format, in square and landscape format (1:3 format).

### The CEWE Phone Album as iPhone application

A nearly unlimited personal mobility, the desire for virtual networking, the experienced research and ordering in the Internet, the sharing of contents, which has become a matter of course – the digitisation of life has increased continuously in the past years. CEWE COLOR with the CEWE Phone Album as iPhone App satisfies this megatrend. Immediately after having installed the application on his iPhone, the user can produce a CEWE Phone Album in accordion format. In this way, the iPhone user can order his photos in a CEWE Phone Album on 12, 20 or 28 pages incl. a title directly from his iPhone. The trick: the application adapts the look and the size (approx. 6.2x11.5 cm) of an iPhone.

① The new CEWE Phone Album: photo leporello in iPhone format



# PRODUCT INNOVATIONS 2010

**Justifiably popular:** CEWE PHOTOBOOKS. Available in 8 formats, with 7 covers and 3 binding techniques - in just a few years they have advanced to become the most successful photo book - demonstrated by the more than 10 million copies sold.

## High-gloss finish



**Simply brilliant:** the special high-gloss finish of the inside pages. As a result the colours are particularly luminous and always have a brand new gleam in the CEWE PHOTOBOOK Large, Large Panorama and XL with up to 154 pages.

## CEWE PHOTOBOOK Compact Panorama



**It's got class:** whether as a hard-cover, soft cover or booklet with dimensions of approx. 19 x 15 cm the CEWE PHOTOBOOK Compact Panorama is the best way to make sure you always have your photos with you.





## CEWE PHOTOBOOK XXL Panorama



**Size matters:** the CEWE PHOTOBOOK XXL Panorama with hardcover opens up brand new possibilities. And in a format of approx. 38 x 29 cm – every panoramic image becomes an absolute highlight.



## CEWE PHOTOBOOK Assistant

**Here to help:** the new CEWE PHOTOBOOK Assistant helps you design your own CEWE PHOTOBOOK. Whether suitable layout, integrated design or the right style for the CEWE PHOTOBOOK, the Assistant is always ready with the right tip.



# PRODUCT INNOVATIONS 2010

## CEWE PHOTO KIOSK

**Always to hand:** the CEWE PHOTO KIOSK, available directly at the PoS, allows the consumer to order photos quickly and easily and print them in top quality. Eye-catching design also generates brand familiarity.



## Deco Shop

**Room for creativity:** with the Deco Shop you can turn any wall into a personal highlight. Make a fantastic feature of any photograph, whether a holiday snap or wedding photo – by turning it into a high quality poster, framed canvas print or classy gallery print.

### XXL poster prints

**Size matters:** the XXL poster. Whether in classic, square or panoramic format – every image will show off its brilliant colours on silk-matt premium paper in a size of up to 100 x 150 cm.



### Acrylic glass

**Crystal-clear:** photos behind acrylic. This guarantees top quality and maximum colour brilliance – in sizes 20 x 30 cm and 30 x 45 cm behind 5 mm acrylic and 40 x 60 cm and 50 x 75 cm as a premium variant, with 10 mm thick acrylic glass.



### Alu-Dibond

**Deluxe wall decoration:** images exposed on photo paper and set on Alu-Dibond. Alu-Dibond consists of a plastic core and two aluminium plates – giving lightweight, dimensionally stable and durable designer pieces.



# Photo

**Keep innovating:** always offer the customer something new – that has been our aim from the beginning. We do this every year – and will continue to do so in the future.



## Photos with a border

**A perfect finish:** images on brand photo paper with a border. Whether in classic white or another colour – the 5 mm border make each piece unique.



## Photo sticker

**Smart sticker!** Photo stickers on premium brand photo paper – pin-sharp resolution, accustomed colour brilliance and the possibility of arranging your own motifs on the paper.

## Smartalbum

**Small is beautiful:** the Smartalbum in format 10 x 15 cm. With a soft cover and up to 154 pages, it is the perfect pocket companion – so that you can always have your favourite photos glossy printed with you, and the most beautiful moments in front of you.



## Acrylic Photo

**Transparent quality:** images on premium brand photo paper behind 5 mm acrylic glass in format 10 x 15 cm. The motif set on glass has a powerful radiance and an unexpected depth – a brilliance that can't fail to impress.



# PRODUCT INNOVATIONS 2010

## Greeting cards

**The ideal solution:** the diverse range of cards from CEWE COLOR – whether to mark a Celebratory occasion, a glamorous dinner or just to say "Hello".

### Greeting cards on premium paper

**Inviting:** greeting cards on premium paper. Whether in XL or classic format, the inside and outside can be freely designed. The cards are available in a set of 10 with matching envelopes.



### Menu cards

**Absolute eye candy:** CEWE COLOR menu cards. Your choice of design, your own photos, drinks menu and courses – every detail must be right for your celebration. And it will be, with these high gloss finish cards.



### Place cards

**Well seated:** high quality place cards from CEWE COLOR. Whatever the occasion, the designs – with or without text and photo – give the festive table that certain something.

# Wall calendar

**Twelve times beautiful:** the range of calendars from CEWE COLOR will make every month unique – whether in high quality print or on fine photo paper.

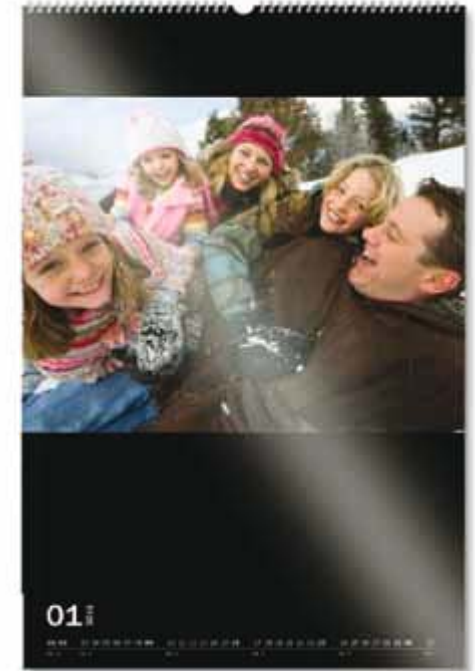
## Wall calendar DIN A3/A4 Panorama

**Panorama times twelve:** the wall calendar in DIN A3 and DIN A4. Each month it offers a new perspective of wonderful moments, which are shown to even better advantage by the format, the different calendars and designs.



## Wall calendar DIN A2 on photographic paper

**Great visions of the future:** the DIN A2 wall calendar from CEWE COLOR makes it possible. In format 40.6 x 60.9 cm on brilliant photo paper, photos become real show-stoppers – whether for portrait, landscape or family photos.



# PRODUCT INNOVATIONS 2010

## Designs

**Simply chic:** the new designs of the CEWE COLOR products. From calendar to greeting card, the range has been complemented with fresh and modern design templates – creating even greater pleasure during composition.



## School and office

**Perfect companions:** whether in school, at the office or in everyday use, the variety of products from CEWE COLOR offers something for everyone.

### Friendship book

**Childhood memories:** the CEWE COLOR friendship book. With 35 pages and high quality hardcover binding, all school friends, acquaintances and teachers can be immortalized in the form of a portrait – memories that will continue to bring pleasure for years to come.



### Notepaper set of 20 sheets

**Good choice:** CEWE COLOR stationery. On high quality 100 g/m<sup>2</sup> paper in size 21.0 x 29.7 cm (DIN A4), you can compile and send your own personal message – the recipient will be delighted.



## RESULTS

### Sales

#### All sales targets surpassed in 2010

In 2010, CEWE COLOR surpassed all sales targets.

Figures in billion units	Target	Actual	Change
Digital prints	2.0	2.1	+6.5 %
Prints from film	0.35	0.37	+5.1 %
<b>Total prints</b>	<b>2.35</b>	<b>2.50</b>	+6.2 %
CEWE PHOTOBOOKS (in million units)	4.2	4.3	+3.3 %

With the achievement of these targets, the total number of photos declined slightly from 2.6 billion photos to 2.5 billion photos, as planned. On the other hand, digital photos even exceeded last year's value by 4.6 %, at 2.1 billion photos.

The declining analogue photos from film reduced as expected by 34.1 % to 368 million photos, thus making up 14.7 % of all photos only.

#### For many years, the change of the product mix has been causing seasonal migration into fourth quarter

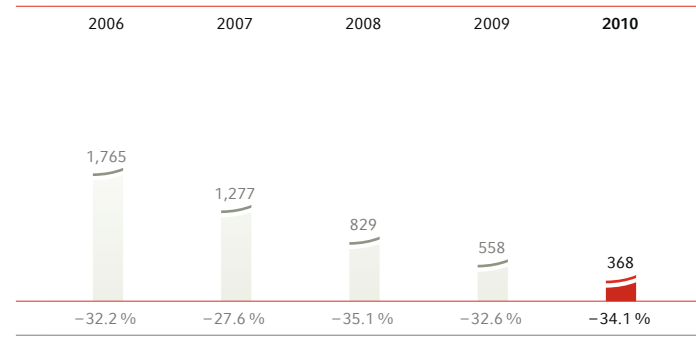
The product mix of CEWE COLOR is changing increasingly owing to the CEWE PHOTOBOOKS and the photo gifts. These product groups compensate the noticeable decline of photos from films. Whereas the decline of photos from film is reported in all quarters of the year, the strong growing volumes of CEWE PHOTOBOOKS 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.

Total prints in million units



Change to previous year

Prints from film in million units



Change to previous year



### Also in 2010: seasonal migration into the fourth quarter continues

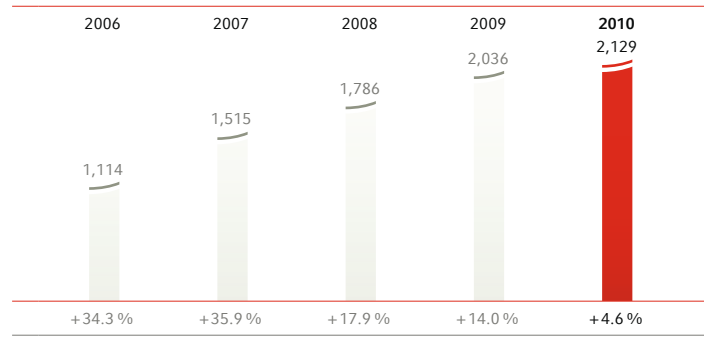
This trend is also revealed by the development of quantities in the fourth quarter 2010: whereas the number of photos – as described above – was slightly declining, it even rose by 2.2 % to 734 million photos in the fourth quarter. The analogue photos from film also declined by 31.2 % in this quarter (68 million photos), however, the digital photos increased by 7.5 % to 666 million photos. Therefore, the share of analogue photos from film was at 9.2 % only in the fourth quarter, while 90.8 % of all photos were digital.

### Product mix change also reflects the trend “from mass to class”

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 replaced by prints in value-added products, partly at lower quantities, but higher value – “from mass to class”. Thus, sales per photo rose by 10.4 % in the year under review, and even by 18.5 % in the fourth quarter. CEWE COLOR’s product mix thus changes increasingly in favour of the value-added products such as the CEWE PHOTOBOOK as well as the photo gift products. These higher-quality product groups compensate the noticeable decline of photos from films.

Q4 in million units	2010	2009	Change
Total prints	733.8	718.0	+2.2 %
– of which digital prints	666.3	619.9	+7.5 %
– of which prints from film	67.5	98.1	–31.2 %
CEWE PHOTOBOOK	1.65	1.38	+19.6 %

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



Change to previous year

### CEWE PHOTOBOOK in million units



Change to previous year

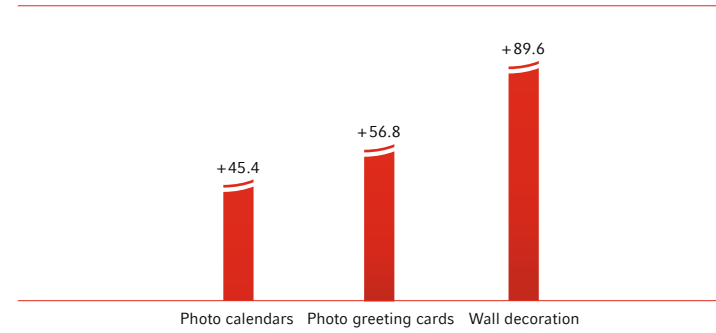
**Again successful increase in quantities of value-added products in 2010**

This trend was confirmed in the entire fiscal year 2010: not only the CEWE PHOTOBOOK exceeded the targeted rate of increase of 17 %, with a plus of 19 %, thus reaching a total volume of 4.3 million books. The sales of the other value-added products also report a dynamic growth. Over the entire year, product sales increased as follows: photo calendars +45 %, photo greeting cards up 57 % and wall decoration +90 %.

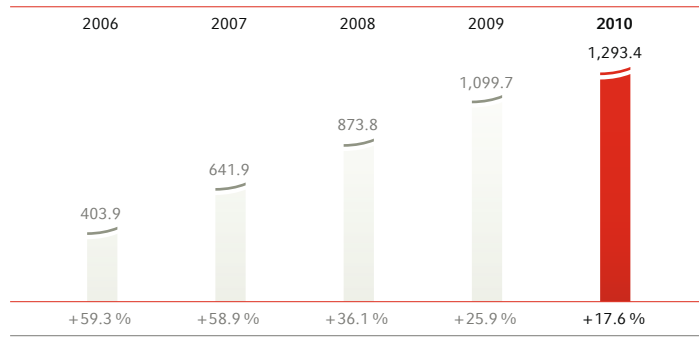
**The smart way "Online order, pick-up at the POS" reiterates CEWE positioning**

The online ordering of digital photos again grew strongly in 2010: the consumers ordered nearly 1.3 billion digital photos online (+17.6 % against last year). 54 % of these consumers selected picking up their completed orders at the POS of the CEWE COLOR dealers. In addition, all photos ordered in the stores are also picked up there – in total 76 %. The still overriding significance of the stores as places of order and, above all, pick-up location, underlines the strength of the CEWE positioning as service provider of the trading partners.

**Increase of photo gift prints 2010 in %**

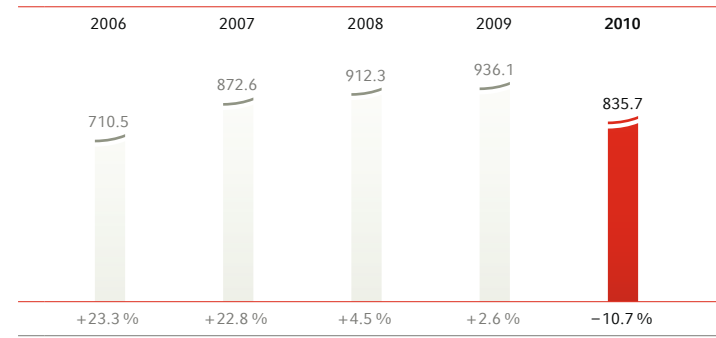


**Digital print orders via the Internet in million units**



Change to previous year

**Digital print orders in stores in million units**



Change to previous year

## Turnover

### Fourth quarter turnover rises by 18 % – seasonal migration confirmed

Turnover in the fourth quarter rose by 17.7 % to 150.0 million euros (currency-adjusted: +14.6 %). This rise reiterates the seasonal migration described in section “Sales” and in all quarterly reports of 2010. The share in annual turnover of the fourth quarter has continuously increased in the past years, reaching an all-time high in 2010, at 34 % (2009: 31 %).

### Targeted turnover surpassed

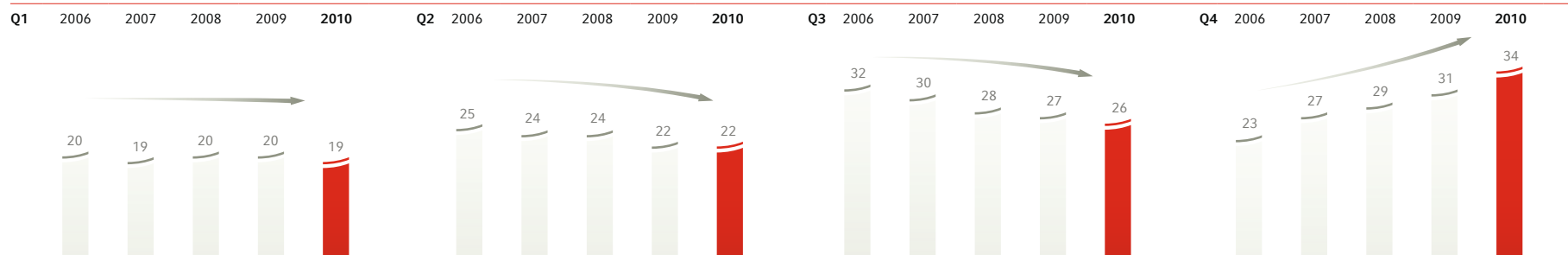
Owing to the high turnover increase in the fourth quarter, total turnover in 2010 rose by 9.0 % to 446.8 million euros as against the preceding year (currency-adjusted: +6.0 % to 434.4 million euros). Thus, CEWE COLOR even surpassed the target corridor of a currency-adjusted turnover of 420 to 430 million euros.

### Seasonal migration particularly pushed by photofinishing

Overall, turnover of the photofinishing segments (definition section “Segments”) rose by 6.2 % to 336.0 million euros in 2010 (currency-adjusted: +5.1 %). This development is the result of a higher value per photo, since sales went down by 3.8 % (as described in section “Sales”). On account of the trend “from mass to class”, to which the CEWE PHOTOBOOK and the other value-added products cater perfectly, the photofinishing turnover per photo rose by 12.2 to 13.5 cents per photo.

The fourth quarter is the sole source of growth in photofinishing on account of the changed seasonality. Whereas photofinishing turnover was declining by 0.6 % during the first three quarters, it rose by 21.1 % in the fourth quarter (currency-adjusted: +19.6 %).

Development of CEWE turnover per season in % of revenue

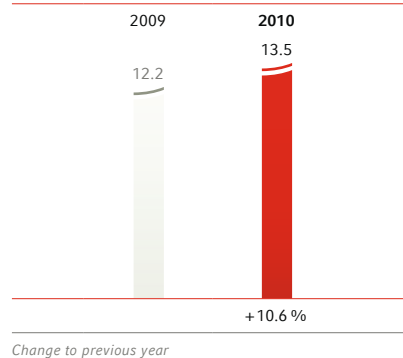


### Retail trade strongly supported increase in turnover in 2010

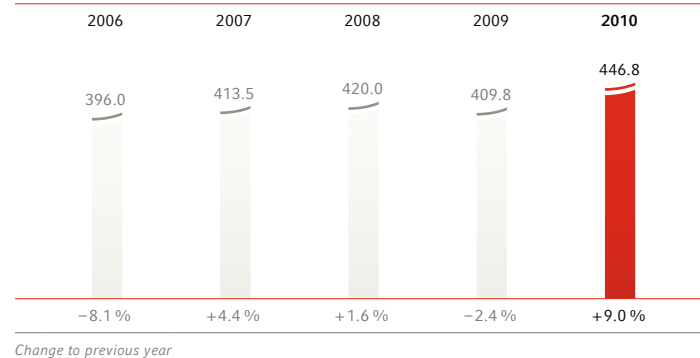
Following an already very strong growth in the fourth quarter 2009, by 38.1 % (currency-adjusted even +42.6 %), the retail trade also gained by 5.9 % in the fourth quarter (currency-adjusted: -3.1 %). After the retail trade was able to raise its turnover by 23.9 % dur-

ing the first three quarters of 2010 (currency-adjusted: +13.0 %), an increase of 18.5 % (currency-adjusted: +8.9 %) still remained for all of 2010. Therefore, the share of retail trade, which has a lower value-added share than the photofinishing business, rose with respect to group turnover from 22.8 % in 2009 to 24.8 % in 2010.

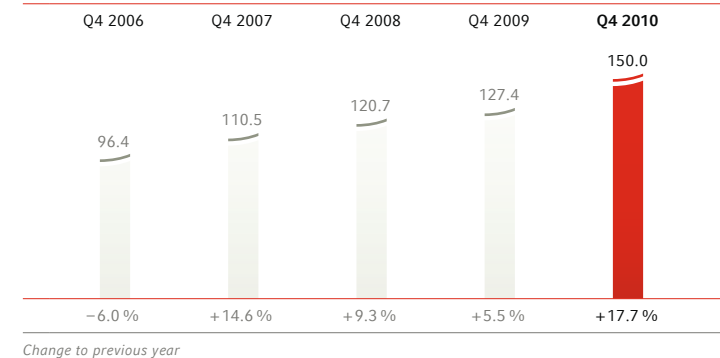
Turnover per photo in euro cents



Turnover in million euros



Turnover Q4 in million euros



## Expenses and Earnings

### All earnings targets for 2010 reached

In addition to the sales and turnover targets, the earnings targets were also reached for 2010.

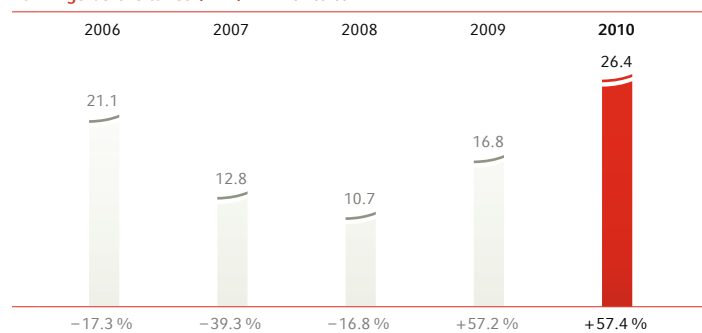
Figures in million euros	Target	Actual	Change*
EBIT	24–29	28.2	+6.2 %
EBT	22–27	26.4	+7.7 %
Earning after taxes	12–15	13.7	+1.6 %
Earnings per share	1.76–2.20	2.02	+2.0 %

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

### Operating results increase by 10 million euros – margins improve

In 2010, the operating result improved significantly at all levels. EBITDA increased by 10.0 million euros to 65.9 million euros, EBIT by 9.5 million euros to 28.2 million euros and EBT from 9.6 million euros to 26.4 million euros. Margins have also improved: The EBITDA margin rose from 13.6 % to 14.7 %, the EBIT margin from 4.6 % to 6.3 % and the EBT margin from 4.1 % to 5.9 %.

Earnings before taxes (EBT) in million euros



Change to previous year

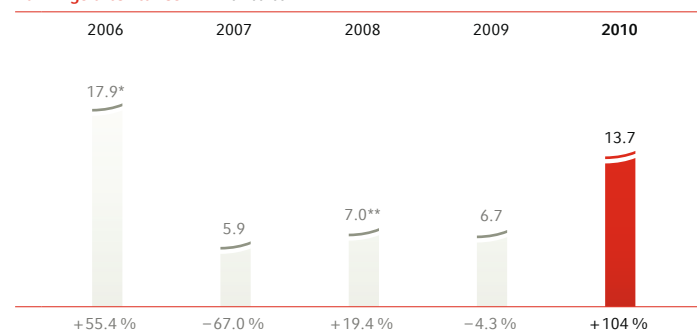
### Seasonal migration continues at earnings level

The fourth quarter contributed in particular to this increase in annual earnings. The effect of the seasonal migration on sales and turnover is also reflected in the earnings. In the fourth quarter 2010, for example, EBIT increased by 39.1 %, or 6.1 million euros, to 21.8 million euros. This corresponds to an EBIT margin of 14.5 %. The seasonal effects are most apparent when compared with EBIT before restructuring: the fourth quarter share of earnings grew continuously. Whereas the fourth quarter 2008 already contributed 37 % to the annual figure, this had risen to 56 % in 2009 and to as much as 72 % in 2010.

### Boost in earnings after completion of the transformation-related restructuring measures

In 2009, the last analogue-to-digital transformation restructuring expenses were incurred for the closure of the Teplice location, as well as for the reorganisation of the Paris location. In the past five years, CEWE COLOR has spent around 10 million euros to adapt the structure of the company to the changing market conditions (2009: 9.5 million euros).

Earnings after taxes in million euros



Change to previous year

\* Result after taxes influenced by one-time special tax effects:  
– waiver of claim (2006 and 2008)

– activation of the corporation tax assets (2006)

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

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Consolidated Profit and Loss Account

During the system optimisation implemented in the course of the transformation, CEWE COLOR converted the Bratislava location into an exclusively marketing and distribution company to improve the cost structure and spent 2.2 million euros on this restructuring. On balance, CEWE COLOR already increased the earnings by 7.3 million euros in 2010 through the complete absence of transformation-related restructuring expenses.

**The increase in the retail trade share also influences the margins**

The increased share of the weaker margin retail trade turnover in total turnover, explained in the "Turnover" section, has affected the Group's margin. Since the retail trade business grew even more rapidly than the strong-margin photofinishing business in 2010, the margins (before restructuring) have fallen minimally. With unchanged turnover shares, on the other hand, there would be a minimal increase in the operating margin.

Page 49 | Sales

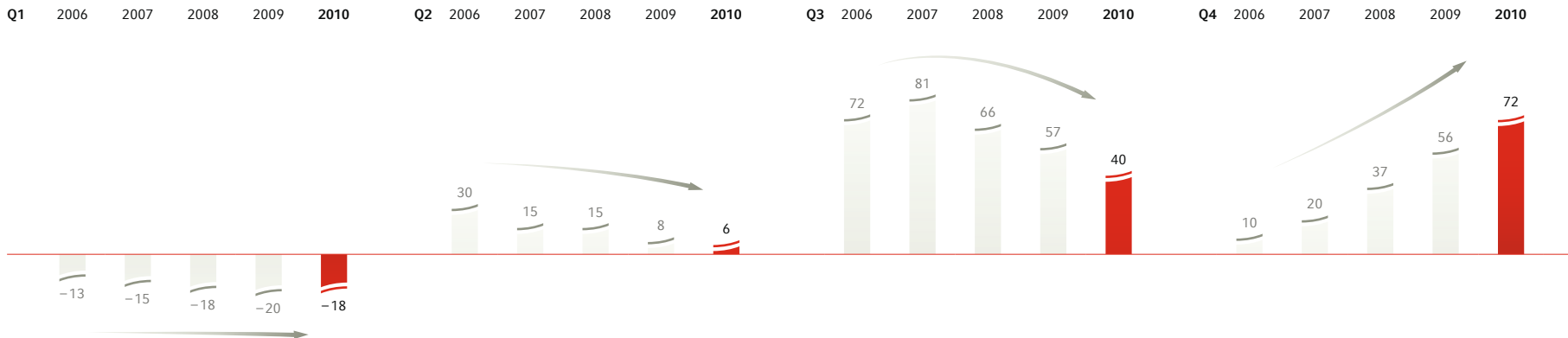
**Three main trends impact the structure of the income statement**

Three main trends had partly contrary effects on the income statement: the "mass to class" trend has an earnings boosting effect as the share of value-added products with higher value-added share increases. The following tendency is then discernable: the cost of materials fall, the personnel costs and other operating expenses increase. Second, the retail trade share rose in 2010. This produced a contrary effect: the cost of materials increase while the personnel expenses and other expenses fall. This reduces the personnel expenses, the other operating expenses and the write-offs. If an item of the income statement showed an upswing or downswing, this was due to which of these effects predominated in each case.

**Cost of materials almost unchanged at 37.7 %**

In the case of the cost of materials, the effects of reductions in expenses through increased value-added product production and increases in expenses through increased retail trade share almost balanced each other out.

EBIT before restructuring per season in % of revenue



#### Personnel expenses fall owing to restructuring and other effects

Personnel expenses fell from 25.6 % to 22.9 %. A major portion of this decrease is attributable to the completion of the stage with high restructuring costs. However, even adjusted for this effect, personnel expenses fell from 23.8 % to 22.9 % owing to the more efficient production structure and the increased retail trade share.

#### More marketing expenditure creates growing brand awareness

The share of the other operating expenses in total turnover increased to 30.5 % (2009: 30.2 % or 29.9 % without restructuring effects). The 12.4 million euro increase was caused by higher expenditures for product marketing, which increased by 10 million euros, from 18 to 28 million euros<sup>1</sup>. The growing brand awareness led not least to the CEWE PHOTOBOOK increasing its market share in Europe to over 25 %.

#### Earnings after taxes doubled: +104 % to 2.02 euros per share

The doubling of the earnings after taxes to 13.7 million euros is attributable to both the higher operating result and to the special tax burden incurred in 2009. At the time, it was not possible to offset the restructuring-related loss incurred in France against profits made in other countries. In relation to EBT, this led therefore to a rate of taxation of 55.1 % in the group. This effect did not reoccur in 2010.

#### In 2010, there is again a special tax expenditure that will not reoccur

In 2010, however, a different special tax burden occurred: the German company's waiving of receivable from the French subsidiary reduced the tax burden by 3.0 million euros in 2008<sup>2</sup>. In 2010, tax assessments were received that diverged from our estimations for fiscal 2008, and which set the tax debt higher by this 3.0 million euros. In 2010, this amount increased the operating induced tax result. Adjusted for this special tax expense, a tax rate of 33.0 % (2009: 37 %) was recorded in the group in relation to EBT. On a comparable basis, the tax expense will decrease by 3 million euros as of 2011 compared to 2010.

#### Opportunities for a positive special tax effect in the future

CEWE COLOR continues, moreover, to adhere to its former tax estimation in relation to this subject matter from the year 2008, and has filed an appeal against the divergent tax assessment. Corresponding tax refunds could result from this in the future.

<sup>1</sup> Subject to offsetting of marketing contributions granted by suppliers in 2010 (2009: 1.0 million euros).

<sup>2</sup> A detailed description of the waiving of the receivable can be found in the financial statements for 2008, in particular on page 28.

Q4 in million euros	2010	2009	Change
Earnings before taxes (EBT)	21.5	15.2	+41.1 %
Earnings after taxes	14.8	9.8	+52.1 %

## Segments

 Page 115 | 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 trade activities are summarised in the fifth segment.

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 segment photofinishing. Turnover with hardware sold without further processing, for instance, cameras and accessories, is allocated to the segment retail trade.

<b>Sales to external third parties</b> <i>in million euros</i>	2010	2009	Change
Total Photofinishing	336.0	316.3	+6.2 %
Retail	110.8	93.5	+18.5 %
<b>Total</b>	<b>446.8</b>	<b>409.8</b>	<b>+9.0 %</b>

<b>Sales development by segments</b> <i>in million euros</i>	2010	2009	Change
Photofinishing – Central Europe	229.2	207.7	+10.4 %
Photofinishing – Western Europe	43.5	45.6	-4.5 %
Photofinishing – Benelux*	33.0	34.6	-4.4 %
Photofinishing – Central Eastern Europe*	30.3	28.6	+6.1 %
Retail	110.8	93.5	+18.5 %
<b>Group</b>	<b>446.8</b>	<b>409.8</b>	<b>+9.0 %</b>

\* No production plants, only with distribution branches

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

### Central Europe: rise in turnover by 21.5 million euros

The marketing measures were effective: segment turnover in the fourth quarter 2010 rose noticeably by 26.9 % in Central Europe (Germany, Austria, Switzerland, Scandinavia). Turnover growth during the first three quarters was at 2.4 % only. This clearly reflects the seasonal migration. Turnover increased by 10.4 % to 229.2 million euros in all of 2010. EBIT margin reached 11.6 % (2009: 12.7 %). In the significant fourth quarter, EBIT margin even improved slightly to 20.5 % – despite high advertising expenses. Central Europe's contribution to EBIT was at 26.5 million euros (2009: 26.4 million euros).

<b>EBIT by segments</b> <i>in million euros</i>	2010	2009	Change
Photofinishing – Central Europe	26,498	26,400	+0.4 %
Photofinishing – Western Europe	1,152	-10,997	-
Photofinishing – Benelux*	474	1,377	-65.6 %
Photofinishing – Central Eastern Europe*	-1,815	168	-
Retail	1,843	1,707	+7.9 %
<b>Group</b>	<b>28,152</b>	<b>18,655</b>	<b>+50.9 %</b>

\* No production plants, only with distribution branches



### Western Europe: EBIT contribution rose by 12.1 million euros

Turnover declined by 9.2 % in the first three quarters in Western Europe (France and the UK). On the one hand, this was due to the seasonal migration, on the other, however, to the fact that an important trading partner reduced the photofinishing presence in his stores and started to establish the Internet business instead. Moreover, one customer expanded his already existing own photo book production in 2010, and is now himself producing the volumes previously sent to CEWE COLOR. The effect of a successful marketing and the seasonal migration dominated in the fourth quarter: turnover rose by 6.8 % so that the full-year turnover declined by only 4.5 %.

The EBIT margin recorded notable organic growth. This improvement has been reinforced by the falling away of the expenditures relating to the transfer from analogue to digital media. In 2009, these expenses produced a significant effect in France (as part of the segment Western Europe), at 9.2 million euros. Therefore, the 2009 EBIT margin after restructuring measures was at -24.8 % (before restructuring measures: -3.9 %) in Western Europe. In 2010, EBIT margin was at +2.6 %, in the fourth quarter even at 4.3 %. For the full year, EBIT contribution from Western Europe amounted to 1.2 million euros, corresponding to a growth of 12.1 million euros. Following the successful restructuring measures, the segment Western Europe is operating in the profit zone.

### Benelux: positive result due to fourth quarter

Due to the fact that some trading partners in the Benelux market have to cope with sales problems, the turnover in the first three quarters declined stronger than expected by the seasonal migration, at 9.3 %. On the other hand, turnover rose by 10.7 % in the fourth quarter – in particular as a result of seasonal factors. Taken 2010 as a whole, turnover dropped by 4.4 % to 33.0 million euros. Based on the fourth quarter, Benelux closed with an overall positive result

in 2010: the last quarter contributed a margin rate of 6.0 % to the EBIT margin of 1.4 % of the full year. For the entire year, the segment Benelux made a positive EBIT contribution of 0.5 million euros.

### Central Eastern Europe: fourth quarter sees elimination of exceptional burdens

The segment Central Eastern Europe combines the laboratories and activities in Poland, the Czech Republic, Slovakia and Hungary as well as the marketing activities in Eastern and South Eastern European countries. Turnover stepped up by 6.1 % to 30.3 million euros. Again, a 9.7 % growth of the fourth quarter, owing to the seasonal migration, contributed noticeably to annual growth. Owing to restructuring expenditure of 2.2 million euros incurred for the conversion of the plant in Bratislava to a sales company, EBIT after restructuring effects amounts to -1.8 million euros. The operating EBIT margin – i. e. prior to restructuring – declined from 1.6 % last year to 1.3 % in 2010 (or 0.4 million euros). However, this margin was also contributed to by conversion expenses, which were not to be qualified as restructuring expenses – for example, in the plants that took over the production volume from Bratislava.

Relieved of these conversion expenses and owing to the seasonal migration, the fourth quarter furnished the profit: after 0.3 million euros EBIT in last year's quarter, the new sales company achieved an EBIT of 1.6 million euros in 2010.

### Own retail trade with important functions

CEWE COLOR operates multi-channel retail chains (i. e. stationary shops 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: first, 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. Second, CEWE COLOR has the opportunity of testing new marketing strategies for digital value-added products – first and foremost the CEWE PHOTOBOOK – directly in the Internet and in the shops. Thus, CEWE is able to further develop the fundamental industrial know-how with respect to this new task. Third, 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 increases EBIT contribution by 7.9 % to 1.8 million euros

Even the currency-adjusted retail trade reports a growth in turnover of 8.9 %, and thus a considerable rise. In 2010, the currency effects were again largely accounted for by the retail trade (e. g. in Norway

and Poland), lifting the increase in turnover to as high as 18.5 %. The fourth quarter reports a lower rise in turnover of nominal 5.9 %, in real terms even a decline of 3.1 %. This again substantiates the fact that the growing significance of the fourth quarter is the result of the seasonal migration in photofinishing.

In 2010, there was little change in the EBIT margin, at 1.7 % (2009: 1.8 %), so that the EBIT contribution of the retail trade increased by 7.9 % to 1.8 million euros. The fourth quarter made an important contribution to results: with an EBIT margin of 4.8 % (Q4 2009: 2.8 %), EBIT in the fourth quarter was at 1.4 million euros owing to the Christmas business.

## Balance Sheet and Financial Management

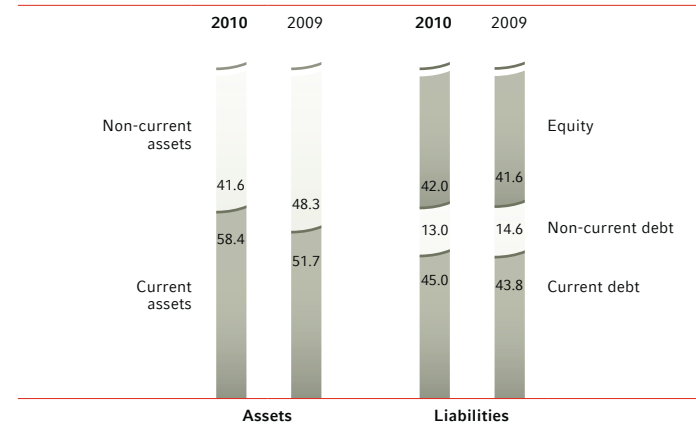
This section will focus on a comparison with the previous year, i. e. on comparing the balance sheet at December 31, 2010 with that at December 31, 2009. If notable developments took place in the fourth quarter – also in the comparison between the annual balance sheet and that at September 30, 2010 – these will also be dealt with in detail.

#### Favourable trend of the cash items increases the balance sheet

Year-on-year the total assets for 2010 increased by 18.9 million euros to 287.5 million euros. The good cash trend in 2010 is responsible for this. The major portion of this increase is recognisable in cash and cash equivalents (+ 15.2 million euros). Short-term other receivables also increased (+ 12.3 million euros).

These increased cash and cash equivalents were offset on the liabilities side by financial borrowed capital. These borrowed capital lines were agreed when the business situation was very difficult in 2008/2009.

Balance Sheet in %



The successful course of business at CEWE COLOR now opens the opportunity of repaying some of these lines ahead of time. Further repayments would have triggered early repayment penalties with the risk of having to pay twice the amount in the event of a later utilisation of these interests, and the further risk of having to possibly accept a higher interest rate. We decided to waive the option of further repayments of the financial liabilities in order to definitely avoid such costs and to retain a full degree of strategic freedom. The increase in cash and cash equivalents has sources other than the business success and the retention of financial liabilities: for example, retail trade gains lead to immediate proceeds. Furthermore, the operating net working capital was successfully reduced.

#### Operating net working capital reduced by 5.9 million euros

The reduction of the operating working capital to the year-end 2010 compared to the previous year-end resulted from a reduction of 2.0 million in inventories, primarily in kiosk printing paper and from the turnover-related 9.4 million euros higher liabilities. The short-term trade receivable rose more strongly, by 5.5 million euros. In total, this results in a 5.9 million euro reduction in the operating net working capital. Compared to the turnover of the previous three months, this corresponds to a fall in the range of the operating working capital from 32 days at year-end 2009 to 24 days at year-end 2010.

#### Non-current assets reduced by 10.2 million euros

Increased investments were necessary during the analogue/digital transformation. This stage has been completed and CEWE COLOR managed to invest less than 30 million euros in 2009 and 2010.

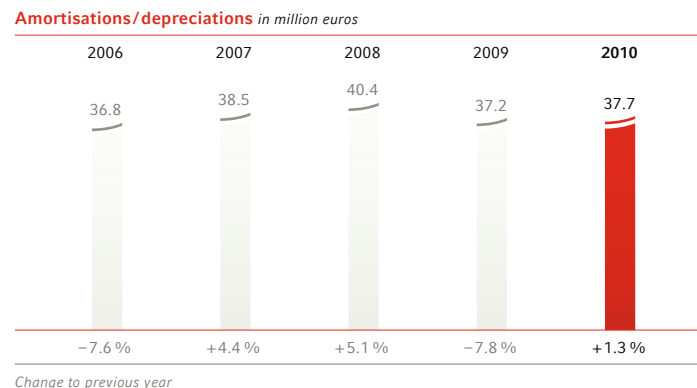
However, the current level of write-offs is still high owing to the high transformation-related investments of the previous years. Owing to this constellation, property, plant and equipment declined by 6.2 million euros and intangible assets by 2.2 million euros.

#### Equity ratio rises to very solid 42 %

In the course of the year, the equity ratio rose by 9.0 million euros to 120.7 million euros. The net profit for the period (13.7 million euros) laid the foundation stone for this change. The exchange rate effects booked directly to equity capital (2.3 million euros) also had a positive impact. The dividend payout and the purchase of treasury shares (7.8 million euros in total) had a negative impact on the equity ratio.

#### Debt rose through seasonal shifts and increase in turnover

The sum of debt increased by 9.9 million euros to 166.8 million euros. This was a consequence of the increase in turnover in the Christmas quarter: this led, on the one hand, to an increase in short-term trade payables (9.4 million euros, see above).



On the other hand, bonus liabilities to trading partners also rose – and these in particular led to a 4.1 million euro increase in short-term other liabilities. A major share of the increase cash item will be required immediately at the start of the subsequent year for these operating payments.

## Cash Flow

 Page 114  
Consolidated Cash Flow Statement

### Free cash flow increases by 159 % to 25.6 million euros

In 2010, free cash flow increased by 15.7 million euros to 25.6 million euros. The investment of 10 million euros of cash and cash equivalents in money market investments with a maturity of more than three months, which was conducted in the fourth quarter of 2010, is included in this calculation according to IFRS, as payment within the scope of “other working capital”. When the free cash flow is adjusted for this item, which essentially belongs to cash and cash equivalents, the free cash flow grew in fact to 35.6 million euros.

In the fourth quarter of 2010, this adjustment to the interpretation of the figures is necessary: pursuant to IFRS the free cash flow in the fourth quarter amounted to 14.1 million euros. This would correspond to a fall of 6.2 million euros. However, if you adjust this figure for the short-term invested 10 million euros, the trend is reversed and you have a growth of 3.8 million euros, to 24.1 million euros, compared to same quarter of the previous year.

### Funding secured in the long term

The financial statements of the year 2009 reported in detail on the progress of the financial negotiations. Each year, a small effect arises from the fact that the portions of the credit lines whose maturity extends over the year-end threshold are transferred from long-term to short-term financial liabilities. However, the basic situation has remained completely unchanged: the long-term financial liabilities continue to predominate, with 24.1 million euros. The short-term financial liabilities amounted to 6.6 million euros.

### EBIT-induced cash flow increased by 13.2 million euros to 68.1 million euros

In this step, EBIT as the basis for the CEWE COLOR cash flow calculation is adjusted, for example, taking into account the write-offs: whereas EBIT for 2010 showed a gain of 9.5 million euros over the previous years, this gain increased to 13.2 million euros. As a consequence, EBIT-induced cash flow rose accordingly by 24.0 % to 68.1 million euros.

### Cash flow from operating activities: +45 % to 53.0 million euros

Although the change in the operating net working capital had a positive impact of 5.9 million euros on the cash flow for 2010 – as described in the “Balance Sheet” section, this change had a negative impact of 18.1 million euros in the previous year. As a result of the changes in the operating working capital, the cash flow 2010 reported an advantage of 24.0 million euros as compared to 2009.

The investment of cash and cash equivalents had an impact on the changes in other working capital: this was the sole reason for the negative cash flow effect of 9.4 million euros in 2010 – following a gain of 4.5 million euros in 2009 – a reduction of 2010 cash flow compared to the previous year's cash flow of 13.9 million euros from this item.

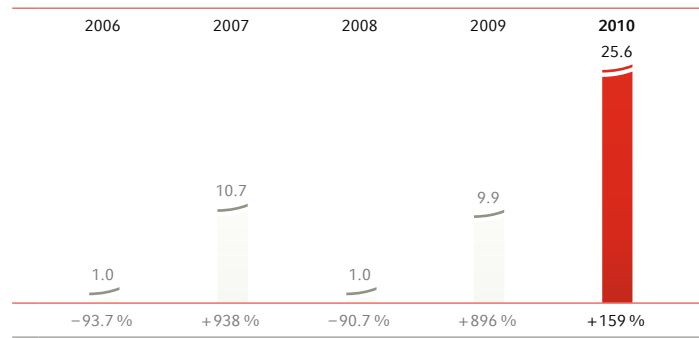
The taxes paid amounted to 11.6 million euros and thus reduced the cash flow by 6.7 million euros more than in the previous year. This is due to two reasons: the increased level of net income and the special tax payment of 3.0 million euros, which is described in detail in the "Expenses and Earnings" section.

The sum of all these effects on the cash flow from operating activities results in a gain – compared to the previous year – of 16.5 million euros (45.1 %) to 53.0 million euros.

#### Cash flow from investment activities again low at 27.3 million euros

The cash outflows from investment in non-current assets were at 26.4 million euros, a further reduction of 1.1 million euros. With this investment total, the target figure of 26 million euros for investments was met, even though the very significant increase in sales in the fourth quarter required high investments in the data processing capacity. Of this investment total of 26.4 million euros, 22.1 million euros were invested in property, plant and equipment and 4.2 million euros in intangible fixed assets. Property, plant and equipment include production facilities as well as the respective IT equipment, kiosk systems and the accompanying shop parts. Furthermore, CEWE COLOR acquired the business operations of Eurofoto A/S in Norway at the end of the third quarter, leading to a cash outflow of 1.4 million euros. Taking into consideration the cash inflows from disposals, cash flow from investing activities amounts to 27.3 million euros, corresponding to an increase of only 2.8 % despite the very strong increase in turnover and earnings.

Free cash flow in million euros



Change to previous year

Investments in million euros



Change to previous year

## Return on Capital Employed

### Core capital employed further reduced

The capital employed according to the IFRS standard calculation, increased by 7.4 million euros to 164.8 million euros at the end of 2010. Contained in this were cash and cash equivalents in the amount of 33.4 million euros (cash on hand 23.4 million euros, financial investments in short-term other receivables and assets 10.0 million euros). Outside of this seasonal peak, CEWE COLOR operates with cash and cash equivalents amounting to up to 5 % of the turnover. At December 31, 2010, these amounted to 22.3 million euros. Cash and cash equivalents in the amount of 11.1 million euros were thus available. The reasons for these increased cash and cash equivalents were explained in the "Balance Sheet" section.

Adjusted for this amount, the core capital employed at December 31, 2010 amounted to 153.8 million euros, -3.6 less than at end of the previous year.

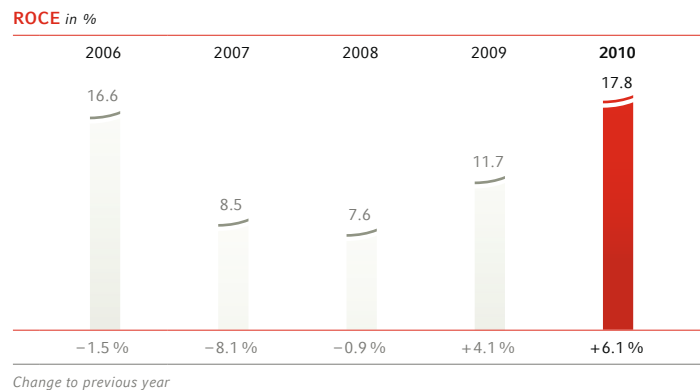
### Average capital employed reduced

When we consider the return on capital employed, the total profit for the year is set off 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 2010 amounted to 158.2 million euros: a reduction of 1.4 million euros compared to the corresponding period the previous year.

### Increase in return on capital employed:

#### ROCE jumped from 11.7 % to 17.8 %

In 2010, EBIT (see "Expenses and Earnings" section) increased from 18.7 million euros to 28.2 million euros. In relation to the average capital employed, this shows a jump in return on capital employed from 11.7 % in 2009 to 17.8 % in 2010. Since EBIT was at 30.4 million euros before restructuring measures, the ROCE before restructuring measures in 2010 was as high as 20.5 %.



## CORPORATE FUNCTIONS

### Marketing and Sales

#### CEWE PHOTOBOOK as a branded article

To distinguish itself from the over-the-counter trade and anonymous Internet offers, CEWE COLOR offers the CEWE PHOTOBOOK as a branded product to the trade and to consumers. The brand signals a certain level of quality to the customer, hence allowing for a price differentiation. In addition, a strong brand creates demand with the retail trade. We actively support the sale by targeted PR, advertising and sponsoring activities: the brand awareness and advertising recall of the CEWE PHOTOBOOK is steadily increasing. In the year 2010, sales were successfully supported at the seasonal peaks by widely spread summer and Christmas campaigns with print and TV advertising, and customers were won for the CEWE PHOTOBOOK.

#### Online marketing considerably expanded

Since the share of the distribution channel Internet via the websites of CEWE COLOR's trading partners is steadily growing in Europe, Internet marketing is becoming increasingly important. CEWE COLOR does not only take over the design of the photographic areas on the trading partners' websites, but also actively coordinates the online and newsletter marketing as well as the banner advertising with its trading partners. At Christmas time alone, a total of 100 million contacts were generated via banner campaigns during a period of six weeks; this is directly reflected in brand awareness. Closely associated are search engine marketing and the continuous search engine optimisation. During the past year, CEWE COLOR has noticeably extended the search machine optimisation; as a result, its website is now among the first hits when consumers search the topic of photos. Additionally, cross- and upselling measures intensify the marketing activities.

CEWE COLOR provides its own websites as information platforms for the entire product range at [www.cewe-fotobuch.de](http://www.cewe-fotobuch.de) and [www.cewe.de](http://www.cewe.de), where the consumers will find a link to our trading partners in addition to product information, a forum, Tips & Tricks, and examples. In case of specific questions regarding software or the product line, consumers can revert to expert phone or e-mail assistance from CEWE COLOR at any time.

#### Marketing via POS further intensified

Custom-made marketing tools form the basis for the active marketing of high-margin products. Thus, CEWE COLOR carried out a POS campaign for the CEWE PHOTOBOOK with the trading partners at the POS during the past years; a sales-oriented presentation makes it easier for the trading partner to achieve turnover and earnings with the CEWE PHOTOBOOK. For this reason, CEWE COLOR provides its partners in the photo trade with an extensive range of shop-fitting elements, sales displays, advertising material and handouts. In addition, the company supplies the partners with sample books in different decors. Photo dealers who present the CEWE PHOTOBOOK generously, e. g. on some metres of shelves, who have sample books in stock, and who sell this product actively, are particularly successful.

#### CEWE PHOTOBOOK awarded 1st place at brand award 2010 "Best New Brand"

Recently, the CEWE PHOTOBOOK was awarded 1st place in the category "Best New Brand" by the marketing journal "absatzwirtschaft" and the Deutsche Marketing-Verband (DMV) with the renowned brand award. With this prize, the prominently staffed jury rewards the brand approach CEWE COLOR consistently pursued with the CEWE PHOTOBOOK over the past years. The jury was particularly



impressed how an industrial company succeeded within the scope of an extensive transformation process to take over and expand the market leadership in a new product category.



 [www.best-innovator.com](http://www.best-innovator.com)  
[www.deloitte.com](http://www.deloitte.com)

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

#### CEWE COLOR is Germany's "Best Innovator 2010"

The journal "WirtschaftsWoche" and the management consultancy A. T. Kearney awarded CEWE COLOR the prize of "Best Innovator 2010". The prize acknowledges particularly innovative companies with a high growth potential. The successfully mastered technological change from analogue to digital photography during which CEWE COLOR succeeded in establishing new successful products such as the CEWE PHOTOBOOK, among other products, was decisive for winning this award.

#### CEWE COLOR wins Axia Award 2010

The consultancy and auditing company Deloitte rewards CEWE COLOR as the most imaginative medium-sized company with the Axia Award 2010. CEWE COLOR convinced the jury in the category "Shaping the future together with our customers –Using customer ideas to drive innovation". With the special constellation of a double customer relationship, CEWE COLOR was able to gain points with the jury. The photo service company from Oldenburg conducts regular dialogues both with the end consumer and with over 45,000 trading partners throughout Europe: the feedback of both groups of customers is included in the processes of innovation and optimisation following an internal verification process. For example, the customers can exchange information in a forum on the website [www.cewe-fotobuch.de](http://www.cewe-fotobuch.de) and contribute their ideas.

## Research and Development

### The consumer takes central stage in the development process

Now that the photo consumer products developed and marketed by CEWE COLOR have reached the mass market, it is becoming increasingly important to protect this lead in innovation through evaluations of customer behaviour. All modern customer analysis tools are used for this. Customer wishes and suggestions are analysed via the CEWE PHOTOBOOK forum at [www.cewe-fotobuch.de](http://www.cewe-fotobuch.de) and integrated into the development alongside the feedback from the meetings between our after-sales service and our customers. This platform is also a very successful marketing tool.

We also check the usability of our applications (online, desktop and "Photo Combi Kiosk") using eyetracking und heatmaps (where and how long do the consumers look at the screen?) before launching new applications and using customer surveys after successful orders;

external usability tests are also used. We received the Axia Award 2010 for the outstanding integration of our customers in the development process. In 2010, we again reached the final of the best three software developments in the consumer sector for Microsoft operating systems and received from Microsoft the title: 2010 Partner of the Year – Microsoft Global ISV Consumer – Finalist.

### My Gallery

In our online order systems we have integrated under "My Gallery" numerous options for saving and managing created products such as the CEWE PHOTOBOOK, for selecting and arranging the most important own photos for online use. The publication of photos and products in social networks or the simple sending of links via e-mail is also possible, as is the repeat ordering of photo products. The storage capacity of our two redundant computer centres was further



extended to a massive extent in this area. The two computer centres processed more than 17 TB (terabytes) of data on two peak days in the 2010 Christmas season!

#### Facebook integration

On the occasion of photokina 2010, the range of functions of “My Gallery” was expanded to include a special functionality for publishing on Facebook. The integration of Facebook enables you to upload a self-designed and ordered CEWE PHOTOBOOK directly into your personal Facebook account to share it with your friends. The trick: Facebook friends can view this CEWE PHOTOBOOK online in their account and order it if they like, provided the user released it for ordering by third parties. Telling stories was never easier than it is now using hands-on products and social networks.

#### Photo Combi Kiosk

At photokina, we also presented a completely revised software for our equipment in the retail outlets of our trading partners. This software version has already achieved a gratifying increase in the order behaviour, particularly in the area of instant printing. A significantly improved quality optimisation was introduced with this version. As a result, the quality of the instant printing is almost identical with that of photo lab. Many of our devices have also been online since 2010. The orders are transferred immediately to the lab and are, as a consequence, generally delivered more promptly to consumers. Furthermore, the online access permits an optimised maintenance and easier software updates.

New products, such as an automated collage of several pictures or the ordering of lab quality wall decoration, were well received, as were the designs for printing greeting cards at points of sale. By improving the links to Blackberries via Bluetooth and iPhones via WiFi, we are supporting the significant increase in the number of photos ordered for instant printing from mobile phones compared to the amount of photos ordered from the lab.

#### Production control

As it has already done in the area of production, CEWE COLOR has developed its own data workflows and also its own machines for digital printing. The objective is to deliver products in the best possible quality to our customers. A further improved quality optimisation and a cross-company quality management was introduced in 2010. This allows us to guarantee that an almost identical printing and processing quality is achieved and delivered by all our businesses. In the area of processing we have again designed our own devices, which we have even managed to successfully patent. As a result, CEWE PHOTOBOOKS are transported even more optimally during production and automatically packaged.

The workflow for the commercial digital printing orders, which was previously a separate workflow, is now largely integrated into the existing production software, allowing us to profit optimally from all the collected experience of CEWE COLOR in data handling, quality management, processing technologies and dispatch.

## IT

### IT further optimised

The central IT systems continued to be streamlined in fiscal year 2010. Key point of the central IT is the SAP system with the modules Financials (FI), Controlling (CO), Sales and Distribution (SD) and Consolidation (EC-CS) for Financing and Accounting, Materials Management (MM) for the area Purchasing/Materials Management as well as Customer Service (CS) to support repairs and maintenance of our DigiFoto Makers.

Photofinishing-related processes continue to be operated by CEWE COLOR's own IT system "ICOS" (Integrated CEWE COLOR Organisation System). "ICOS" particularly concentrates on the areas pricing/preparation of delivery notes, customer servicing and sales support. This system which was primarily designed and realised by in-house designers enables us to fulfil customer requirements very quickly and flexibly, offering CEWE COLOR a genuine competitive advantage. Just as the SAP system, "ICOS" is based on an Oracle data basesystem.

### Further development in IT retail trade

Apart from their subsidiaries, the CEWE COLOR retail companies also have webshops at their disposal, in which the consumers can order hardware (cameras, accessories, etc.) and photographic works. The mutual platform developed for the webshops in Central Eastern Europe, Scandinavia and Germany, was operated and further enhanced with great success during the course of the year 2010. The Norwegian company Eurofoto, which was taken over by CEWE, has its own webshop with a self-developed photo book software.

### Improvement of efficiency and security

During fiscal 2010, CEWE COLOR further improved the performance and the IT security of the central systems. In particular, the group-wide network was converted to uniform broadband, ultra-modern MPLS connections for production and administration, thus leading to high-performance, more flexible and cheaper connections. Furthermore, we started to consolidate different server areas at the Oldenburg location; reduced power consumption and optimised air conditioning enabled us to work in a more environmentally- and resources-friendly way.

## Production

### Expansion of digital printing production

In fiscal 2009 as well, the volume of photos on silver halide paper declined further. At the same time, CEWE COLOR generated significant additional growth in the area of digital printing. As a result, the expansion of our digital printing skills and capacities was one of the central tasks of production also in fiscal 2010.

CEWE COLOR invested in this segment with additional and new digital printing machines as well as digital printing processing machines to handle the increased volumes. Furthermore, digital printing production was taken up at further locations, so that almost all CEWE sites are now operating in digital printing as well.

CEWE COLOR has a sound knowledge with respect to automation and process management in its industrial production plants. All twelve production sites are completely equipped with a uniform digital production structure, and operate with the same IT infrastructure. This is the basis with which to supply the consumers and the trade on a high, identical level of quality and the shortest lead times possible with digital photographic services. More than 50 high-quality four-colour digital printing machines do not only guarantee that the CEWE PHOTOBOOKS can be produced in the best possible quality and with ever-shorter lead times. This large number of machines – unique in Europe – also provides CEWE COLOR with sufficient

capacities to offer digital printing for commercial use. Moreover, these capacities secure a high flexibility of production particularly for the Christmas business.

### Investments 2010 in digital printing and points of sale

Also in 2010, our investments focussed on the expansion of our digital printing and processing skills, as well as on the development of software to generate and process our orders. Our order platforms on the Internet and 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 investing activities was to equip many POS with on-site printing options in 2010.

### Development of commercial digital printing

CEWE took another step toward the development of commercial digital printing by setting up the portal viaprinto. viaprinto is an online printing solution for high-quality printing of small quantities. It leads the competencies of CEWE COLOR for high-quality production of small quantities aimed at satisfying the market requirements for very small quantities for various applications also in the commercial area, such as training materials, operating instructions, manuals, documentations, target group-specific advertising materials and the like.

 [www.viaprinto.de](http://www.viaprinto.de)

## Personnel

### Number of employees

On the annual average, 2,681 persons, thereof 90 apprentices, were in the employ of the CEWE COLOR Group in 2010 (previous year: 2,742).

Of the total number of staff, 1,523 persons and thus around 57 % (previous year: 1,489 or 54 %) worked in the domestic, and 1,158 (previous year: 1,253 or 46 %) in the foreign production plants of the group. Personnel expenses totalled 102.3 million euros (previous year: 104.8 million).

### Changes in collective wage policy

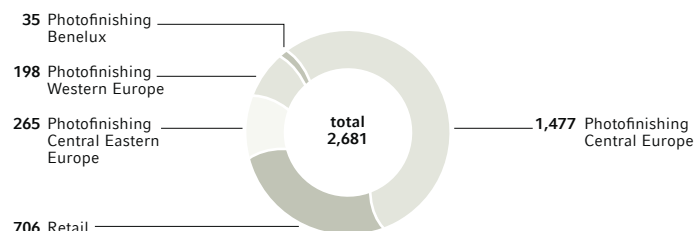
The collective agreement was reached in the negotiations of May 7, 2010. The compensation table values were increased by a fixed amount of 50.00 euros each, and a one-off payment of 500.00 euros was agreed for the month of May. The apprentice remunerations

were raised by a fixed amount of 20.00 euros each, plus a one-off payment of 80 euros. In addition, it was agreed to debit the time accounts of the staff with half an hour per week so as to partly compensate for the decrease of the weekly working hours from 38.5 to 37.5 hours introduced at the beginning of the year. The term of the wages and salary tariff contract is 20 months.

Furthermore, the expansion of the Part-time and Limited-term Employment Act was extended from 24 months to 48 months.

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. Consequently, the two general wage and salary agreements are to be merged into one compensation tariff agreement. First negotiations have already been conducted with respect to a basic collective agreement.

Number of employees CEWE Group on the annual average 2009 in number of employees



Apprentices in Germany on the annual average	2010	2009
Integrated degree programme Business Administration	4	2
Integrated degree programme IT Specialist	8	1
Industrial sales representative	15	20
Sales representative for dialogue marketing	1	0
Photo media expert	6	0
Photo media laboratory assistant	24	22
Photographer	6	2
Industrial electronics expert	11	12
IT Specialist	8	12
Warehouse logistics specialist	3	4
Bookbinder	2	1
Commercial clerk	2	0
<b>Total</b>	<b>90</b>	76

### Industrial safety and health protection

Industrial safety and health protection for the employees are an important and integral part of the daily work process in the 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 2010 (2009: 3.6 %), in the foreign plants at 3.3 % (2009: 2.7 %). In 2010, 21 accidents requiring reporting had to be recorded, thereof six accidents that occurred during travel.

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 90 young people (2009: 76) in Germany with an apprenticeship in ten different occupations –

male/female commercial clerk, warehouse logistics specialist, photographic media laboratory technician, industrial engineer, bookbinder, IT specialist, office clerks, female clerk for dialogue marketing, as well as media designer for digital and printing. In addition, the dual university programmes Business Administration and Information Systems, graduating as Bachelor of Arts or Science, respectively, were filled. This corresponds to a training ratio of 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 fiscal 2010. The Board of Management expresses its thanks to all employees for their dedicated and loyal commitment.

## Logistics

### More and more customers request postal delivery

In 2010 as well, the dispatch by mail throughout Europe increased strongly. CEWE COLOR mastered this growth successfully. As long ago as 2009, CEWE COLOR participated in the GoGreen initiative of the Deutsche Post AG in the course of the sustainability projects. Within the scope of the GoGreen initiative, the CO<sub>2</sub> 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 the Deutsche Post AG. CEWE COLOR supports climate protection because 0.85 euro cents per 1,000 letters and 0.05 euro cents per parcel will be for the benefit of climate protection projects within the scope of the GoGreen project.

The business with our 45,000 POS remains strong. Most 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. Fewer and fewer 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. In view of these structural changes, we discontinued the Saturday collection at the POS this year, thus saving 40,000 kilometres of route per Saturday. This is equal to a saving of 374 tons of CO<sub>2</sub> per year.

### Further reduction in CO<sub>2</sub> emission is planned

In the current year, we will contemplate other means of collection from our trading partners, to achieve further reductions of the CO<sub>2</sub> pollution.



 [www.gogreen.de](http://www.gogreen.de)

## Purchasing and Materials Management

### Central purchasing underpins expansion of cost and quality leadership

The continuous expansion of our product portfolio requires a permanent optimisation of our supplier base. It is our goal to achieve an improvement of the cost situation and guarantee the quality of our products together with strong innovative partners. At the same time, we included additional suppliers 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 our 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 to increase 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.

Assisted by an external consultant, we implemented a cost savings project for indirect costs such as insurances, travelling expenses, energy, monetary transactions, IT, etc. in 2010. A total of 19 areas were examined and cost savings achieved by new invitations to tenders and conclusion of contracts.

In 2009, we introduced a coloured package for the CEWE PHOTO-BOOK. During the year, we continued this marketing concept and used a newly designed coloured package for the CEWE PHOTOBOOK, our calendars and many of our photo gifts.

During the course of another packaging project, considerable savings were achieved by standardising the packages and consolidating the respective supplier basis.

### 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 2010, this procedure was rolled-out in all German plants.

Internal logistics was, in first 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.

### Sustainability in purchasing

CEWE COLOR joined the Compliance Initiative of the Bundesverband Materialwirtschaft und Einkauf (BME) (German Association for Materials Management and Purchasing). The BME code of conduct comprises the fundamental regulations to combat corruption, illegal antitrust agreements, child labour and forced labour as well as the compliance with ethical principles vis-à-vis suppliers. Furthermore, we have been members of the BSCI (Business Social Compliance Initiative) and the United Nations Global Compact since 2010.



 [www.cewecolor.de/en/company/central-purchasing/code-of-conduct-ammpl](http://www.cewecolor.de/en/company/central-purchasing/code-of-conduct-ammpl)

## Finances

### Service improved for our trading partners

CEWE COLOR offers its trading partners a comprehensive service in the area of online photographic service. CEWE COLOR considerably extended the range of Internet payment methods in numerous countries in 2010. It is consequently possible to utilise the turnover potentials even better. The in-house and field staff was trained extensively to familiarise them with all the innovations in this area.

### Changes in accounting improve financial market information

Adjustments were required in the accounting processes due to the changes in legislation in the Act to Modernise Accounting Law (BilMoG). This also affects the numerous new changes of the international accounting rules according to IFRS. CEWE COLOR has again made improvements aimed at standardising the content of the accounting and the work processes with the objective of maintaining the harmonisation between Management Reporting and external financial accounting.

### Performance management reporting has been further developed

In the area of controlling, the performance-oriented analyses and regular reporting – such as client and product contribution margin accounting, working capital management, and price and investment controlling – were optimised as part of the ongoing improvements. 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 intensified to give due weight to the increasing importance of marketing and advertising measures.

### Planning and reporting expanded and technically improved

The internal performance reports and the planning systems were further elaborated and thus organised in such a way that the results from all planning and reporting levels can be fed directly into the external profit and loss statement structure. In addition, all monthly performance reports were technically automated via the SAP-based data warehouse SAP BI (SAP Business Intelligence).

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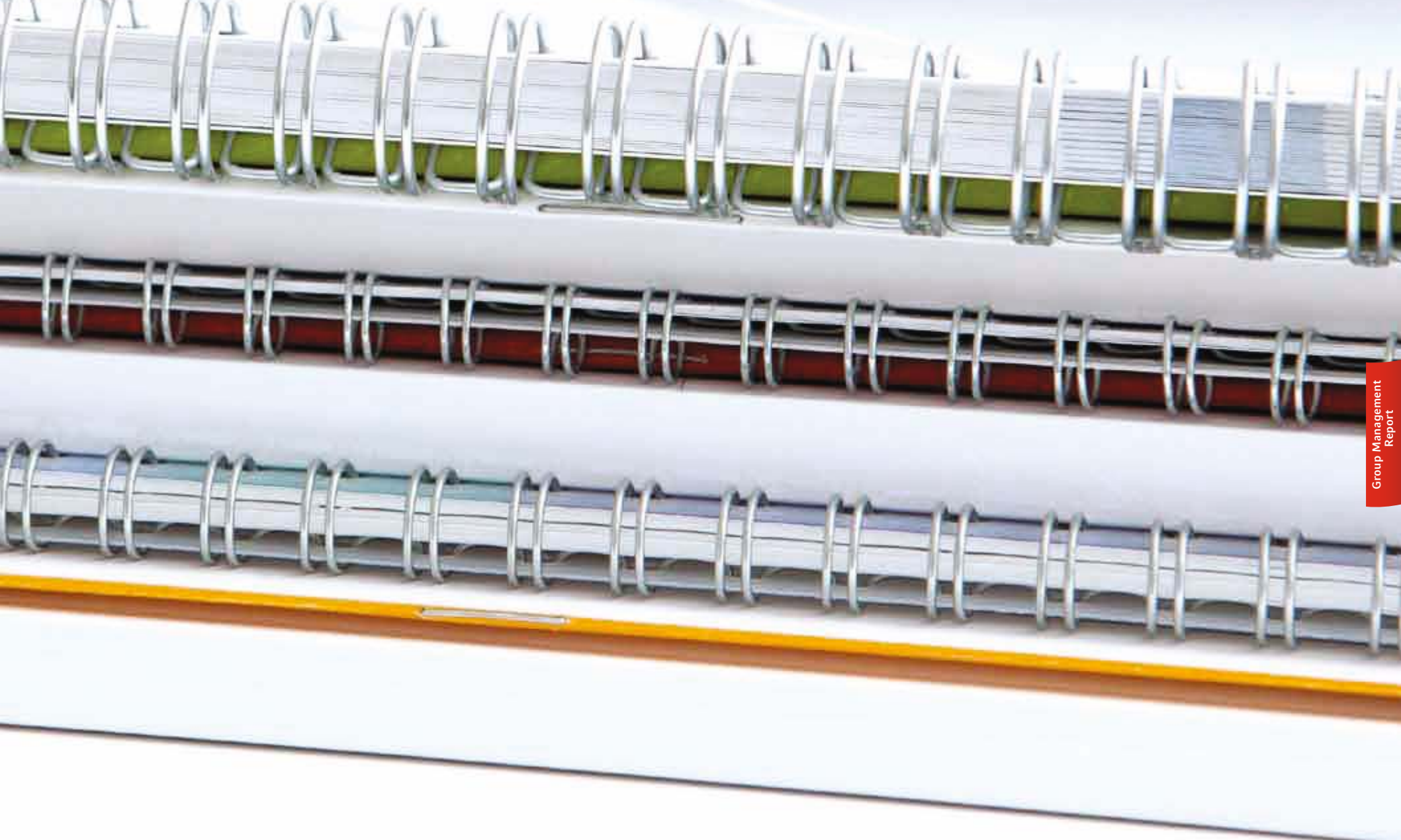
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## SUSTAINABILITY

### Sustainability Report

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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. Heymann. He also chairs the Coordination Group Sustainability, which is comprised of the segments personnel, law, production/quality assurance, finance/controlling, 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. This report can be viewed at [www.cewecolor.de/de/unternehmen/nachhaltigkeit.html](http://www.cewecolor.de/de/unternehmen/nachhaltigkeit.html). 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 following e-mail address: [nachhaltigkeit@cewecolor.de](mailto:nachhaltigkeit@cewecolor.de).

### Corporate Responsibility

#### Understanding of management approach

The corporate culture of CEWE COLOR is characterized by partnership and respect for others. Mutual trust, respect for others and the principle of delegating responsibility are the basis of management based on partnership. This is why the employees of the 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 the 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 conduct includes the company always adhering to law and legislation, playing fair with the competition and being a reliable partner. The 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 of unfair practices.
- In particular, the employees of the CEWE 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. In 2002 alone, CEWE COLOR invested around 280 million euros in new technologies – i. a. in over 50 modern digital printing machines, industrial book binding production lines, and 25,000 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, the CEWE COLOR Group will impress by the power of innovation and performance, and thus permanently raise the corporate value. Based on our 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 customers 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 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 which we 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.

#### Materials and product safety

Product safety and environmental friendliness are both decisive criteria for materials. Thus, 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 to be able to observe all current recommendations of the Federal Institute for Risk Assessment (Bundesinstitut für Risikobewertung). The German CEWE plants were certified according to FSC (Forest Stewardship Council for Sustained Forestry) for the significant area of digital printing paper in 2010. CEWE COLOR has already been using FSC-certified paper extensively. The CEWE COLOR Group is planning to obtain FSC certification for all its locations in 2011.

## Environmental Responsibility

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

#### Emissions and carbon footprint

CEWE COLOR has participated several times in the Carbon Disclosure Project ([www.cdproject.net](http://www.cdproject.net)) between 2005 and 2010, 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.

In 2009, the direct (scope 1) CO<sub>2</sub> emissions were 3,700 tons and the indirect (scope 2) emissions 8,600 tons; thus they declined by a total of 23 % as compared to 2005. Expressed as specific variables, the CO<sub>2</sub> emissions generated by CEWE COLOR amount to about 30 tons per 1 million euro revenue and around 5g per photo. By comparison, the CO<sub>2</sub> emissions for the delivery of goods and logistics not caused by, but associated with, the business activities (scope 3) are twice as high.

Consequently, 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.

### Water

CEWE COLOR uses water for the development of films and photographic paper. On the one hand, water protection means using less water. Therefore, in comparison to the reference year 2002, CEWE COLOR used about 2.3 litres of water per m<sup>2</sup> of photographic paper, which represents a reduction of over 55 %. 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 recycles 90 %.

Particular focus is also given to silver, which is a by-product of photographic processing. In 2010, CEWE COLOR recovered around 10.1 tons of silver from the chemical baths. The 22 % decline in quantity as against the preceding year 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 other 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 and photo gifts, water-based 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 the 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 work process, CEWE COLOR also ensures a high degree of job security and promotes health protection.

### The CEWE COLOR staff

In 2010, the share of female staff in Germany was around 55 % (previous year: 53 %), the average age of the employees is 41.0 years (2009: 40.3). The low rate of fluctuation – only 11.5 % in 2010 – reflects the high employee satisfaction (last year: 11 %). The percentage is even lower when regarding employer termination and employee termination in isolation. The value will then be 4.7 %. In 2010, the average length of service with the company was 11.9 years (last year: 11.5 years). We therefore have quite a number of employees celebrating their anniversaries each year: in 2010, it was 111 employees of which more than 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 81 in ten different vocations (last year: 76). This corresponds to a training ratio of 5 % of all employees in Germany.

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 and other courses free of charge for all employees.

Close cooperation with the universities and universities of applied sciences in the proximity to the respective production sites, particularly in the north-west of Germany, ensures a high level of the 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 workplaces.

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 cooperation with a regional fitness studio association 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 health, sports and fitness, in 2009 and 2010. Again, the response of the employees was a very positive one. A CEWE Health Day with various activities serves as stimulation for the employees with respect to leisure time, sports, nutrition and fitness. Another event in 2010 was the virtual walking competition, the so-called "tappa" run. The aim was to walk 10,000 steps per day to reach the virtual target Nunspeet in the Netherlands within a limited period of time.

#### Fringe benefits and employee incentive share programme

The employees of CEWE 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; this contribution is exempt from taxes and social security contributions. The staff share programme, which was started in 2005 was also continued in 2010. The rate of participation rose from 27 % to 29 %.

The free consultation with the parents' and senior citizen service of the workers' welfare (AWO) for the CEWE employees is a new offer initiated in 2010. 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 well accepted by 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 sociol-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 organization, 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 at 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.

Besides, CEWE COLOR was one of the biggest sponsors in 2009 when Oldenburg held the title of “City of Science”. The company has been organising the corporate strategy planning simulation “Management Information Game” for pupils of the Liebfrauenschule Oldenburg for twelve years now.

#### 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 location.

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), and the Deutsche Verband für Fotografie VDF (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, 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, who directly reports 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/en/investor-relations/corporate-governance](http://www.cewecolor.de/en/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 2011

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 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.

 [www.cewecolor.de/en/investor-relations/corporate-governance](http://www.cewecolor.de/en/investor-relations/corporate-governance)

#### 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.

#### Consolidated financial statements within 90 days, interim reports available within 45 days following the period under review (deviation from item 7.1.2)

We conform to the legal provisions, or respectively the rules of the Frankfurt Stock Exchange according to which the consolidated financial statements have to be available to the public within four months following the expiration of the business year, or respectively the interim reports within two months following the end of the period under review.

#### 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 in 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 the CEWE COLOR Group were adapted to comply with the Corporate Governance regulations as well as with the stipulations of Compliance in 2010, the year under review.

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 and the consolidated financial statements of CEWE COLOR Holding AG. The last regular elections to the Supervisory Board took place in the general meeting on April 26, 2007.

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 treat the subject diversity, namely regarding the composition of the Supervisory Board, the Board of Management and on 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 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 annual general meeting, which decides on the election of the Supervisory Board.

Future nominations will take into consideration the additional goal set by the Supervisory Board to the extent it is not as yet fulfilled (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 the 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. This service assists the employees in finding child-minding facilities and facilities for senior citizens that are in need of care.
- 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:

Development and realisation of a programme which deals particularly with the subject of "women in executive positions", "supporting women as junior executives" as well as "internationality on management level".

#### Shareholders and general meeting

Our shareholders are regularly informed by a financial diary available on the Internet on our website [www.cewecolor.de/investor](http://www.cewecolor.de/investor) 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, roadshows and telephone conferences are organised for analysts in addition to the annual analysts' conference at the occasion of the publication of the quarterly figures.

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 [www.cewecolor.de/en/investor-relations/financial-calendar](http://www.cewecolor.de/en/investor-relations/financial-calendar)

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.

The last general meeting of CEWE COLOR Holding AG took place on June 2, 2010.

#### Remuneration report

Regarding the remuneration of the Board of Management and the Supervisory Board in the fiscal year 2010, reference is made to our detailed remuneration report printed on pages 92 et seq. as part of the group management 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. The 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 the 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.

A previous option plan at a subscription price of 0.50 euro according to which over 80 executives acquired a total of 199,500 share options expired on September 30, 2010. Since the performance target (57.50 euros for the Board of Management of CEWE COLOR Holding AG and 55.20 euros for the other beneficiaries) was not reached during the option period, no option rights could be exercised.

#### 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](http://www.cewecolor.de). Furthermore, all interested parties have the possibility of subscribing a newsletter which informs about the group's innovations.

#### Shares held by the Board of Management and the Supervisory Board

As at December 31, 2010, the shares in CEWE COLOR Holding AG held by all members of the Board of Management and the Supervisory Board amounted to 106,675 of the shares issued by the company. The members of the Board of Management hold 0.68 %, and the members of the Supervisory Board hold 0.77 %.


#### 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 respective person concerned exceeds the amount of at least 5,000.00 euros within a calendar year. The securities dealings effected to-date in the year under review that are subject to disclosure, can be viewed on our website at [www.cewecolor.de](http://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 fiscal year 2010. The auditor will immediately report any reasons for exclusion or partiality which might come up in the course of the audit to the Chairman of the Supervisory Board. Furthermore, the auditor

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

 [www.cewecolor.de/en/investor-relations/corporate-governance/directors-dealing](http://www.cewecolor.de/en/investor-relations/corporate-governance/directors-dealing)

## 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.

Therefore, 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 specific issues, the Compliance Officer resorts to the respective department managers and, if required, to external legal counsel.

In this overall context, the company maintains an insider register, for example. 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 ob-

ligations 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, no infringements of law or guidelines were notified or became known.

### Business management report

The business management report according to Section 289a HGB (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.

### 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 79 et seq., and on the Internet at [www.cewecolor.de/de/investor-relations](http://www.cewecolor.de/de/investor-relations).

 [www.cewecolor.de/en/investor-relations/corporate-governance](http://www.cewecolor.de/en/investor-relations/corporate-governance)

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### Relevant information on business management policies

The 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.

The CEWE COLOR Group manages its operations traditionally in accordance with national and international laws as well as generally accepted ethical principles. In this context, the 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](http://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 applicable for all employees of the group and serves to implement the following behavioural principles:

#### Integrity and legitimate behaviour determines our actions

Our business relations are professional and free of unfair practices.

We avoid conflicts of interests between the 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 the 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](http://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.

The CEWE COLOR Group additionally supports the principles of the Compliance-Initiative des Bundesverbands Materialwirtschaft, Einkauf und Logistik e. V. (BME – German association for materials management, purchasing and logistics). More detailed information on these principles can be found at [www.bme.de/Compliance](http://www.bme.de/Compliance).

### Working practice of 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 discuss regularly 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.

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

 [www.cewecolor.de/en/company/compliance/mission-statement](http://www.cewecolor.de/en/company/compliance/mission-statement)

[www.cewecolor.de/en/company/compliance/code-of-conduct](http://www.cewecolor.de/en/company/compliance/code-of-conduct)

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 financial statements, and on the Internet at [www.cewecolor.de/en/investor-relations/business-reports](http://www.cewecolor.de/en/investor-relations/business-reports)) as well as the Corporate Governance report (pages 79 et seq. in the financial statements and on the Internet at [www.cewecolor.de/en/investor-relations/corporate-governance](http://www.cewecolor.de/en/investor-relations/corporate-governance)).

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Report of the Supervisory Board

 [www.cewecolor.de/en/investor-relations/business-reports](http://www.cewecolor.de/en/investor-relations/business-reports)

[www.cewecolor.de/en/investor-relations/corporate-governance](http://www.cewecolor.de/en/investor-relations/corporate-governance)

## Risk Policy

The risk policy of the 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 fac-

tors 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.

## 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 the CEWE COLOR Group, and is an essential part of the management system of the 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 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 the CEWE COLOR Group, which specifically governs the access and activities of individual persons 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 the 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 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, the 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 as well as
- Legal risks

#### Operating risks

The market for film and analogue pictures currently only accounts for a 10 % share of total revenues, and is continuously decreasing at a rate of approx. 35 % to 40 % 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. The CEWE COLOR Group sees an opportunity of increasing the print volume for digital photos in the product CEWE COLOR PHOTOBOOK. On the Internet, the volume of calendars with digital photos was again markedly increased at the end of the year.

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 (here based on Eurostat) expect a definitely positive economic development in all groups of countries for the year 2011.

A rise of the gross domestic product (GDP) of 2.2 % or respectively 1.9 % is assumed for Central and Western Europe, a 1.6 % increase in the Benelux countries, and in Central Eastern Europe a rise of 3.4 %.

<b>Change in GDP year-on-year in %</b>	2007	2008	2009	<b>2010</b>	e2011
Germany	2.6	1.3	-4.7	<b>3.6</b>	2.2
Switzerland	2.4	1.8	-2.2	<b>2.6</b>	1.8
Austria	2.6	1.9	-3.9	<b>2.0</b>	1.7
Denmark	1.4	0.7	-5.1	<b>2.3</b>	1.9
Sweden	2.0	1.0	-5.7	<b>4.8</b>	3.3
Norway	2.7	1.9	-2.8	<b>1.9</b>	2.1
<b>Central Europe</b>	<b>2.4</b>	<b>1.4</b>	<b>-4.4</b>	<b>3.3</b>	2.2
The Netherlands	3.3	2.3	-4.5	<b>1.7</b>	1.5
Belgium	2.0	1.4	-3.8	<b>2.0</b>	1.8
<b>Benelux</b>	<b>2.8</b>	<b>2.0</b>	<b>-4.2</b>	<b>1.8</b>	1.6
United Kingdom	2.7	0.7	-5.6	<b>1.4</b>	2.2
France	1.6	0.9	-2.6	<b>1.6</b>	1.6
<b>Western Europe</b>	<b>2.1</b>	<b>0.8</b>	<b>-4.1</b>	<b>1.5</b>	1.9
Poland	6.6	5.4	1.7	<b>3.5</b>	3.9
Hungary	1.5	1.7	-6.2	<b>1.1</b>	2.8
Czech Republic	5.9	4.4	-5.5	<b>2.4</b>	2.3
Slovakia	10.3	7.0	-4.9	<b>4.1</b>	3.0
<b>Central Eastern Europe</b>	<b>5.9</b>	<b>4.7</b>	<b>-1.4</b>	<b>2.9</b>	3.4

Source: Eurostat – Growth rate of the real GDP per capita (data as of February 15, 2011)

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 to the increased production costs owing to the declining quantities.

With respect to the photo paper suppliers we are currently focussing on two suppliers, however there are other suppliers yet on the market. There are further 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 developed alternative suppliers for strategic articles by risk-oriented 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 more than 40 % 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 2010 either.

In the past business 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 the 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

and a performance-related remuneration. We regularly analyse our regulations for representation and succession planning in particular with respect to key positions, to be able to take corrective measures without delay, if so required.

#### Financial risks

Owing to the increasing turnover in the retail business in Central Eastern Europe and Norway, or respectively Sweden, the portion of the turnover generated outside the euro zone increased by 38.3 %. 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 losses from exchange rates of 12.4 million euros, the turnover in euros was reported lower 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. Due to the low silver harvest, however, the risk of marketing silver tends to decline.

The interest rate risk is limited by the solid equity rate of 42.0 % 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.

The receivables risks were insured in accordance with their importance. No essential losses occurred in the expired business year due to the insolvency of major customers and the self-retention of the insurance. Credit risks going beyond this were sufficiently accounted for by specific allowances amounting to 383 thousand euros (last year: 1,134 thousand euros). In view of the financial market crisis, the accounts receivable department has followed an even more restrictive management course.

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 of originally 26.0 million euros was maintained, at 26.4 million euros (2009: 27.4 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.

Our subsidiary CEWE COLOR Ltd. England, Warwick, taken over in 2005, achieved a good result that was above plan.

#### Operational and logistics risks

The restructuring programme of analogue/digital transformation was completed with the shutdown of the production in Paris in 2009. By converting the plant in Bratislava to a marketing and distribution company, the site structure was further optimised in the past year. 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, the risk of fuel price increases exists.

#### 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 the 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 23, 2011, 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 (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 German Corporate Governance Code, the business management report of CEWE COLOR Holding AG also reports on the corporate governance of the company (Corporate Governance report).

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### 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 79 et seq., and on the Internet at [www.cewecolor.de/de/investor-relations](http://www.cewecolor.de/de/investor-relations).

### Relevant information on business management policies

The 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.

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

The CEWE COLOR Group manages its operations traditionally in accordance with national and international laws as well as generally accepted ethical principles. In this context, the 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](http://www.cewecolor.de/en/company/compliance/mission-statement.html).

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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 applicable for all employees of the

group and serves to implement the following behavioural principles:

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### Working practice of 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 ful-

files 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 discuss regularly 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.

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 financial statements, and on the Internet at [www.cewecolor.de/en/investor-relations/financial-statements](http://www.cewecolor.de/en/investor-relations/financial-statements) as well as the Corporate Governance report (page 79 et seq. in the financial statements and on the Internet at [www.cewecolor.de/en/investor-relations/corporate-governance](http://www.cewecolor.de/en/investor-relations/corporate-governance)).


#### Corporate Governance report

In the business year 2010 as well, the Board of Management and the Supervisory Board 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 value-added-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.

The full text of the Declaration of Conformity according to Section 161 AktG is contained in the financial statements on pages 79 et seq., and on the Internet at [www.cewecolor.de/de/investor-relations/corporate-governance](http://www.cewecolor.de/de/investor-relations/corporate-governance).

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[www.cewecolor.de/en/investor-relations/corporate-governance](http://www.cewecolor.de/en/investor-relations/corporate-governance)

## Remuneration Report

### Statutory disclosures pursuant to Section 315 (2) 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 Holding 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 part 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 the 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 con-

cerns 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 property, plant and equipment/amortisation of intangible assets of the CEWE COLOR Group. It is limited to a maximum of 100 % of the fixed remuneration for the same year. Furthermore, only such depreciation-relevant bonus shares shall be taken into account that 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 is paid out to the Management Board member in the year following the relevant financial year (Bonus I). The remaining 20 %

Pensions for the members of the Board of Management in thousand euros	2010			2009		
	Pension entitlements acquired	Pension entitlements Dec. 31, 2010	Provision	Pension entitlements acquired	Pension entitlements Dec. 31, 2009	Provision
Dr. Rolf Hollander (Chairman)	0.0	267.0	134.0	0.0	267.0	104.0
Andreas F.L. Heydemann	0.0	23.0	16.0	0.0	23.0	15.0
Dr. Reiner Fageth	0.0	0.0	9.0	0.0	0.0	8.0
Dr. Olaf Holzkämper	0.0	0.0	10.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>290.0</b>	<b>169.0</b>	<b>0.0</b>	<b>290.0</b>	<b>127.0</b>

(Bonus II) is credited to the account of a personal bonus bank. This bonus bank credit is retained for the several-year duration of the term of the personal contract, collects 5.0 % interest per annum, and is finally paid out including this interest credit. Any negative pre-tax earnings, insofar as these extend beyond 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 and to the extent that it is in the black. In the event of a premature departure, rules for a pro-rata payment apply.

The third stock option plan 2005 has a term of five years and ends with the expiry of September 30, 2010. Since the valid strike prices as performance target were not reached and exceeded in the required qualified form, none of the issued share options could be exercised. Members of the Board of Management participated in the previous plan with the purchase of a total of 36,000 option rights in 2005. 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 the Board members was at 15.04 euros at the date of granting. Neither in the business year 2010 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 options plans.

The fourth stock option plan was launched in 2010 to renew a further performance-dependent remuneration component. Refer to the notes on equity capital in the notes to the consolidated financial statements on page 126 et seq. for information on the structure of this plan; its structure is generally the same as that of the former plans. The members of the Board of Management participated with the purchase of a total of 31.500 option rights in 2010. Participation and scope of participation were again voluntary. The participant had to pay 0.50 euros for each option right. The fair value per option pursuant to IFRS 2.10 et seq. for the Board members was at 6.39 euros at the date of granting. Here too, the Board members received no accruals from the exercise of the option rights.

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 fiscal 2010, which they received for the performance of their duties at the parent company and at the subsidiaries amounted to 1,322 thousand euros (last year: 968 thousand euros). The significant overall increase compared to the previous year is explained by the fact that Dr. Olaf Holzkämper, who has been working for the CEWE COLOR Group since January 1, 2005, was appointed to the Board of the CEWE COLOR Holding AG with effect from April 1, 2010. These remunerations are composed as follows:

	2010					2009				
	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
<b>Board of Management remuneration, shareholdings, options</b> in thousand euros										
Dr. Rolf Hollander (Chairman)	496	148	644	46,375	8,500	415	132	547	46,375	12,000
Andreas F.L. Heydemann	166	46	212	5,000	8,500	170	40	210	5,000	12,000
Dr. Reiner Fageth	188	46	234	2,800	6,000	171	40	211	2,800	6,000
Dr. Olaf Holzkämper	186	46	232	2,500	8,500	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>1,036</b>	<b>286</b>	<b>1,322</b>	<b>56,675</b>	<b>31,500</b>	<b>756</b>	<b>212</b>	<b>968</b>	<b>54,175</b>	<b>30,000</b>

The fixed remuneration of Dr. Rolf Hollander was adjusted during fiscal 2009 as part of an extension of contract for the period January 1, 2010 to December 31, 2014 and remains inasmuch unchanged for this period. The fixed remuneration of the other Board members is adjusted annually to the same extent that the fixed remuneration of the other German senior management of the CEWE COLOR Group changes.

The variable performance-related earnings of the active Board members of CEWE COLOR Holding AG, Oldenburg, amounted to 286 thousand euros in the year under review and were thus 34.9 % higher than those of the preceding year (212 thousand euros). Adjusted for the variable, performance-related remunerations of Dr. Olaf Holzkämper, the variable remunerations of the Board members, totalling 240 thousand euros, increased by 13.2 % compared to fiscal 2009.

Subject to the first-time application of the new contractual bonus provisions, the variable remunerations (bonuses) of the Board members of the CEWE COLOR Holding AG for fiscal 2010 with pay-out in fiscal 2011, in the amount of 391 thousand euros (Bonus I) will be 36.7 % above those of 2010 (286 thousand euros). In addition to this, a total of 98 thousand euros are deposited as Bonus II in the bonus bank accounts, so that the total bonus claims of the Board members for fiscal 2010 amount to 489 thousand euros.

The scope of cover of the existing D & O insurance for Board members was thus reorganized so that 10 % of a possible loss up to the amount of one-and-a-half times the fixed annual remuneration remains with the insured party. The individual Board members can themselves decide whether to take out supplementary insurance cover at their 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-rate 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 (4), no. 9; also refer to page 97).

Pension commitments for which in part re-insurance policies have been 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

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Standard company pension scheme in thousand euros	2010			2009		
	Pension entitlements acquired	Pension entitlements Dec. 31, 2010	Provision	Pension entitlements acquired	Pension entitlements Dec. 31, 2009	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	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>12.0</b>	<b>4.0</b>	<b>0.0</b>	<b>9.0</b>	<b>3.0</b>



of the activity as a member of the Board of Management, however, six ninth at most. For Dr. Rolf Hollander and Mr. Andreas F.L. Heydeman, the total fixed remuneration for their activity as a member of the Board of Management of CEWE COLOR Holding AG, Oldenburg, and of 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. These commitments do not include survivors' benefits. The service cost for pension benefits in 2010 is shown below taking into account an actuarial interest rate of 5.00 % (previous year: 5.7 %) 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 Mr. 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 from a direct pension commitment. This includes survivors' benefits amounting to 50 % of the respective pension. Dr. Reiner Fageth and Dr. Olaf Holzkämper 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 this amount to 1 thousand euros for each member of the Board of Management (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 is comprised 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 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 euros for each attendance at a Supervisory Board meeting. The amounts are payable after the end of the fiscal year.

In addition, each member of the Supervisory Board receives a performance- and dividend-dependent annual remuneration. This remuneration is based on the undiluted profit per share according to IFRS and amounts to 250 euros for each 0.05 euro of that part of the profit that exceeds the profit of 0.25 euro 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 euros for each 0.05 of that share of the dividend that exceed 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 fiscal year. Members of the Supervisory Board who only belonged to the Supervisory Board for a part of the fiscal year shall be remunerated on a prorata basis.

The table on the next page shows the remunerations of the Supervisory Board.

The CEWE COLOR Holding AG refunds the members of the Supervisory Board for a turnover tax incurred on their remuneration. The above described amounts do not include turnover tax. In fiscal 2010 as well, no member of the Supervisory Board owned option rights.

Members of the Supervisory Board are also included in the cover of the D & O insurance. A deductible of 10 % of the possible loss up to an amount totalling two times the Supervisory Board 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 2,516 thousand euros (previous year: 2,540 thousand euros) as of the effective date of December 31, 2010. The pension benefits for fiscal 2010 amounted to 301 thousand euros (previous year: 299 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. Beyond the pension benefits paid to former members of the Board of Management, Mr. Michael Wefers, who retired from the Board of CEWE COLOR Holding AG, as of December 31, 2008, received 103 thousand euros (previous year: 103 thousand euros) in fiscal 2010 from claims arising from a post-contractual prohibition of competition, as well as an additional

40 thousand euros in 2009 as a bonus for fiscal year 2008, which was the last year of his activities in the company. 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 the 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.

	2010							2009					
	Fixed remuneration	Meeting fees	Amounts dependent on results	Amounts dependent on dividends	Total remuneration	Shareholdings	Option rights	Fixed remuneration	Meeting fees	Amounts dependent on dividends	Total remuneration	Shareholdings	Option rights
<b>Supervisory Board remuneration, shareholdings, options</b> in thousand euros													
Hubert Rothärmel (Chairman)	12.0	5.0	7.0	16.0	40.0	50,000	0.0	12.0	5.0	11.3	28.3	50,000	0.0
Hartmut Fromm (Deputy Chairman)	9.0	4.0	5.3	12.0	30.3	0	0.0	9.0	4.0	9.4	22.4	0	0.0
Prof. Dr. Dr. h. c. Hans-Jürgen Appelrath	6.0	4.0	3.5	8.0	21.5	0	0.0	6.0	5.0	7.5	18.5	0	0.0
Otto Korte	6.0	5.0	3.5	8.0	22.5	0	0.0	6.0	5.0	7.5	18.5	0	0.0
Prof. Dr. Michael Paetsch	6.0	5.0	3.5	8.0	22.5	0	0.0	6.0	4.0	7.5	17.5	0	0.0
Dr. Joh. Christian Jacobs	6.0	4.0	3.5	8.0	21.5	0	0.0	6.0	4.0	7.5	17.5	0	0.0
<b>Total</b>	<b>45.0</b>	<b>27.0</b>	<b>26.3</b>	<b>60.0</b>	<b>158.3</b>	<b>50,000</b>	<b>0.0</b>	<b>45.0</b>	<b>27.0</b>	<b>50.7</b>	<b>122.7</b>	<b>50,000</b>	<b>0.0</b>

## Statutory disclosures pursuant to Section 315 (4) of the German Commercial Code (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 articles 5.1 and 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
			<b>7,380,020</b>	<b>19,188,052.00</b>	<b>100.0000 %</b>	

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

 Page 159 | Notes: E. Other Notes

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.

All tenancies are settled at usual market conditions. As for the rest, we refer to the explanations in the notes on IAS 24 (see page 159).

## Organisation

The CEWE COLOR Group is structured as follows:

### Shareholders



### CEWE COLOR Holding AG

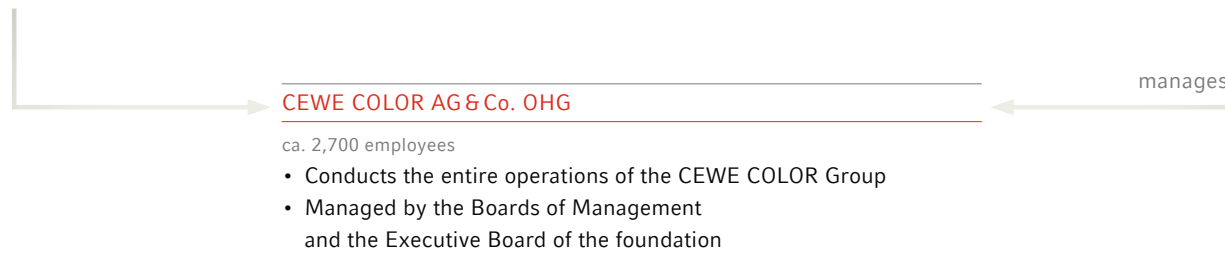
4 Members on the Board of Management, no other employees

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

### Neumüller CEWE COLOR Stiftung

9 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. 2,700 employees

- Conducts the entire operations of the CEWE COLOR Group
- Managed by the Boards of Management and the Executive Board of the foundation

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

### Legal structure combines capital market and family

The founder, Senator h.c. Heinz Neumüller wanted to make certain, on the one hand, that his entrepreneurial principles were permanently incorporated in the company, and on the other hand, that the existence of the company was sustainably guaranteed.

This purpose is served by the Neumüller CEWE COLOR Stiftung (foundation) and the 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 to the company.

Page 106  
Board of Management and  
Managing Directors

Page 27 | Shareholder structure

The company founder always required the 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 an attractive investment 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 the sustained 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 the CEWE COLOR Group by Board of Management and managing directors

The Board members and the managing directors of Neumüller CEWE COLOR Stiftung are responsible for the overall planning and realisation of the objectives of the 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 Neumüller CEWE COLOR Stiftung. The division of responsibilities is explained in the chapter "Board of Management and Managing Directors".

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

The foremost long-term objective of the CEWE COLOR Group is a profitable and capital-efficient growth. During the difficult phase of analogue/digital transformation, the positive basic trend in the digital business was overlayed 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 in the long term.

#### Regular strategic work

The long-term strategy of the 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, if this makes sense with respect to the overall situation. Several scenarios are worked out for potential developments in the profit and loss account, balance sheet and cash flow.

#### Integration of the heads of profit centres in planning

Once a year, the planning parameters arise from this strategic perspective, which are provided to the heads of the production plants and distribution agencies as a planning basis. Subsequently, the above persons will compile their plans with a view to the following year including, however, a more extensive perspective, with several iterations where appropriate. The completed business plan and its benchmarks for the following year will then be 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 the year is steadily increasing as a result of the seasonal migration described in the chapter "Results" in the sections "Turnover" and "Expenses and Earnings". This presents a particular challenge for the 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

A profit-and-loss target-performance comparison is carried out monthly for each profit centre, for the aggregation levels of the segments, and for the CEWE COLOR Group as a whole. The balance sheet and the cash flow statement are prepared on a monthly basis. These target-performance comparisons serve the closely-knit monitoring of the achievement of objectives, as well as the potentially required intervention of 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 experiences.

### 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 the core measures on the management of the analogue/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 determine new measures for corporate performance.

## Special Events Following the End of the Business Year

On February 28, 2011, the Board of Management decided to offer shares of CEWE COLOR Holding AG, Oldenburg, as employee shares

to the employees of the CEWE COLOR Group according to Section 3, no. 39 EStG.

## REPORT ON EXPECTED DEVELOPMENTS

Page 62  
Research and Development

### No changes planned in business policy

CEWE COLOR is a photofinishing company with additional photo retail trade activities. Chemical silver-halide development was previously the dominating production technology in the photofinishing sector. In the course of the analogue-to-digital transformation of the photofinishing business, CEWE COLOR has built up capacities and competence in digital printing production technology. This technology and the comprehensive Internet competence is the basis for commercial digital printing, which CEWE COLOR started and plans to expand in the coming years. For the first time, a branded product was established in photofinishing – the CEWE PHOTOBOOK – which is positioned and advertised in the premium sector to guarantee the advance sales with the consumers, thus directing them to our trading partners. No changes to this business policy are planned.

### Focus remains on Europe

CEWE COLOR operates its business almost exclusively in Europe. In the foreseeable future, turnover and earnings are most likely to also be generated almost exclusively in Europe. However, the region 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 potential of the 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 and other means.

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

### 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 position as frequent market leader.

### Sturdy growth expected in industrial countries

According to the forecast of the World Bank, the global economic growth will slow down considerably in 2011. Adjusted for prices, the gross domestic product (GDP) is expected to rise by around 3.3 %. Once more, the growth will probably be driven by the high economic momentum of the threshold countries, so that the International Monetary Fund expects growth to occur at two speeds. For the entire South-Asian/Pacific area, for instance, the World Bank awaits a growth rate of 8.0 %. The economy in the industrial countries will grow robustly, at a rate of 2.4 % (2011), even if it continues to lose momentum due to the decreasing catch-up effects in investments. While the United States should be able to maintain their growth rate in 2011, at +2.8 %, the Japanese economy is bound to forfeit its momentum noticeably (+1.8 %).

Page 87  
Change in GDP year-on-year



### Growth in euro zone rather moderate

The Kiel Institute for World Economy (DIW) forecasts a slight weakening in growth of the GDP for the euro zone, to 1.3 % from 1.7 % in the previous year. However, the Institute points out that the risks for economic development will remain high. The measures implemented to-date to stabilise the euro zone merely represented a treatment of symptoms, but not an elimination of the true causes for the debt crisis.

### CEWE COLOR largely aloof from general economic trend

During the economically generally difficult phase 2008/2009, the following became apparent: the course of business of CEWE COLOR takes place without great dependency on the general economic development. The consumers attach a high emotional value to the products of the core business, photofinishing, which at the same time involves a comparably low financial input. In 2008 and 2009, the downswing in economic activity and the consumer restraint did not materially affect CEWE COLOR. The correlation between general consumer restraint and the economic situation was stronger only in the UK and in Central Europe. The change to higher-priced value-added products (e. g. wall decoration products) would seem to indicate that this product segment is more dependent on consumer sentiment. However, no actual developments in this direction are currently evident.

### 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 CEWE PHOTOBOOK (the European market leader), additional value-added products, and its strong Internet competence, CEWE COLOR is excellently positioned to promote and profit from this transformation.

### Ramping up of commercial digital printing unaffected by economic situation

Web-to-Print commercial digital printing offers numerous benefits for those who order through this channel: 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.

### Challenge: Web-to-Print marketing

The development of the business model of Web-to-Print commercial digital printing depends mainly on two factors: how quickly we can convince a large number of companies of the advantages of the offer, and how quickly the customers change their actual behaviour. The “established” patterns of behaviour in printing and binding have to be changed – away from customers doing their own printing, away from the copy shop, and away from using conventional print suppliers. Experience has shown that such changes in patterns of behaviour take time. However, CEWE COLOR expects Web-to-Print commercial digital printing to account for a significant share of total turnover in the medium term.

### The characteristic features of 2012 will resemble those of 2011

2011 is also characterised by the same dual approach: on the one hand, the very active further development of the CEWE PHOTOBOOK business and other value-added products; on the other hand, the work in developing the business model in commercial digital printing. Judging from our present viewpoint, these will be the main development directions in which the CEWE COLOR company will be working in 2012.

### Three main trends impact the structure of the profit and loss statement

Three main trends impacted the profit and loss statement, sometimes in contrary ways: the first effect came from the “mass to class” trend, in which the share of value-added products with higher “added value” grew. The following tendency is then discernable: the material expenses fall, the personnel costs and other operating expenses increase. Second, the retail trade share rose in 2010. This produces a contrary effect: cost of materials increase while the personnel expenses and other expenses fall. The importance of this trend will depend on the development of the retail trade. Third, the end of the analogue-to-digital transformation-related restructuring process causes expenses to fall. This reduces the personnel expenses, the other operating expenses and the write-offs. The interaction of these trends will probably determine the structure of the profit and loss statement in the coming years.

### 2011 with a “tailwind” from two directions

The last major analogue-to-digital transformation-related restructuring burdens, in the amount of approx. 10 million euros per year, have fallen away since 2009. Net income for 2010 has already profited strongly from this. However, optimisation costs of 2.2 million euros for the transformation of the Bratislava location were incurred in 2010, based on an analysis of the location layouts in Europe. The Board of Management does not expect comparable expenses of this extent to arise in each year. The second “tailwind” in 2011 is the falling away of the 3.0 million special tax burden that resulted in 2010 for the fiscal non-recognition of the debt waiver vis-à-vis the French subsidiary from the year 2008.

### Further increase in earnings forecast for 2011

The company will use this impetus to invest in the CEWE PHOTOBOOK and other value-added photofinishing products, as well as in Web-to-Print commercial digital printing. CEWE COLOR is well positioned to continue to increase the value of the enterprise in the coming years for employees, shareholders, trading partner and consumers.

CEWE COLOR will increase earnings in 2011 as well, despite expenses for future market developments. Results for 2011 and 2012 are expected to be in the black. Concrete target figures can be allocated for 2011: earnings per share is expected to increase from 2.02 euros per share (2010) to 2.36 euros, and to 2.80 euros per share in 2011 – a rise of up to 39 %.

All further targets are shown in the following table:

Targets for 2011		Change to previous year
Digital prints	2.0–2.1 billion units	–6% to –1%
Prints from film	0.23–0.26 billion units	–38% to –30%
Total prints	2.23–2.36 billion units	–11% to –6%
CEWE PHOTOBOOKS	4.6–4.8 million units	+7% to +12%
Investments	30–32 million euros	+14% to +21%
Revenues (adjusted for foreign-currency effects)	447–460 million euros	+/-0% to +3%
EBIT	28–31 million euros	+/-0% to +10%
Earnings before taxes (EBT)	26–29 million euros	+/-0% to +10%
Earnings after tax	16–19 million euros	+17% to +39%
Earnings per share	2.36–2.80 euros/share	+17% to +39%

### 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. As a result, a dividend of 1.05 euros per share was paid in 2010 on earnings per share of 1.00 euro in 2009 to underline the firm expectations of the Board of Management, shared by the Supervisory Board, that earnings would increase in 2010. This increase has now, in fact, occurred and the Supervisory Board will consequently recommend to the general meeting a dividend increase.

 Page 133 | Earnings per share

Oldenburg, March 9, 2011

**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

### Statements oriented at the future

This report contains information and forecasts that relate to the future development of the 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 Neumüller CEWE COLOR Stiftung

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Structure and Corporate Bodies

[www.cewecolor.de/en/company/corporate-structure/board-of-management](http://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  
Neumüller CEWE COLOR Stiftung



**Dr. Reiner Fageth**

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



**Dr. Michael Fries**

Member of the Board of Management of  
Neumüller CEWE COLOR Stiftung

Responsible for the German plants, personnel and logistics



**Thomas Grunau**

Managing Director  
of Neumüller CEWE COLOR Stiftung

Responsible for marketing and product management



**Felix Thalmann**

Member of the Board of Management of  
Neumüller CEWE COLOR Stiftung

Responsible for foreign countries and expansion



**Harald H. Pirwitz**

Member of the Board of Management of  
Neumüller CEWE COLOR Stiftung

Responsible for sales in Germany, Austria and  
Switzerland and marketing



**Frank Zweigle**

Member of the Board of Management of  
Neumüller CEWE COLOR Stiftung

Representative of the beneficiaries



### CEWE PHOTOBOOK production

This photo shows the rotary unit of a three-knife trimming robot for binding products. A knife cuts the three sides of a perfect-bound book block of the CEWE PHOTOBOOK to its final size. Following the cutting process, the books are automatically stacked and the finished products can be taken away.

## CONSOLIDATED FINANCIAL STATEMENTS

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## CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the fiscal year 2010 of CEWE COLOR Holding AG, Oldenburg

<i>Figures in thousand euros</i>	<b>2010</b>	2009	Change	Notes
Revenues	446,800	409,813	9.0 %	C23
Increase/decrease in the inventory of finished and unfinished products	-11	42	0.0 %	
Other work performed and capitalised	1,486	1,249	19.0 %	
Other operating income	24,929	28,273	-11.8 %	C24
Cost of materials	-168,660	-154,735	-9.0 %	C25
<b>Gross profit/loss</b>	<b>304,544</b>	<b>284,642</b>	<b>7.0 %</b>	
Employee expenses	-102,320	-104,788	2.4 %	C26
Other operating expenses	-136,362	-123,961	-10.0 %	C27
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>65,862</b>	<b>55,893</b>	<b>17.8 %</b>	
Depreciation of property, plant and equipment and amortisation of intangible assets	-37,710	-37,238	-1.3 %	C28
<b>Earnings before interest and taxes (EBIT)</b>	<b>28,152</b>	<b>18,655</b>	<b>50.9 %</b>	
Net financial income	-1,776	-1,894	6.2 %	C30
<b>Earnings before taxes (EBT)</b>	<b>26,376</b>	<b>16,761</b>	<b>57.4 %</b>	
Income taxes	-11,710	-9,242	-26.7 %	C31
Other taxes	-949	-779	-21.8 %	C32
<b>Earnings after taxes</b>	<b>13,717</b>	<b>6,740</b>	<b>104 %</b>	
net profit/loss attributable to minority shareholders	2	-5	-140 %	C33
net profit/loss attributable to the shareholders of the parent company	13,715	6,745	103 %	C33
<b>Earnings per share (in euros)</b>				
basic	2.02	0.99	104.0 %	C34
diluted	2.02	1.00	102.0 %	C34



## CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES

for the fiscal year 2010 of CEWE COLOR Holding AG, Oldenburg

<i>Figures in thousand euros</i>	2010	2009	Change	Notes
<b>Earnings after tax</b>	<b>13,717</b>	<b>6,740</b>	<b>104 %</b>	
Currency translation differences	1,796	1,381	30.1 %	A5
Market assessment of hedging transactions	244	-68	459 %	
Taxes on income and expenses recognised not affecting income	735	-88	—	D69
<b>Expenses and income after taxes not affecting income</b>	<b>2,775</b>	<b>1,225</b>	<b>126.5 %</b>	C31
<b>Total profit/loss</b>	<b>16,492</b>	<b>7,965</b>	<b>107.1 %</b>	
total profit/loss attributable to minority shareholders	5	-3	—	
total profit/loss attributable to the shareholders of the parent company	16,487	7,968	106.9 %	

## CONSOLIDATED BALANCE SHEET

as of December 31, 2010 of CEWE COLOR Holding AG, Oldenburg

<b>ASSETS</b>	<i>Figures in thousand euros</i>	<b>2010</b>	2009	Change	<i>Notes</i>
Property, plant and equipment		80,495	86,701	-7.2 %	D35
Real estate held as financial investment		4,803	5,288	-9.2 %	D37
Goodwill		9,053	10,325	-12.3 %	D38
Intangible assets		16,301	18,535	-12.1 %	D39
Non-current financial assets		200	294	-32.0 %	D40
Non-current receivables from income tax refund		2,896	2,971	-2.5 %	D41
Non-current receivables and assets		357	334	6.9 %	D42
Deferred tax assets		5,387	5,219	3.2 %	D43
<b>Non-current assets</b>		<b>119,492</b>	<b>129,667</b>	<b>-7.8 %</b>	
Assets held available for sale		192	2,044	-90.6 %	D44
Inventories		50,287	52,259	-3.8 %	D45
Current trade receivables		72,024	66,533	8.3 %	D46
Current receivables from income tax refund		1,150	1,131	1.7 %	D47
Current other receivables and assets		20,983	8,720	141 %	D48
Cash and cash equivalents		23,382	8,218	185 %	D49
<b>Current assets</b>		<b>168,018</b>	<b>138,905</b>	<b>21.0 %</b>	
		<b>287,510</b>	<b>268,572</b>	<b>7.1 %</b>	

<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<i>Figures in thousand euros</i>	<b>2010</b>	2009	Change	<i>Notes</i>
Subscribed capital		19,188	19,188	—	D50
Capital reserves		56,228	56,228	—	D55
Special items for treasury shares		-17,647	-17,007	-3.8 %	D56
Retained earnings and net retained profits		62,897	53,250	18.1 %	D57
<b>Equity capital attributable to shareholders</b>		<b>120,666</b>	<b>111,659</b>	<b>8.1 %</b>	
Minority interest		40	35	14.3 %	D58
<b>Equity</b>		<b>120,706</b>	<b>111,694</b>	<b>8.1 %</b>	
Non-current special items for investment grants		415	515	-19.4 %	D59
Non-current provisions for pensions		10,025	9,695	3.4 %	D60
Non-current deferred tax liabilities		1,791	1,650	8.5 %	D61
Non-current other provisions		878	1,142	-23.1 %	D62
Non-current financial liabilities		24,099	26,062	-7.5 %	D63
Other non-current liabilities		183	73	150.7 %	
<b>Non-current liabilities</b>		<b>37,391</b>	<b>39,137</b>	<b>-4.5 %</b>	
Current special items for investment grants		100	100	—	
Current provisions for taxes		4,694	3,659	28.3 %	D64
Current other provisions		8,633	11,635	-25.8 %	D65
Current financial liabilities		6,641	6,462	2.8 %	D66
Other current trade payables		82,599	73,225	12.8 %	D67
Other current liabilities		26,746	22,660	18.0 %	D68
<b>Current liabilities</b>		<b>129,413</b>	<b>117,741</b>	<b>9.9 %</b>	
		<b>287,510</b>	<b>268,572</b>	<b>7.1 %</b>	

## CONSOLIDATED CASH FLOW STATEMENT

for the fiscal year 2010 of  
CEWE COLOR Holding AG, Oldenburg

 Notes E 71

<i>Figures in thousand euros</i>	2010	2009	Change
EBIT	28,152	18,655	50.9 %
+/- Adjustments for:			
+/- Depreciation (+) / allocations (-)	37,710	36,737	2.6 %
+/- Currency effects not realised	1,440	619	133 %
+/- Changes in other non-current accounts receivable and debts	158	-874	118 %
+/- Income / loss from the disposal of fixed assets	104	1,085	-90.4 %
<b>+/- Other non-cash transactions</b>	<b>565</b>	<b>-1,263</b>	<b>—</b>
<b>= EBIT adjustment for cash flow</b>	<b>39,977</b>	<b>36,304</b>	<b>10.1 %</b>
<b>= EBIT-induced cash flow</b>	<b>68,129</b>	<b>54,959</b>	<b>24.0 %</b>
+/- Decrease (+) / increase (-) operating net working capital	5,854	-18,063	—
Decrease (+) / increase (-) other operating net working capital (excluding income tax items)	-9,425	4,486	—
+/- Taxes paid	-11,595	-4,885	-137 %
<b>= Working capital and tax-induced cash flow</b>	<b>-15,166</b>	<b>-18,462</b>	<b>-17.9 %</b>
<b>= Cash flow from operating activities</b>	<b>52,963</b>	<b>36,497</b>	<b>45.1 %</b>
- Cash flow from investing activity to fixed assets	-26,350	-27,434	4.0 %
- Outflowing funds from the acquisition of a business	-1,398	0	—
+ Cash flow from the disposal of tangible and intangible assets	425	853	-50.2 %
<b>= Cash flow from investing activity</b>	<b>-27,323</b>	<b>-26,581</b>	<b>-2.8 %</b>
<b>= Free cash flow</b>	<b>25,640</b>	<b>9,916</b>	<b>159 %</b>
+/- Cash flow (-) to / cash flow (+) from shareholders			
- Disbursed dividends	-7,149	-6,809	-5.0 %
- Purchase of treasury shares	-641	-609	-5.3 %
- Evaluation of stock options according to IFRS 2	252	-8	—
	-7,538	-7,426	-1.5 %
<b>+/- Cash flow to (+) / cash flow from (-) the change of financial liabilities</b>	<b>-1,786</b>	<b>-2,748</b>	<b>-35.0 %</b>
+/- Cash flow to (+) / cash flow from (-) the change of interest income	-1,483	-1,640	9.6 %
+/- Other non-cash financial transactions	-27	-71	62.0 %
<b>= Cash flow from investing activity</b>	<b>-10,834</b>	<b>-11,885</b>	<b>-8.8 %</b>
<b>Development of cash and cash equivalents</b>			
<b>= Net change in cash and cash equivalents</b>	<b>14,806</b>	<b>-1,969</b>	<b>—</b>
Effect of exchange rate changes on cash and cash equivalents	358	107	-235 %
+ Cash and cash equivalents at start of period	8,218	10,080	-18.5 %
<b>= Cash and cash equivalents at end of period</b>	<b>23,382</b>	<b>8,218</b>	<b>185 %</b>

## SEGMENT REPORTING

for the fiscal year 2010 of CEWE COLOR Holding AG, Oldenburg

Business year 2010	Figures in thousand euros	Photofinishing				Addition Photofinishing	Retail	Eliminations	CEWE COLOR Group total
		Central Europe	Benelux	Western Europe	Centr. East. Europe				
Revenues with external third parties		229,189	33,039	43,496	30,309	336,033	110,767	—	446,800
Currency effects		-2,219	—	-374	-892	-3,485	-8,954	—	-12,439
Revenues with external third parties, adjusted for currency effects		226,970	33,039	43,122	29,417	332,548	101,813	—	434,361
Revenues with other segments		40,180	2,169	1,908	4,988	49,245	349	-49,594	—
<b>Segment turnover</b>		<b>269,369</b>	<b>35,208</b>	<b>45,404</b>	<b>35,297</b>	<b>385,278</b>	<b>111,116</b>	<b>-49,594</b>	<b>446,800</b>
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

Business year 2009	Figures in thousand euros	Photofinishing				Addition Photofinishing	Retail	Eliminations	CEWE COLOR Group total
		Central Europe	Benelux	Western Europe	Centr. East. Europe				
Revenues with external third parties		207,668	34,564	45,551	28,562	316,345	93,468	—	409,813
Revenues with other segments		41,396	1,836	2,214	4,500	49,946	806	-50,752	—
<b>Segment turnover</b>		<b>249,064</b>	<b>36,400</b>	<b>47,765</b>	<b>33,062</b>	<b>366,291</b>	<b>94,274</b>	<b>-50,752</b>	<b>409,813</b>
Scheduled depreciation		-28,736	-263	-2,069	-1,719	-32,787	-2,941	—	-35,728
Unscheduled depreciation		—	—	-885	-625	-1,510	—	—	-1,510
EBIT		26,400	1,377	-10,997	168	16,948	1,707	—	18,655
Restructuring expenditures		—	—	9,224	298	9,522	—	—	9,522
EBIT before restructuring		26,400	1,377	-1,773	466	26,470	1,707	—	28,177
Other financial result		261	—	—	—	261	—	—	261
Interest expense		1,736	14	10	1	1,761	27	—	1,788
Interest income		-41	-19	—	-54	-114	-41	—	-155

## 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 3.59	Consolidated equity generated	Reclassification from provisions not affecting net income	Special item for Stock Option Plan	Other equity items	Market valuation of hedge transactions
<b>Balance on Jan. 1, 2009</b>	19,188	56,228	1,075	49,864	—	3,512	-309	-403
Earnings after tax	—	—	—	6,745	-227	—	—	227
Reclassification	—	—	—	—	13	—	—	—
Expenses and income not affecting profit or loss	—	—	—	—	—	—	—	-68
<b>Total profit/loss</b>	—	—	—	6,745	-214	—	—	159
Disbursed dividend	—	—	—	-6,809	—	—	—	—
Share of the Stiftung (foundation) in the HGB result of the OHG	—	—	—	—	—	—	-40	—
Acquisition of treasury shares	—	—	—	—	—	—	—	—
Other changes in equity	—	—	—	—	—	-8	—	—
<b>Owner-related change in equity capital</b>	—	—	—	-6,809	—	-8	-40	—
<b>Balance on Dec. 31, 2009</b>	—	56,228	1,075	49,800	-214	3,504	-349	-244
Earnings after tax	—	—	—	13,715	—	—	—	—
Expenses and income not affecting profit or loss	—	—	—	—	—	—	—	244
<b>Total profit/loss</b>	—	—	—	13,715	—	—	—	244
Disbursed dividend	—	—	—	-7,149	—	—	—	—
Acquisition of treasury shares	—	—	—	—	—	—	—	—
Completion of share option plan 2005	—	—	—	3,504	—	-3,504	—	—
Start of share option plan 2010	—	—	—	—	—	309	—	—
<b>Owner-related change in equity capital</b>	—	—	—	-3,645	—	-3,195	—	—
<b>Balance on Dec. 31, 2010</b>	19,188	56,228	1,075	59,870	-214	309	-349	—

Adjustment item for currency translation in equity	Income taxes without effect on net income taken into account	Parent company other comprehensive group income		Special items for treasury shares	Equity capital attributable to shareholders	Minority shareholders			Equity capital according to Consolidated Balance Sheet	Notes
		Retained earnings and net retained profits	Equity acc. to consol. bal. sh. before deduction of treasury shares			Minority capital	Adjustment item for currency translation	Minority interest		
-1,600	—	52,139	127,555	-16,398	111,157	54	4	58	111,215	
—	—	6,745	6,745	—	6,745	-5	—	-5	6,740	
-13	—	—	—	—	—	—	—	—	—	
1,379	-88	1,223	1,223	—	1,223	—	2	2	1,225	
1,366	-88	7,968	7,968	—	7,968	-5	2	-3	7,965	
—	—	-6,809	-6,809	—	-6,809	—	—	—	-6,809	D 57
—	—	-40	-40	—	-40	—	—	—	-40	
—	—	—	—	-609	-609	—	—	—	-609	D 56
—	—	-8	-8	0	-8	—	-20	-20	-28	
—	—	-6,857	-6,857	-609	-7,466	—	-20	-20	-7,486	
-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 57
—	—	—	—	-640	-640	—	—	—	-640	D 56
—	—	—	—	—	—	—	—	—	—	D 53
—	—	309	309	—	309	—	—	—	309	D 53
—	—	-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	

## NOTES

### A. General Information

#### 1 | Corporate information

CEWE COLOR Holding AG, Oldenburg, (hereinafter referred to as CEWE COLOR Holding) is a public limited company listed on the stock exchange with registered seat in Germany. The major operating activities of the CEWE COLOR Group (hereinafter referred to as CEWE COLOR) are photofinishing and the photo retail trade.

The present consolidated financial statements and the group management report for the fiscal year 2010 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 fiscal year from January 1, 2010 to December 31, 2010 were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable on the cut-off date and in the version to be applied in the EU, as well as with the respective provisions of Section 315a (1) HGB.

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

- IFRS 1 (revised 2008) "First-time Adoption of International Financial Reporting Standards" (November 25, 2009)
- Changes to IFRS 1 "Additional Exceptions for First-time Adopters" (June 23, 2010)
- Changes to IFRS 2 "Share-based Payment" (March 23, 2010)
- IFRS 3 (revised 2008) "Business Combinations" (June 3, 2009)
- IAS 27 (revised 2008) "Consolidated and Separate Financial Statements" (June 3, 2009)
- Hedge Accounting – Change of IAS 39 "Financial Instruments: Recognition and Measurement" (September 15, 2009)
- Improvements of the International Financial Reporting Standards (published by IASB in May 2008) (January 23, 2009)
- Improvements of the International Financial Reporting Standards (published by IASB in April 2009) (March 23, 2010)
- IFRIC 12 "Service Concession Arrangements" (March 25, 2009)
- IFRIC 15 "Agreements for the Construction of Real Estate" (July 22, 2009)
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" (June 4, 2009)
- IFRIC 17 "Distribution of Non-cash Assets to Owners" (November 26, 2009)
- IFRIC 18 "Transfers of Assets from Customers" (November 27, 2009)

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, 2010, however, are not yet mandatory (in parentheses 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)
- Change to IFRS 7 "Financial Instruments: Disclosures" (June 30, 2010)
- IAS 24 (revised 2009) "Related Party Disclosures" (July 19, 2010)
- Change to IFRS 32 "Financial instruments: Presentation" (December 23, 2009)
- Change to IFRIC Interpretation 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction" (July 19, 2010)
- IFRIC Interpretation 19 "Extinguishing Financial Liabilities with Equity Instruments" (July 23, 2010)

The following standards and interpretations were already adopted by European law as at December 31, 2010, however, are not yet mandatory (in parentheses date of publication by IASB):

- Improvements of the International Financial Reporting Standards (published by IASB in May 2010) (May 6, 2010)
- Change to IFRS 1 "First-time Adoption of International Financial Reporting Standard" (December 20, 2010)



- Change to IFRS 7 “Financial Instruments: Disclosures” (October 7, 2010)
- Change to IAS 12 “Deferred Taxes: Recovery of Underlying Assets” (December 20, 2010)
- Change to IAS 9 “Financial Instruments” (October 28, 2010)

To the extent new standards that have not yet become effective for 2010 can be applied on a voluntary basis, we have not made use of this option. The application of standards published as of the balance sheet date, whose implementation is not yet mandatory, is not likely to have any essential effect on the net worth, financial, and earnings position. The new standards will not be applied before the conclusion of the endorsement procedure in the EU.

Since the third quarter of 2010, the subtotal “operating result before change of the working capital and tax payments” is described as “EBIT-induced cash flow” in the statement of cash flow. Furthermore, the subtotal “working capital and tax-induced cash flow” is inserted before the item “cash flow from operating activities” as at the same period. The deferred tax result is now deducted from the item “taxes paid” and not shown as a separate correcting entry any more. The deferred tax result for the period from January 1, 2010 to December 31, 2010 amounts to 27 thousand euros (previous year: 350 thousand euros). EBIT-induced cash flow has changed by the same amounts each. The disclosure of prior year’s figures was adjusted accordingly. These changes do not affect the net worth, financial and earnings position.

The profit and loss account was prepared in accordance with the total cost type of accounting. Unless otherwise stated, all values are shown in thousand euros.

### 3 | Consolidated companies

Apart from CEWE COLOR Holding AG, Oldenburg, as parent company, the scope of consolidation includes 9 domestic and 15 foreign companies. 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 is the Bilder-planet.de GmbH, Cologne, on account of its subordinate economic significance. The following changes in the consolidated companies or other transactions subject to reporting have occurred since the financial statements as at December 31, 2009:

As of September 1, 2010, the operations of Eurofoto AS, Breim (Norway) was acquired at a purchase price of 1.5 million euros in conjunction with an asset deal from Japan Photo Holding Norge A/S, Oppegård (Oslo) (Norway), to strengthen the photofinishing business. Of the purchase price, 1.4 million euros were settled in cash and cash equivalents, another 0.1 million euros by taking over additional liabilities. Tangible fixed assets to the amount of 0.1 million euros, intangible assets of 1.3 million euros as well as inventories to the amount of 0.15 million euros were acquired. There were no contingent liabilities.

The fair value of the assets and liabilities applicable at the moment of acquisition are shown in the following table:

<i>Figures in thousand euros</i>	<b>Applicable fair values at the moment of acquisition</b>
Intangible assets (customer base/list)	921
Intangible assets (software)	260
Subscribed capital	81
Inventories	193
<b>Assets</b>	<b>1,455</b>
Non-current debt	55
<b>Debts</b>	<b>55</b>

Since the date of acquisition, revenues of 2,545 thousand euros were generated by operations. An EBIT of 298 thousand euros was earned.

A statement as to the proceeds as well as profit or loss of the acquired business generated if the acquisition had taken place as at January 1, 2010, is impracticable. There is no detailed information on this.

The newly founded CEWE Inc., New York, USA, is included in consolidation as at October 30, 2010 as an associated company.

As at December 23, 2010, Numérique S.A.S., Paris, France, was merged with CEWE COLOR S.A.S., Paris, France.

#### 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 balance sheet date for the separate financial statements of all companies included in the consolidated financial statements corresponds to the balance sheet date of the consolidated financial statements, i.e. December 31, 2010. Business combinations are shown in the balance sheet 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.

**Share 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 personnel expenses, and booked against equity (other revenue reserves). To the extent that the option conditions are not fulfilled, the item is to be reversed within equity not affecting income.

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 profit and loss account 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 balance sheet date, income and expenses are translated at the annual average of the respective mean rate of exchange (profit and loss rate).

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 profit and loss account, but under a separate equity item. Currency differences from the translation of long-term loans to group companies are also carried directly under equity not affecting income.

Currency translation is based on the following key exchange rates:

		2010		2009	
		Balance sheet rate	Profit and loss account rate	Balance sheet rate	Profit and loss account rate
<b>Currency translation</b>					
CHF	Swiss franc	1.25250	1.38240	1.48360	1.50980
CZK	Czech crown	25.10100	25.29250	26.47600	26.46730
DKK	Danish crown	7.45380	7.44720	7.44200	7.44630
HUF	Hungarian forint	277.84000	275.38500	270.15000	280.60840
NOK	Norwegian crowns	7.81000	8.00860	8.29900	8.73980
PLN	Polish zloty	3.96040	3.99520	4.10320	4.33120
SEK	Swedish crowns	8.97520	9.54760	10.25890	10.62470
HRK	Croatian kuna	7.38270	7.28860	7.29530	7.34290
GBP	British pounds sterling	0.86250	0.85840	0.89000	0.89160
USD	US dollar	1.33800	1.32710	—	—

## 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 adjustment 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 balance sheet items 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 business 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 profit and loss account and in the balance sheet are combined. 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 balance sheet date.

### 7 | Realised earnings and expenses

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 | Property, plant and equipment

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 balance sheet 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 re-estimated at regular intervals.

### 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. Real estate held as financial investment is measured at acquisition costs or at production costs less scheduled straight-line depreciation.

### 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 the extent that impairment is thus recognised, extraordinary depreciation will be made.

### 11 | 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 their 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, 2010	Dec. 31, 2009
<b>Asset</b>			
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
<b>Machinery</b>			
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 operating useful lives are determined based on previous experience of using the asset, its current and expected opportunities for use, and specific technical developments.

Extraordinary depreciation is applied if there are reasons to believe that the achievable amount of the asset is significantly less than its book value, e. g. in case of disproportionately decreased market values, or due to missing possible 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 costs of material, 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 balance sheet date, this value will be applied. 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 balance sheet and measured in accordance with the regulations of IAS 39. Accordingly, a financial instrument is recognised when a counter-performance by payment, or respectively assets is effected. Recognition and derecognition 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.

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 derecognition 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 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 balance sheet at acquisition costs and subsequently at their market value. Gains and losses are recorded depending on the type of item 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 com-

pensate 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 balance sheet 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 balance sheet, for tax credits and losses brought forward, as well as consolidation transactions with effect on profit or loss. They are calculated at balance sheet 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 balance sheet 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 balance sheets 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>	2010	2009
Germany		30.00	30.00
The Netherlands		25.50	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	20.00
Hungary		11.25	16.00
Croatia		20.00	20.00
United Kingdom		28.00	28.00
USA		41.50	—

### 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 this 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. 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 D.50), 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.

Treasury shares held in the portfolio are openly deducted from equity in a special item (see item D 56).

### 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 balance sheet 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 personnel expenses. The actuarial calculations are based on the following assumptions of trends:



<b>Actuarial parameters for the growth of pension provisions</b>	<i>Figures in %</i>	<b>Dec. 31, 2010</b>	Dec. 31, 2009
<i>Valuation using the projected unit credit method (figures p. a.)</i>			
Assumed rate of interest		5.00	5.75
Salary trend		2.50	2.50
Pension trend		2.00	2.00
<b>Average fluctuation</b>		<b>1.50</b>	1.50

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 the Netherlands and in France that can be used to satisfy the pension obligations existing there.

#### 21 | Special items for investment grants

Public grants for assets are carried under special item for investment grants as a deferred liability. Investment grants and investment subsidies are recognised in income pro rata temporis 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 balance sheet date.

As a rule, contingent liabilities are not recognised in the balance sheet. They show obligations resulting from past events, whose existence still has to be confirmed by future events, whose outflow of funds is not sufficiently probable or whose outflow of funds cannot be estimated reliably. The volume of contingent liabilities stated in the notes corresponds to the amount at the balance sheet date. The carrying amount is recalculated at each balance sheet date.

Contingent assets are not recognised. 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.

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 personnel 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.

## C. Notes to the Profit and Loss Account

### 23 | Revenues

Revenues by segment	Figures in thousand euros	2010	Percentage	2009	Percentage
Photofinishing revenues		336,033	75.2 %	316,345	77.2 %
Change compared to the previous year in %		6.2 %		-2.5 %	
Retail revenues		110,767	24.8 %	93,468	22.8 %
Change compared to the previous year in %		18.5 %		-2.2 %	
<b>Total</b>		<b>446,800</b>	<b>100.0 %</b>	<b>409,813</b>	<b>100.0 %</b>

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.

### 24 | Other operating income

Other operating income	Figures in thousand euros	2010	2009
Income from expenses charged on		8,345	11,586
Income from silver sales		5,552	3,300
Income from currency translations		3,408	3,069
Income from the reversal of provisions		1,047	1,602
Income from the receipt of written-down receivables		713	1,560
Income from the sale of property, plant and equipment		516	548
Income from insurance benefits		99	116
Income from the reversal of special items for investment grants		100	74
Sundry other operating income		5,149	6,418
<b>Total</b>		<b>24,929</b>	<b>28,273</b>

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 balance sheet date. Also included is income from translation for consolidation purposes. Currency losses from these transactions are carried under other operating expenses (see item C 27).

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 2010.

### 25 | Cost of materials

Cost of materials	Figures in thousand euros	2010	2009
Expenses for raw materials, consumables and supplies and purchased goods		-164,354	-150,628
Cost of purchased services		-4,306	-4,107
<b>Total</b>		<b>-168,660</b>	<b>-154,735</b>

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.

## 26 | Personnel expenses

<b>Personnel expenses</b>	<i>Figures in thousand euros</i>	<b>2010</b>	2009
Wages and salaries		-85,255	-88,355
Social security		-15,596	-15,238
Expenses for pension plans and fringe benefits		-1,469	-1,195
<b>Total</b>		<b>-102,320</b>	-104,788

Total wages for workers were at 21,007 thousand euros (previous year: 22,749 thousand euros), and 50,864 thousand euros were expended for salaries (previous year: 49,112 thousand euros). Personnel expenses include expenses for social plans to the amount of 208 thousand euros (previous year: 7,181 thousand euros) (further explanations under item C 29 Restructuring expenses).

Expenses for pension plans and fringe benefits mostly concern additions to provisions for pensions; an amount of 93 thousand euros (previous year: 31 thousand euros) was allocated for members of the executive bodies of CEWE COLOR Holding AG, Oldenburg. The difference compared to the previous year is due to staffing changes in the Board of Management of the holding company. For further details, we refer to the comments on non-current provisions for pensions (see item D 60).

Research and development expenses for intangible and other assets not capitalised were incurred to the amount of 11,917 thousand euros (previous year: 10,871 thousand euros). They essentially consist of personnel expenses and other operating expenses.

<b>Number of employees</b>	<i>Figures in employees</i>	<b>2010</b>	2009
White-collar employees		1,649	1,657
Blue-collar employees		938	1,009
Apprentices		94	76
<b>Total</b>		<b>2,681</b>	2,742

The figures are based on annual averages. A total of 2,910 persons were employed in the group as at December 31, 2010 (December 31, 2009: 2,936 employees).

The initial measurement upon recognition of the current share 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 213 thousand euros by the end of the lock-up period on May 31, 2014. The offsetting entry is made in equity under other revenue reserves. The structure of the current stock option plan is detailed in the comments on equity (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. There were no direct payments for benefits.

<b>Number of employees by segment</b>	<i>Figures in employees</i>	<b>2010</b>	2009
Photofinishing – Central Europe		1,477	1,458
Photofinishing – Western Europe		198	253
Photofinishing – Benelux		35	34
Photofinishing – Central Eastern Europe		265	315
Retail		706	682
<b>Retail</b>		<b>2,681</b>	2,742

## 27 | Other operating expenses

<b>Other operating expenses</b>	<i>Figures in thousand euros</i>	<b>2010</b>	2009
Sales and marketing costs		-79,499	-67,732
Administrative costs		-16,350	-13,832
Room costs		-15,907	-15,164
Operating costs		-6,225	-6,147
Vehicle costs		-2,911	-2,886
Amortisation/depreciation and write-down for current assets		-2,310	-2,037
Currency translation expenses		-1,862	-2,767
Other operating expenses		-11,298	-13,396
<b>Total</b>		<b>-136,362</b>	<b>-123,961</b>

Sales and marketing costs as key items include expenses for courier services among the branches, as well as shipping costs in the mail order business. The write-downs for current assets relate primarily to individual valuation adjustments for receivables (2010: 383 thousand euros, 2009: 1,134 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 balance sheet date. Also included are expenses from translation for consolidation purposes. Currency losses from these transactions are carried under other operating expenses (see item C 24).

Included in other operating expenses of the year under review are, apart from allocations to provisions, costs for external services and staff of 2,856 thousand euros (previous year: 2,552 thousand euros), incidental costs of monetary transactions of 2,116 thousand euros (previous year: 2,043 thousand euros), losses from the disposal of non-current assets of 338 thousand euros (previous year: 1,653 thousand euros) and warranty expenses of 176 thousand euros (previous year: 460 thousand euros).

The auditor's fees for the consolidated financial statements totalled 558 thousand euros (previous year: 382 thousand euros) and are shown under administrative expenses.

The following amounts were invoiced for the respective consulting services (Section 314 (1), no. 9 HGB):

<b>Auditor's fees</b>	<i>Figures in thousand euros</i>	<b>2010</b>	2009
Audit of financial statements		200	144
Other accounting and reviewing activities		60	46
Tax consultancy services		129	124
Other services rendered		169	68
<b>Total</b>		<b>558</b>	<b>382</b>

The auditor's fees include fees for the audit of the consolidated financial statements as well as 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 fees for the review within the scope of acquisitions, auditing activities in connection with the internal control system including project-related reviews in context with the introduction of new IT systems, as well as the 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 meetings of the Supervisory Board and the general meeting, advice regarding the audit, project-related special advice as well as minor enquiries in the field of accounting.

## 28 | Depreciation on intangible assets and property, plant and equipment

The breakdown of amortisation, depreciation and unscheduled amortisation can be taken from the statement of changes in non-current assets. As in the business year 2009, there was no unscheduled amortisation of goodwill in 2010. Unscheduled depreciation and amortisation mostly relates to machinery and equipment used in the production of analogue photofinishing orders, or assets that stem from a plant shutdown. The breakdown of unscheduled amortisation and depreciation of the individual classes of assets can be taken from the fixed assets schedule. The applicable fair value of the assets was determined by means of the estimated price that can be achieved on the market.

Unscheduled depreciation/amortisation to the amount of 1,992 thousand euros is the result of the shutdown of the laboratory in Bratislava.

### 29 | Restructuring expenses

Ongoing personnel and material expenses were incurred in the year under review as in the previous year as part of the modification and restructuring of the group. They relate to the shutdown of production sites. 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. In comparison to prior years, these transactions do not have any effects worth mentioning on the annual results of the business year. Earnings were burdened by the conversion of the laboratory in Bratislava to a sales company in 2010, with 2.211 million euros. The expenses relate 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 shutdowns.

### 30 | Financial performance

<b>Financial results</b>	<i>Figures in thousand euros</i>	<b>2010</b>	2009
Other interest and similar income		644	156
Interest and similar expenses		-2,125	-1,788
<b>Total net interest</b>		<b>-1,481</b>	<b>-1,632</b>
Expenses from hedges and derivatives / amortisation of financial assets		-295	-262
<b>Total other financial result</b>		<b>-295</b>	<b>-262</b>
<b>Total</b>		<b>-1,776</b>	<b>-1,894</b>

The expenses from hedges and derivatives include the effects to be recognised in income from the measurement at fair value amounting to 295 thousand euros (previous year: 262 thousand euros), which resulted last year from the portion identified as an ineffective part of a cross-currency swap hedge for a net investment in an economically independent foreign subsidiary. During the course of the year, 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.

### 31 | Taxes on earnings and income

<b>Effective and deferred expenses for income taxes</b>	<i>Figures in thousand euros</i>	<b>2010</b>	2009
Effective taxes Germany <sup>1</sup>		9,544	8,321
Effective taxes abroad <sup>2</sup>		1,384	1,978
<b>Total effective taxes</b>		<b>10,928</b>	<b>10,299</b>
Deferred taxes Germany		594	497
Deferred taxes abroad		188	-1,554
<b>Total deferred taxes</b>		<b>782</b>	<b>-1,057</b>
<b>Total income taxes</b>		<b>11,710</b>	<b>9,242</b>
<sup>1</sup> Thereof not pertaining to the period, domestic		2,392	2,046
<sup>2</sup> Thereof not pertaining to the period, foreign		-280	707

In Germany, income taxes comprise corporation tax including the solidarity surcharge as well as trade tax. Abroad, the respective comparable 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:

<b>Reconciliation of income tax expenses</b>	<i>Figures in thousand euros</i>	<b>2010</b>	2009
Earnings before taxes		25,587	15,982
Theoretical tax rate		30.0 %	30.0 %
Expected income tax expenses		7,671	4,795
Increase and decrease in income tax charge due to			
Deviation through the application of the local tax rate		-223	-421
Deviation on account of differing assessment bases			
- Tax-exempt income (-)		-590	-1,455
- Tax-exempt investment income (-)		-3,575	0
- Non-deductible expenditure		7,325	1,722
Recognition and measurement of deferred taxes			
- Non-recognition of deferred tax assets on loss carry-forwards		536	3,358
- Change in deferred taxes/subsequent recognition of deferred taxes		-744	-1,057
- Use of unaccounted loss brought forward (-)		-1,157	-127
- Subsequent tax payments or tax refunds from previous years		2,524	2,752
Other effects		-57	-325
<b>Income tax expense shown</b>		<b>11,710</b>	<b>9,242</b>

A theoretical tax rate of 30.0 % (previous year: 30.0 %) is used to calculate the total income tax expense. It is comprised of a tax rate of 15 % for corporation tax (previous year: 15 %), 5.5 % for solidarity surcharge on the corporation tax liabilities (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, 2010, an accounting interest rate of 3.5 % (previous year: 6.0 %) was used to calculate the present value.

The item is shown in the balance sheet in part as non-current income tax receivable to the amount of 2,896 thousand euros (previous year: 2,971 thousand euros), and in part as current receivable amounting to 560 thousand euros (previous year: 560 thousand euros). No effects on income tax have resulted or will result for 2010 and 2011 from dividends paid or scheduled.

Deferred tax assets and liabilities were attributed to the difference in values of the following balance sheet items as well as to losses brought forward:

<b>Allocation to deferred taxes</b>	<i>Figures in thousand euros</i>	<b>Dec. 31, 2010</b>		Dec. 31, 2009	
		<b>Deferred tax assets</b>	<b>Deferred tax liabilities</b>	Deferred tax assets	Deferred tax liabilities
Losses carried forward and tax credits		2,480	-1,483	2,275	0
Property, plant and equipment		1,786	-614	564	641
Intangible assets		244	-439	22	1,248
Financial assets		0	0	23	516
Inventories		287	0	172	0
Accounts receivable and other assets		70	-1,039	55	486
Special item for investment grants (investment subsidies)		40	0	50	0
Provisions for pensions		824	0	852	0
Other provisions		503	-1	536	59
Financial liabilities		0	0	1,483	0
Other liabilities		953	-15	866	1,304
Consolidation		0	0	1,367	442
<b>Deferred taxation on temporary difference</b>		<b>7,187</b>	<b>-3,591</b>	<b>8,265</b>	<b>4,696</b>
<b>Netting</b>		<b>-1,800</b>	<b>1,800</b>	<b>-3,046</b>	<b>-3,046</b>
<b>Balance sheet item</b>		<b>5,387</b>	<b>-1,791</b>	<b>5,219</b>	<b>1,650</b>

The waiver of receivables from the French subsidiary led to a reduction 3,000 thousand euros in the tax burden of the German company in 2008. However, the tax assessments sent out for fiscal 2008 in the second quarter, raised the deferred tax liabilities by these 3 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 48,256 thousand euros (previous year: 36,435 thousand euros) and relates mainly to our company in France. Decisive for the capitalisation of deferred taxes for loss carry-forwards is the future realisability 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 totalling 11,362 thousand euros (previous year: 9,046 thousand euros). For companies suffering losses for at least two years, deferred tax assets amounting to 773 thousand euros were included in the balance sheet (previous year: 1,262 thousand euros). Capitalisation was made because the realisation of the losses brought forward can be assumed despite the existing loss situation. The already completed analogue-to-digital transformation stage and the current implementation of the new line of business of commercial digital printing will improve the long-term earnings' position of the companies. Of the losses brought forward, 40,827 thousand euros (previous year: 34,868 thousand euros) can be carried forward without restrictions. The remaining losses brought forward can be carried forward until 2016 at the latest.

Total income tax expense in equity:

	<b>2010</b>	2009
<b>Total income tax expense in equity</b>	<b>12,445</b>	<b>9,330</b>
Income tax expense disclosed in profit and loss account	11,710	9,242
Tax expense/income disclosed directly under equity (-)	735	88
<b>Total</b>	<b>12,445</b>	<b>9,330</b>

### 32 | Other taxes

Other taxes of the group include in particular land and vehicle tax as well as various foreign taxes. This includes 265 thousand euros due to the "taxe professionnelle" levied in France (previous year: 198 thousand euros).

### 33 | Profit/loss attributable to minority shareholders

The profit/loss attributable to minority shareholders corresponds to the group performance including the subsidiaries in proportion to the interests held.

### 34 | Earnings per share

	<b>2010</b>	2009
<b>Earnings per share</b>	<b>2.02</b>	<b>0.99</b>
Consolidated earnings after third-party interests	13,715	6,745
Weighted average undiluted number of shares (in pieces)	6,787,079	6,797,321
<b>Undiluted earnings per share (in euros)</b>	<b>2.02</b>	<b>0.99</b>
Consolidated earnings	13,715	6,745
+ Interests of third-party shareholders entitled to subscription rights	53	41
+ Interest expense from shareholder loans of OHG	12	11
- Current and deferred taxes	-10	-8
Adjusted consolidated earnings	13,770	6,789
Weighted average diluted number of shares (in pieces)	6,807,079	6,817,321
<b>Diluted earnings per share (in euros)</b>	<b>2.02</b>	<b>1.00</b>

The undiluted earnings per share are calculated as the consolidated earnings divided by the weighted average number of outstanding shares during the business year.

The diluted earnings per share as at December 31, 2010 are stated for the purpose of comparison as well. Treasury shares are not included when calculating the diluted earnings per share. The subscription rights issued as part of the 2005 Stock Option Plan are not considered either, as the average stock market price of the CEWE COLOR share has not exceeded the exercise price since the subscription rights were issued.

## D. Notes to the Balance Sheet

### Total non-current assets of the CEWE Holding AG Group

Figures in thousand euros	Acquisition and production costs						Balance Dec. 31, 2010
	Carry-for- ward Jan. 1, 2010	Change in group of consolidated companies	Price adjustments	Additions	Reposting / reclassifica- tion	Disposals	
<b>I. Property, plant and equipment</b>							
Land, land rights and buildings including buildings 1. on third-party land	44,520	—	683	760	2,466	1,266	47,163
2. Technical equipment and machinery	209,152	—	575	13,240	-22,413* 214	20,050	180,718
3. Other equipment, operating and office	49,841	90	653	7,778	466	2,662	56,166
4. Advance payments and assets under construction	711	—	—	354	-693	15	357
	<b>304,224</b>	<b>90</b>	<b>1,911</b>	<b>22,132</b>	<b>-19,960</b>	<b>23,993</b>	<b>284,404</b>
<b>II. Real estate held as financial investment</b>	<b>20,580</b>	<b>—</b>	<b>—</b>	<b>56</b>	<b>-88</b>	<b>—</b>	<b>20,548</b>
<b>III. Goodwill</b>	<b>45,610</b>	<b>—</b>	<b>924</b>	<b>—</b>	<b>—</b>	<b>1,523</b>	<b>45,011</b>
<b>IV. Intangible assets</b>							
1. Industrial property rights and similar rights	65,284	1,308	496	4,067	140	6,570	64,725
Acquired software	26,297	288	159	2,586	-543	166	28,621
Internally generated software	22,832	—	—	1,455	—	5,269	19,018
Customer base / list / trademark rights	16,155	1,020	337	26	683	1,135	17,086
2. Advance payments made	132	—	—	152	-39	—	245
	<b>65,416</b>	<b>1,308</b>	<b>496</b>	<b>4,219</b>	<b>101</b>	<b>6,570</b>	<b>64,970</b>
<b>V. Non-current financial investments</b>							
1. Non-current interests in affiliates	28	—	—	—	—	—	28
2. Non-current investment interests	389	—	—	—	—	—	389
3. Non-current other loans	266	—	—	—	—	94	172
	<b>683</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>94</b>	<b>589</b>
	<b>436,513</b>	<b>1,398</b>	<b>3,331</b>	<b>26,407</b>	<b>-19,947</b>	<b>32,180</b>	<b>415,522</b>

\*Reclassification for the purpose of standardising the method of measurement to map intra-group sales of fixed assets (cf. notes on page 138)



Carry-forward Jan. 1, 2010	Depreciation and amortisation							Residual book value		
	Change in group of consolidated companies	Price adjustment	Additions	Unscheduled depreciation and amorti- sation	Restoring / reclassification	Disposals	Transfers	Balance Dec. 31, 2010	Book value Dec. 31, 2010	Book value Dec. 31, 2009
18,242	—	218	1,650	1,182	1,888	1,247	—	21,933	25,230	26,278
166,775	—	451	18,242	766	-22,413* -32	20,045	—	143,744	36,974	42,377
32,506	—	478	7,484	44	42	2,322	—	38,232	17,934	17,335
—	—	—	—	—	—	—	—	—	357	711
217,523	—	1,147	27,376	1,992	-20,515	23,614	—	203,909	80,495	86,701
15,292	—	—	463	—	-10	—	—	15,745	4,803	5,288
35,285	—	924	—	—	—	251	—	35,958	9,053	10,325
46,881	—	330	7,879	—	—	6,421	—	48,669	16,056	18,403
18,373	—	107	3,243	—	—	157	—	21,566	7,055	7,924
19,462	—	—	1,608	—	—	5,269	—	15,801	3,217	3,370
9,046	—	223	3,028	—	—	995	—	11,302	5,784	7,109
—	—	—	—	—	—	—	—	—	245	132
46,881	—	330	7,879	—	—	6,421	—	48,669	16,301	18,535
—	—	—	—	—	—	—	—	—	28	28
389	—	—	—	—	—	—	—	389	—	0
—	—	—	—	—	—	—	—	—	172	266
389	—	—	—	—	—	—	—	389	200	294
315,370	—	2,401	35,718	1,992	-20,525	30,286	—	304,670	110,852	121,143

<i>Figures in thousand euros</i>	Acquisition and production costs						Balance Dec. 31, 2009
	Carry-forward Jan. 1, 2009	Change in group of consolidated companies	Price adjustments	Additions	Restoring / reclassifica- tion	Disposals	
<b>I. Property, plant and equipment</b>							
Land, land rights and buildings including buildings							
1. on third-party land	43,826	—	124	4,035	-2,996	469	44,520
2. Technical equipment and machinery	237,177	—	310	9,867	256	38,458	209,152
3. Other equipment, operating and office	53,205	—	-168	8,599	203	11,998	49,841
4. Advance payments and assets under construction	586	—	0	596	-470	1	711
	<b>334,794</b>	<b>—</b>	<b>266</b>	<b>23,097</b>	<b>-3,007</b>	<b>50,926</b>	<b>304,224</b>
<b>II. Real estate held as financial investment</b>	<b>13,278</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>7,302</b>	<b>—</b>	<b>20,580</b>
<b>III. Goodwill</b>	<b>45,610</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>45,610</b>
<b>IV. Intangible assets</b>							
1. Industrial property rights and similar rights	62,277	—	-25	4,296	489	1,753	65,284
Acquired software	24,386	—	-253	2,819	489	1,144	26,297
Internally generated software	21,584	—	—	1,248	—	—	22,832
Customer base / list / trademark rights	16,307	—	228	229	—	609	16,155
2. Advance payments made	602	—	0	16	-486	—	132
	<b>62,879</b>	<b>—</b>	<b>-25</b>	<b>4,312</b>	<b>3</b>	<b>1,753</b>	<b>65,416</b>
<b>V. Non-current financial investments</b>							
1. Non-current interests in affiliates	25	—	—	3	—	—	28
2. Non-current investment interests	389	—	—	—	—	—	389
3. Non-current other loans	244	—	—	22	—	—	266
	<b>658</b>	<b>—</b>	<b>—</b>	<b>25</b>	<b>—</b>	<b>—</b>	<b>683</b>
	<b>457,219</b>	<b>—</b>	<b>241</b>	<b>27,434</b>	<b>4,298</b>	<b>52,679</b>	<b>436,513</b>

Carry-forward Jan. 1, 2009	Depreciation and amortisation							Residual book value		
	Change in group of consolidated companies	Price adjustment	Additions	Unscheduled depreciation and amorti- sation	Restoring / reclassification	Disposals	Transfers	Balance Dec. 31, 2009	Book value Dec. 31, 2009	Book value Dec. 31, 2008
18,406	—	29	1,062	625	-1,872	8	—	18,242	26,278	25,420
183,937	—	107	20,170	139	—	37,578	—	166,775	42,377	53,240
37,016	—	-327	6,203	746	-4	11,128	—	32,506	17,335	16,189
—	—	—	—	—	—	—	—	—	711	586
239,359	—	-191	27,435	1,510	-1,876	48,714	—	217,523	86,701	95,435
10,068	—	—	343	—	5,382	—	501	15,292	5,288	3,210
35,285	—	—	—	—	—	—	—	35,285	10,325	10,325
40,303	—	-133	7,950	—	4	1,243	—	46,881	18,403	21,974
16,499	—	-317	3,251	—	4	1,064	—	18,373	7,924	7,887
17,864	—	—	1,598	—	—	—	—	19,462	3,370	3,720
5,940	—	184	3,101	—	—	179	—	9,046	7,109	10,367
—	—	—	—	—	—	—	—	—	132	602
40,303	—	-133	7,950	—	4	1,243	—	46,881	18,535	22,576
—	—	—	—	—	—	—	—	—	28	25
385	—	—	4	—	—	—	—	389	—	4
—	—	—	—	—	—	—	—	—	266	244
385	—	—	4	—	—	—	—	389	294	273
325,400	—	-324	35,732	1,510	3,510	49,957	501	315,370	121,143	131,819

### 35 | Property, plant and equipment

For changes in fixed assets, please refer to the statement of changes in non-current assets (see page 134). The scheduled and unscheduled depreciation of non-current assets included in this table is recognised in the profit and loss account under item amortisation of intangible assets and depreciation of non-current assets and property, plant and equipment. For unscheduled depreciation and amortisation refer to item 28.

The book value of the temporarily unused property, plant and equipment is of subordinate significance; this also applies to property, plant and equipment that is no longer in use. It is assumed that the fair value of property, plant and equipment does not essentially differ from the book value. There are no pledged items of property, plant and equipment. The amount of commitments for the acquisition of property, plant and equipment (order obligations) totals 2,356 thousand euros (previous year: 2,635 thousand euros).

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 prices paid by the buyer are recognised as new cost of acquisition 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 the year under review. 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.

The following table shows items of property, plant and equipment that were reclassified from non-current assets held for sale into current assets held for sale, and items reclassified from current assets into real property held as financial investments respectively. These disposals generated a gain totalling 340 thousand euros.

During the year under review, the property in Denmark, Skødstrup, was reclassified from current assets into real property, following the discontinuation of the selling intention. Due to the fact that the intention to dispose of the property was given up, depreciation of 152 thousand euros became due.

<b>Total determination from "non-current assets held for sale" to fixed assets</b>	Acquisition and production costs	Depreciation and amortisation	<b>Book value at reclassification</b>
<i>Figures in thousand euros</i>	Reclassification	Reclassification	
<b>I. Property, plant and equipment</b>			
1. Land, land rights and buildings including buildings on third-party land	2,466	1,888	578
<b>Total</b>	<b>2,466</b>	<b>1,888</b>	<b>578</b>
<hr/>			
Total determination from "non-current assets held for sale" to fixed assets	Acquisition and production costs	Depreciation and amortisation	Book value Dec. 31, 2009
<i>Figures in thousand euros</i>	Reclassification	Reclassification	
<b>I. Property, plant and equipment</b>			
1. Land, land rights and buildings including buildings on third-party land	-3,004	-1,872	-1,132
<b>II. Real estate held as financial investment</b>			
<b>Total</b>	<b>7,302</b>	<b>5,382</b>	<b>1,920</b>
	<b>4,298</b>	<b>3,510</b>	<b>788</b>

In 2010, a property in Teplice, Czech Republic, was reclassified into current assets, and the property in Berlin was reclassified from current assets into real property held as financial investments, following the discontinuation of the selling intention and the commencement of a long-term lease.

### 36 | 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:

<b>Lease payments</b>	<i>Figures in thousand euros</i>	<b>Dec. 31, 2010</b>	Dec. 31, 2009
Total future minimum income from lease			
due within one year		9,541	9,338
due in one to five years		42,277	47,523
due after more than five years		10,299	9,635

Assets let under operating leases have a total book value of 4,803 thousand euros (previous year: 5,287 thousand euros). The lease agreements do not contain any clauses (e. g. extension, purchase or price adjustment options) that 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:

<b>Income from lease</b>	<i>Figures in thousand euros</i>	<b>Dec. 31, 2010</b>	Dec. 31, 2009
Total future minimum income from lease			
due within one year		1,243	903
due in one to five years		6,671	5,247
due after more than five years		1,337	1,300

This relates to the renting of commercial areas as well as equipment rented to customers. The instalment payments received during the fiscal year totalled 1,095 thousand euros (previous year: 1,093 thousand euros). They are shown under the item "Other miscellaneous operating income". In conjunction with a systematic contract management, potential lease components are registered and incorporated in the contracts.

### 37 | 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 operational 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. Income from rent to the amount of 551 thousand euros (previous year: 263 thousand euros) was generated in the year under review. Including depreciation, maintenance and incidental costs, expenses amounting to 841 thousand euros (previous year: 520 thousand euros) were incurred for the rented properties. 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.

### 38 | Goodwill

Goodwill results from the takeover of business operations and from capital consolidation. The development of values by segments is as follows:

<b>Changes in goodwill</b>	<b>Balance on</b>	Changes in the	Price		<b>Balance on</b>
<i>Figures in thousand euros</i>	<b>Jan. 1, 2010</b>	group of cons.	adjustments	Disposals	<b>Dec. 31, 2010</b>
Photofinishing – Central Europe	7,408	—	—	-1,272	6,136
Photofinishing – Western Europe	2,033	—	—	—	2,033
Photofinishing – Central Eastern Europe	502	—	—	—	502
Retail	382	—	—	—	382
<b>Total</b>	<b>10,325</b>	—	—	-1,272	<b>9,053</b>

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 also based. 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, personnel 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 5.0 % (previous year: 5.75 %) plus individual surcharges for operative risks of between 40 % and 130 % (previous year: 50 % to 100 %), as well as an additional surcharge for currency risks ranging from 0.1 % to 5.5 % (previous year: 0.1 % to 10.7 %) for cash-generating units in the non-euro area. In order to determine perpetuity, the last year was updated in the detailed planning.

The 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.

### 39 | Intangible assets

Software and similar industrial property rights relate to acquired ERP software, various office products for workstations as well as new capitalizations and subsequent capitalizations of internally generated intangible assets for corporate use and support of the market for production, sales and digital photography (ICOS operational master data, Decent delivery note programme, CEWE PHOTOBOOK software, OPS software, DigiFoto Makers, as well as software to support commercial digital printing). Own work of 1,455 thousand euros (previous year: 1,248 thousand euros) was capitalised in conjunction with self-generated software. Customer bases have a useful life of five years. There was no significant unscheduled depreciation and amortisation of intangible assets (see also item C 28).

An order commitment for intangible assets totalling 56 thousand euros existed (previous year: 92 thousand euros).

The book value of the temporarily unused property, plant and equipment is of subordinate significance; this also applies to property, plant and equipment that is 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.

### 40 | Financial assets

The group's financial assets include interest in non-consolidated affiliated companies totalling 28 thousand euros (previous year: 28 thousand euros). The other loans of 172 thousand euros (previous year: 266 thousand euros) relate to the repurchase value of the corporate reinsurance policy.

### 41 | Non-current receivables from income tax refund

The non-interest bearing corporation tax balance of 3,456 thousand euros (previous year: 3,531 thousand euros) is to be discounted on account of the length of the refunding period. The present value of the non-current portion of the claim to be capitalised amounts to 2,896 thousand euros (previous year: 2,971 thousand euros). The current portion is carried under current assets. For details, please refer to the notes on income taxes (see item C 31).

### 42 | Non-current receivables and assets

The non-current receivables and assets include non-current receivables from customers, prepaid expenses and other assets.

### 43 | Deferred tax assets

Deferred tax assets 2010 Composition and changes <i>Figures in thousand euros</i>	Balance on Jan. 1, 2010	Changes in group of consolidated companies			Balance on Dec. 31, 2010
		Reversal	Addition		
From temporary differences	3,185	—	274	-528	2,931
From tax losses carried forward	2,034	—	781	-359	2,456
<b>Total</b>	<b>5,219</b>	<b>—</b>	<b>1,055</b>	<b>-887</b>	<b>5,387</b>

Deferred tax assets 2009 Composition and changes <i>Figures in thousand euros</i>	Balance on Jan. 1, 2009	Changes in group of consolidated companies			Balance on Dec. 31, 2009
		Reversal	Addition		
From temporary differences	4,375	—	908	-2,098	3,185
From tax losses carried forward	1,168	—	1,112	-246	2,034
<b>Total</b>	<b>5,543</b>	<b>—</b>	<b>2,020</b>	<b>-2,344</b>	<b>5,219</b>

Deferred tax assets primarily show valuation differences for pension provisions and other provisions as well as impacts on earnings from consolidation. The capitalisation of deferred taxes from existing loss carry-forwards 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 C 31).

#### 44 | 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 these properties will not be used any more by CEWE COLOR, it was decided to sell them. It can be expected that the selling efforts will be completed in fiscal 2011. The real properties included last year in this item, were either reclassified to fixed assets following the selling intents: Skødstrup, Denmark (segment Central Europe), or sold, respectively: Valence, France (segment Western Europe), as well as Teplice, Czech Republic (segment Central Eastern Europe).

#### 45 | Inventories

<b>Inventories</b>	<i>Figures in thousand euros</i>	<b>Dec. 31, 2010</b>	Dec. 31, 2009
Raw materials, consumables and supplies		12,082	14,321
Unfinished goods, work in progress		13	52
Finished products and merchandise		38,140	37,857
Advance payments		52	29
<b>Total</b>		<b>50,287</b>	52,259

With respect to raw materials, consumables and supplies, the increase relates to the paper storage for instant printers in the stores. The increase in finished goods and merchandise is particularly due to the rise in stocks for commodities in the retail segment of the group.

Write-downs of inventories were at 913 thousand euros in 2010.

Depreciation of unfinished goods and merchandise is carried in the profit and loss statement under the item cost of materials. Inventories were not increased in value. In the year under review, inventories of Japan Photo Holding Norge AS, Oppegård, Norway, having a book value of 154 thousand euros (previous year: 145 thousand euros) are pledged.

#### 46 | Current trade receivables

<b>Current trade receivables</b>	<i>Figures in thousand euros</i>	<b>Dec. 31, 2010</b>	Dec. 31, 2009
Trade receivables before valuation adjustment		79,241	75,073
Valuation adjustment of trade receivables		-7,217	-8,540
<b>Total</b>		<b>72,024</b>	66,533

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:

<b>Write-downs of trade receivables</b>	<i>Figures in thousand euros</i>	<b>Development in business year 2010</b>	Development in business year 2009
Balance on Jan. 1		8,540	9,552
Currency difference		32	10
Addition		1,678	1,974
Reversal		-956	-2,170
Use		-2,077	-826
<b>Balance on Dec. 31</b>		<b>7,217</b>	8,540

Additions to valuation adjustments are shown in the profit and loss account under the item other operating expenses, reversals are shown in other operating income. 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 1,872 euros (previous year: 828 thousand euros).

In the year under review, accounts receivable of Japan Photo Holding Norge AS, Oppegård, Norway, having a book value of 128 thousand euros (previous year: 120 thousand euros) are pledged. In accounting, write-downs on 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.

#### 47 | 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 part consists of the long-term refund claim for corporation tax paid in advance, and due in annual instalments since 2008 (see item D 41).

#### 48 | Other current receivables and assets

<b>Other current receivables and assets</b>	<i>Figures in thousand euros</i>	<b>Dec. 31, 2010</b>	Dec. 31, 2009
Current receivables other taxes		2,403	2,058
Current prepaid expenses		1,252	1,738
Current loans to customers		350	1,011
Current receivables from suppliers		463	85
Current receivables from employees		203	361
Other sundry current receivables		16,312	3,467
<b>Total</b>		<b>20,983</b>	<b>8,720</b>

#### 49 | 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 0.7 % (previous year: between 0.1 % and 0.7 %). Balances in foreign currencies (2010: 13,830 thousand euros, last year: 6,130 thousand euros) bore interest in line with the specific rates negotiated; they are measured at the exchange rate applicable at balance sheet date.

#### 50 | 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 divided into 7,380,000 bearer shares and 20 registered shares, or a total of 7,380,020 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 97 of the management report.

#### 51 | 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 fiscal 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.



**52 | 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 or non-cash contribution on one or several occasions, however, up to a maximum of 9,590,000 euros only (authorised capital). The Board thus 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.

**53 | Share option plans**

The Board of Management and Supervisory Board created the basis for the issue of share 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 2005 Stock Option Plan 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 share 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 options, 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 2005 Stock Option Plan:

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	
<b>Total</b>	<b>104,500</b>	<b>95,500</b>	<b>200,000</b>
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 fiscal year, the press briefing on annual results, the general meeting and the dates on which quarterly figures are published. The Compliance Officer of the CEWE COLOR Group ensures that these periods are complied with.

## 54 | 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
01/19/2010	Lincoln Vale European Partners GP LLC, George Town, Grand Cayman	4.26 %	01/14/2010	Undercutting 5 %	01/22/2010
01/19/2010	Lincoln Vale European Partners Master Fund. L.P., George Town, Grand Cayman	4.26 %	01/14/2010	Undercutting 5 %	01/22/2010
04/12/2010	Lincoln Vale European Partners GP LLC, George Town, Grand Cayman	2.98 %	04/01/2010	Undercutting 3 %	04/14/2010
04/12/2010	Lincoln Vale European Partners Master Fund. L.P., George Town, Grand Cayman	2.98 %	04/01/2010	Undercutting 3 %	04/14/2010
10/11/2010	Wyser-Pratte Management Co., Inc., New York, USA	4.76 %	10/07/2010	Undercutting 5 %	10/14/2010
10/11/2010	Guy P. Wyser-Pratte, New York, USA	4.76 %	10/07/2010	Undercutting 5 %	10/14/2010
10/11/2010	Wyser-Pratte EUROVALUE FUND, LTD, George Town, Grand Cayman	1.50 %	10/08/2010	Undercutting 3 %	10/14/2010
10/11/2010	Wyser-Pratte Management Co., Inc., New York, USA	1.05 %	10/11/2010	Undercutting 3 %	10/14/2010
10/11/2010	Guy P. Wyser-Pratte, New York, USA	1.05 %	10/11/2010	Undercutting 3 %	10/14/2010
11/18/2010	Sparinvest Fondsmæglerelskab A/S, Taastrup, Denmark	4.45 %	05/26/2010	Exceeding 3 %	11/23/2010
01/11/2011	Schroders plc. London, United Kingdom	3.02 %	01/05/2011	Exceeding 3 %	01/12/2011
01/11/2011	Schroder Administration Limited, London, United Kingdom	3.02 %	01/05/2011	Exceeding 3 %	01/12/2011
01/11/2011	Schroder Investment Management Limited, London, United Kingdom	3.02 %	01/05/2011	Exceeding 3 %	01/12/2011

## 55 | 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 the 600,002 bearer shares (following the 10 to 1 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 fiscal 2007, on account of the final settlement of this conversion. For details, please refer to the statement of changes in equity.

## 56 | Special item for treasury shares

Special item for treasury shares	Total	Buy-back	Total	Buy-back	Total
	Effect. date Dec. 31, 2008	Jan. 2, 2009 – April 6, 2009	Effect. date Dec. 31, 2009	Aug. 25, 2010 – Nov. 15, 2010	Effect. date Dec. 31, 2010
Buy-back period					
Number of treasury shares held	544,986	44,371	589,357	23,450	612,807
Interest in share capital as of effective date <i>in thousand euros</i>	1,417	115	1,532	61	1,593
Interest in share capital as of effective date <i>in %</i>	7.38 %	0.60 %	7.99 %	0.32 %	8.31 %
Average purchase price per share <i>in euros</i>	30.08	13.71	28.86	27.33	28.80
Total value of redeemed shares <i>in thousand euros</i>	16,398	609	17,007	640	17,647

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).

Based on the resolution of the general meeting of May 28, 2008, the company started a share repurchase programme on June 16, 2008. By December 31, 2008, the company had repurchased 132,626 shares.

In fiscal 2009, another 44,371 shares were repurchased by April 6, 2009. 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. Another 23,450 no-par shares were repurchased in fiscal 2010. With effect of December 31, 2010, 500,055 no-par shares were thus in the portfolio of the company. The above mentioned repurchases are covered by the resolutions of the general meetings of May 28, 2009 and June 2, 2010.

Furthermore, the Board of Management resolved in March 2009, to offer the employees of the domestic associated companies of CEWE COLOR Holding AG company shares at a preferential price as staff shares. A total of 20,216 shares were required for this project. The required repurchase of shares was completed. The acquisition of shares following the resolution of the general meeting of May 28, 2008 was suspended for the period of this repurchase.

The number of treasury shares held pursuant to the Stock Corporation Act (AktG) totalled 500.055 shares as at December 31, 2010 (previous year: 476,605 shares). The value of 1,300 thousand euros shown in the separate financial statements of CEWE COLOR Holding AG, Oldenburg, prepared in accordance with the German Commercial Code (HGB), has the effect of a distribution freeze. The 112,752 shares held by CEWE COLOR Versorgungskasse e. V., Wiesbaden, are not deemed treasury shares in the sense of the Stock Corporation Act. However, pursuant to IAS 19 the shares held by CEWE COLOR Versorgungskasse e. V., Wiesbaden, (112,752 no-par shares) are to be included in the consolidated financial statements. The number of 500.055 treasury shares to be recorded as at December 31, 2010 pursuant to the Stock Corporation Act is to be adjusted according to IAS 32 in conjunction with IAS 19 by the 112,752 shares in CEWE COLOR Holding AG now held by CEWE COLOR Versorgungskasse e. V., Wiesbaden, as of the balance sheet date December 31, 2010, since these must be included in the consolidated financial statements according to the aforementioned regulations. Accordingly, the special item for treasury shares pursuant to IAS 32 shows 612,807 no-par shares at a total value of 17,647 thousand euros.

#### 57 | Revenue reserves and net earnings

Revenue reserves and net earnings are combined to form a single item in the consolidated financial statements.

The group's net earnings increased by minority interests, at 2 thousand euros (last year: less 5 thousand euros).

Under HGB accounting, the net earnings of CEWE COLOR Holding AG, Oldenburg, serve as basis for distribution. After allocation to revenue reserves pursuant to Section 58 (2) AktG, the CEWE COLOR Holding AG's net earnings totalled 16,866 thousand euros (previous year: 13,781 thousand euros) as at December 31, 2010. Distribution freeze exists for the treasury shares held by the company (2010: 500,055 no-par shares, last year: 476,605 no-par shares).

The item other revenue reserves recognises items including changes in the fair value of hedge transactions that meet the hedge accounting conditions, as well as the revaluation reserve for successive acquisitions of companies. For hedges of net investments in economically independent foreign subsidiaries, changes not affecting income of applicable fair values amounting to –244 thousand euros (previous year: –68 thousand euros) were shown. In addition, hedges of net investments in economically independent foreign subsidiaries of 161 thousand euros (previous year: 0 thousand euros) were reported with effect on income to the extent they concern the ineffective portion of the hedging relationship.

#### 58 | Minority interest

This item discloses the minority interests held in the capital of the group companies (totalling 40 thousand euros, previous year: 35 thousand euros). Minority interests in the capital of CEWE COLOR a. s., Prague, Czech Republic, 0 thousand euros (previous year: 0 thousand euros, rounded commercially).

For information on changes in equity, please refer to the consolidated statement of changes in equity (page 116).

**59 | 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.

**60 | Non-current pension provisions**

<b>Non-current pension provisions</b> <i>Figures in thousand euros</i>	<b>Development in business year 2010</b>	Development in business year 2009
<b>Balance on Jan. 1</b>	<b>9,695</b>	9,743
Currency difference	—	—
Consumption	-571	-85
Addition	1,063	271
Reversal	-162	-234
<b>Balance on Dec. 31</b>	<b>10,025</b>	9,695

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 balance sheet 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 for defined-contribution plans. The employer actually has no other commitment than to pay the contributions. No provisions are to be set up in the balance sheet for defined contributions. Only the amount to be paid by the company is recognised in the profit and loss account as an expense item.

The following table shows the significant indicators for defined-benefit pension plans:

<b>Change in the scope of obligation</b> <i>Figures in thousand euros</i>	<b>2010</b>	2009
Defined-benefit obligation at the start of the business year	11,348	12,719
Current service cost	422	270
Interest expense	631	603
Actuarial (gains)/losses	1,160	551
Payment of benefits	648	567
Past service cost	0	108
Reduction on account of the shutdown of production in Paris	0	-325
Reclassification of defined-benefit obligations	0	-2,011
Cash value of defined benefit obligation at the end of the business year	12,913	11,348
– thereof directly committed (without plan assets)	12,158	10,638
– thereof funded with plan assets	755	710

Dedicated assets for pension obligations qualifying as plan assets exist in France and the Netherlands. Starting in fiscal 2009, the Netherlands converted their pension plan to a congruent pension plan with reinsurance coverage. In future, these obligations will be recognised without effect on the balance sheet under the item "Defined contributions". In summary, these assets have developed as follows:

<b>Change in plan assets</b>	<i>Figures in thousand euros</i>	
	<b>2010</b>	2009
Fair value of plan assets at the beginning of the business year	237	1,964
Expected returns on plan assets	10	9
Actuarial (gains)/losses	0	3
Employer contributions	19	35
Payment of benefits	51	0
Reclassification of defined-benefit obligations	0	-1,768
Fair value of plan assets at the end of the business year	<b>215</b>	237

The funded status is as follows:

<b>Funded status</b>	<i>Figures in thousand euros</i>	
	<b>2010</b>	2009
Cash value of defined-benefit obligation at the end of the business year	12,913	11,348
Fair value of the plan assets at the end of the business year	215	237
Unrecognised (gains)/losses	2,585	1,519
Changes to plans not yet amortised	100	108
Balance sheet value at the end of the business year	10,013	9,484
Experience adjustment in cash value of the defined-benefit obligation	167	283
Experience adjustment of the fair value of the plan asset	0	3

The total expenses recognised in the profit and loss account for defined-benefit plans (expenses less income) comprise the following items:

<b>Net expenses for pensions</b>	<i>Figures in thousand euros</i>	
	<b>2010</b>	2009
Current service cost	422	270
Interest expense	631	603
Expected return on plan assets	-10	-9
Amortisation of actuarial (gains)/losses	95	20
Amortisation of effects of plan cuts and/or compensations	7	-389
<b>Total</b>	<b>1,145</b>	495

Actuarial losses totalling 1,160 thousand euros (previous year: 548 thousand euros) were incurred in fiscal 2010.

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, the following weighted valuation assumptions result regarding the defined-benefit obligation:

<b>Weighted assumptions for the determination of the defined-benefit obligation</b>	<i>Figures in %</i>	
	<b>Dec. 31, 2010</b>	Dec. 31, 2009
Accounting interest rate	5.00	5.75
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	<b>1.50</b>	1.50

The biometric probability applicable in the individual countries was recognised. The earliest date on which the benefits can be claimed was 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 2011 to the French plan are likely to amount to 19 thousand euros. The actual returns on the plan assets amounted to 9 thousand euros (previous year: 6 thousand euros).

<b>Present value of commitments and fair value of plan assets</b>	<i>Figures in thousand euros</i>			
	2010	2009	2008	2007
Present value of commitments	12,913	11,348	12,719	12,945
Fair value of plan assets*	215	237	1,964	1,849
<b>Deficit</b>	<b>12,698</b>	<b>11,111</b>	<b>10,755</b>	<b>11,096</b>

\* Excluding the financial instruments of CEWE COLOR Versorgungskasse e.V. Wiesbaden

<b>Adjustments based on experience</b>	<i>Figures in thousand euros</i>			
	2010	2009	2008	2007
Plan liabilities	167	283	119	52
Plan assets	0	-3	30	6

In fiscal 2010, the company expensed a total of 1,084 thousand euros for defined-contribution.

## 61 | Non-current deferred tax liabilities

<b>Non-current deferred tax liabilities</b>	<i>Figures in thousand euros</i>	
	<b>Development in business year 2010</b>	Development in business year 2009
<b>Balance on Jan. 1</b>	<b>1,650</b>	2,324
Change in the group of consol. companies	—	—
Currency difference	9	2
Consumption	-7	—
Addition	1,033	491
Transfer	-80	—
Reversal	-814	-1,167
<b>Balance on Dec. 31</b>	<b>1,791</b>	1,650

The changes in deferred taxes primarily relate to the change in temporary differences. In the preceding year, the changes mainly related to changes in the group of consolidated companies (see item A 3), and the different treatment of provisions for restructuring. The maturities of deferred taxes are largely between one and five years.

## 62 | Other non-current provisions

<b>Other non-current provisions 2010</b>	<b>Balance on Jan. 1, 2010</b>	Addition	Consumption	Reversal	Transfer	Currency difference	<b>Balance on Dec. 31, 2010</b>
<i>Figures in thousand euros</i>							
Employee commitments	79	—	—	—	-22	—	57
Provisions for threatening losses	1,063	—	—	—	-242	—	821
<b>Development during business year 2010</b>	<b>1,142</b>	—	—	—	-264	—	<b>878</b>

Other non-current provisions 2009 <i>Figures in thousand euros</i>	Balance on Jan. 1, 2009	Addition	Consumption	Reversal	Transfer	Currency difference	Balance on Dec. 31, 2009
Employee commitments	65	—	—	—	14	—	79
Provisions for threatening losses	1,412	—	—	—	-349	—	1,063
<b>Development during business year 2009</b>	<b>1,477</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>-335</b>	<b>—</b>	<b>1,142</b>

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 sub-leases on the back of the best possible estimate of the respective local commercial property market. The actual value of the obligations is determined by discounting, at an accounting interest rate of 4.95 %, which corresponds to the discount rates according to Section 252 (2) HGB for a residual term of seven years (previous year: 5.75 %). The adjustment of the interest rate results in a negative interest effect of 39 thousand euros. The transfers relate to reclassifications to the current provisions.

### 63 | Non-current financial liabilities

Financial liabilities exist exclusively with respect to banks and all have a residual term of 1 to 4 years (previous year 1 to 5 years). Interest rates for the current medium- and long-term loan agreements range from 3.82 % to 4.84 % (previous year: between 2.50 % and 4.84 %). For further details, please refer to the item “Current financial liabilities” (see item D 66).

### 64 | Current provisions for taxes

This item includes deferred income tax obligations and obligations for other taxes. They developed as follows:

Current provisions for taxes 2010 <i>Figures in thousand euros</i>	Balance on Jan. 1, 2010	Currency difference	Consumption	Addition	Transfer	Reversal	Balance on Dec. 31, 2010
Income taxes	3,403	12	-1,457	1,888	—	-709	3,137
Other taxes	256	47	-239	1,493	—	—	1,557
<b>Development in business year 2010</b>	<b>3,659</b>	<b>59</b>	<b>-1,696</b>	<b>3,381</b>	<b>—</b>	<b>-709</b>	<b>4,694</b>

Current provisions for taxes 2009 <i>Figures in thousand euros</i>	Balance on Jan. 1, 2009	Currency difference	Consumption	Addition	Transfer	Reversal	Balance on Dec. 31, 2009
Income taxes	2,703	—	-1,481	2,253	—	-72	3,403
Other taxes	315	1	-183	125	—	-2	256
<b>Development in business year 2009</b>	<b>3,018</b>	<b>1</b>	<b>-1,664</b>	<b>2,378</b>	<b>—</b>	<b>-74</b>	<b>3,659</b>

## 65 | Current other provisions

<i>Figures in thousand euros</i>	<b>Balance on Jan. 1, 2010</b>	Currency difference	Consumption	Addition	Transfer	Reversal	<b>Balance on Dec. 31, 2010</b>
Restructurings	5,339	—	-4,714	—	—	-597	28
Conditional purchase price commitments	2,000	—	—	—	—	-1,272	728
Employee commitments	1,099	31	-619	2,245	22	—	2,778
Audit of annual financial statements including internal costs of financial statements	314	14	-208	370	—	-31	459
Provisions for threatened losses	247	—	-257	—	242	-60	172
Warranties and goodwill	387	—	-148	658	—	-40	857
Printing costs	90	—	-82	100	—	-8	100
Expenses for members of the Board of Trustees	103	—	-86	152	—	-17	152
Supervisory Board remunerations	123	—	-103	181	—	-20	181
Legal and consulting costs	29	—	-9	102	—	-2	120
Sundry other commitments	1,904	23	-843	2,090	—	-116	3,058
<b>Change in business year 2010</b>	<b>11,635</b>	<b>68</b>	<b>-7,069</b>	<b>5,898</b>	<b>264</b>	<b>-2,163</b>	<b>8,633</b>

<i>Figures in thousand euros</i>	Balance on Jan. 1, 2009	Currency difference	Consumption	Addition	Transfer	Reversal	Balance on Dec. 31, 2009
Restructurings	3,997	—	-3,299	4,838	—	-197	5,339
Conditional purchase price commitments	2,000	—	—	0	—	—	2,000
Employee commitments	895	50	-820	1,005	-14	-17	1,099
Audit of annual financial statements including internal costs of financial statements	370	3	-351	304	—	-12	314
Provisions for threatened losses	227	—	-261	—	349	-68	247
Warranties and goodwill	221	—	-21	387	—	-200	387
Printing costs	180	—	-180	90	—	—	90
Expenses for members of the Board of Trustees	64	—	-51	103	—	-13	103
Supervisory Board remunerations	64	—	-60	123	—	-4	123
Legal and consulting costs	50	—	-22	2	—	-1	29
Sundry other commitments	2,880	34	-1,275	1,104	—	-839	1,904
<b>Change in business year 2009</b>	<b>10,948</b>	<b>87</b>	<b>-6,340</b>	<b>7,956</b>	<b>335</b>	<b>-1,351</b>	<b>11,635</b>



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, 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. Restructuring was effected by the shutdown and partial shutdown of production facilities or non-profitable retail branches. For details regarding restructuring expenses, please refer to item C 29. The transfers relate to reclassifications from the non-current provisions.

#### 66 | Current financial liabilities

Current financial liabilities are explained by the following table:

<b>Current financial liabilities</b>	<i>Figures in thousand euros</i>	<b>Balance on Dec. 31, 2010</b>	Balance on Dec. 31, 2009
Loans from banks		6,573	477
Current accounts with banks		68	5,985
<b>Total</b>		<b>6,641</b>	<b>6,462</b>

#### 67 | Other current trade payables

Trade payables totalled 82,599 thousand euros (previous year: 73,225 thousand euros). Their rise by 9,374 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 the year-end than in the past.

#### 68 | Other current liabilities

<b>Other current liabilities</b>	<i>Figures in thousand euros</i>	<b>Balance on Dec. 31, 2010</b>	Balance on Dec. 31, 2009
Payments received on account of orders		24	38
Liabilities to shareholders		1,288	944
Other liabilities		25,434	21,678
<b>Total</b>		<b>26,746</b>	<b>22,660</b>

A portion of the liabilities amounting to 9,164 thousand euros (previous year: 5,706 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. The remaining other current liabilities remained nearly unchanged. They include primarily liabilities from outstanding wages and salaries, tax liabilities and liabilities to customers.

#### 69 | 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, 2010, the CEWE COLOR Group has the following credit lines at its disposal:

<b>Credit lines</b>	<b>Total credit lines Dec. 31, 2010</b>	thereof with residual term up to 1 year	thereof with residual term more than 1 year	Total credit lines Dec. 31, 2009	thereof with residual term up to 1 year	thereof with residual term more than 1 year
<i>Figures in million euros</i>						
Germany	89.10	40.50	48.60	92.40	37.05	55.35
Abroad	0.66	0.64	0.02	0.68	0.65	0.03
<b>Total</b>	<b>89.76</b>	<b>41.14</b>	<b>48.62</b>	<b>93.08</b>	<b>37.70</b>	<b>55.38</b>

Of these credit lines, 59.13 million euros (previous year: 60.75 million euros) have not been drawn as at the balance sheet date and were available, in addition to cash and cash equivalents amounting to 23.4 million euros (previous year: 8.2 million euros), to cover future demands for liquidity. 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 balance sheet date of December 31, 2010:

<b>Cash flows from financial liabilities 2010</b> <i>Figures in thousand euros</i>	<b>Dec. 31, 2010 book value</b>	Residual term up to 1 year	Residual term more than 1 up to 5 years	Residual term more than 5 years	<b>Total</b>
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

<b>Cash flows from financial liabilities 2009</b> <i>Figures in thousand euros</i>	<b>Dec. 31, 2009 book value</b>	Residual term up to 1 year	Residual term more than 1 up to 5 years	Residual term more than 5 years	<b>Total</b>
Liabilities to banks	32,524	7,961	29,693	—	37,654
Trade payables	73,225	73,225	—	—	73,225
Other financial instruments	21,044	21,044	1,714	—	22,758

Owing to the international orientation of the 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 balance sheet, 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 balance sheet date. Significant foreign currency items exist for the British

and the Czech national companies. If the two foreign currencies were to decrease in value by 30 % each compared to the euro, the following opportunities (positive values) or risks (negative values), respectively, would result:

<b>Currency sensitivity</b>	<i>Figures in thousand euros</i>	<b>2010</b>	2009
Financial assets		-1,775	-1,176
Financial liabilities		-280	803

If the two foreign currencies were to increase in value by 30 % each compared to the euro, the following opportunities (positive values) or risks, (negative values), respectively, would result:

<b>Currency sensitivity</b>	<i>Figures in thousand euros</i>	<b>2010</b>	2009
Financial assets		3,296	2,183
Financial liabilities		-4,816	-1,066

The 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 rates 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:

<b>Interest sensitivity</b>	<i>Figures in thousand euros</i>	<b>2010</b>	2009
Income from interest		-64	-16
Interest expenditure		213	179

If the interest rates for financial assets and liabilities bearing variable interest were to increase by 10 %, the following opportunities (positive values) or risks (negative values), respectively, would result:

<b>Interest sensitivity</b>	<i>Figures in thousand euros</i>	<b>2010</b>	2009
Income from interest		64	16
Interest expenditure		-213	-179

The following hedge transactions existed:

<b>Derivative transactions</b>	Nominal volume		Remaining term > 1 year		Fair value	
	<b>Dec. 31, 2010</b>	Dec. 31, 2009	<b>Dec. 31, 2010</b>	Dec. 31, 2009	<b>Dec. 31, 2010</b>	Dec. 31, 2009
<i>Figures in thousand euros</i>						
<b>Currency derivatives</b>						
Interest-rate / currency swaps	1,000	1,500	1,000	1,500	-368	-380
<b>Interest-rate derivatives</b>						
Rate swaps	3,000	3,000	3,000	3,000	-134	-81
Option transactions		0		0		0

Hedging relationships exist primarily to hedge interest-rate and currency risks from non-current loans to group companies with foreign functional currencies and 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, however, it does not 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.

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.

<b>Net results from financial instruments by measurement categories</b>	<i>Figures in thousand euros</i>	<b>Balance on Dec. 31, 2010</b>	Balance on Dec. 31, 2009
Financial assets measured at fair value affecting profit or loss		695	85
Financial assets measured at amortised cost		-1,597	-366
<b>Total</b>		<b>-902</b>	-281

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. No additions (previous year: additions 0 thousand euros) from cash flow hedges were recognised in equity not affecting income in the year under review. Ineffectiveness amounting to 51 thousand euros (previous year: 251 thousand euros) from cash flow hedges was recognised in income. In the year under review, 244 thousand euros (previous year: 0 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 hedge 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. Within one year, derivative transactions will result in outflow of liquidity amounting to 136 thousand euros (previous year: 731 thousand euros), and within two to five years to outflows amounting to 577 thousand euros (previous year: 1,714 thousand euros). Interest income not related to the financial instruments measured at fair value and recognised in income totals 642 thousand euros (previous year: 155 thousand euros), corresponding interest expenses total 2,125 thousand euros (previous year: 1,788 thousand euros). This results in a balance of -1,483 thousand euros (previous year: -1,633 thousand euros). In 2010, impairments of financial instruments measured at amortised cost, totaled 1,871 thousand euros (previous year: 828 thousand euros); they were posted to receivables due to depreciation. No write-downs were made for financial instruments recognised at fair value.

The reconciliation of balance sheet items to the classes of financial instruments as of December 31, 2010 is as follows:

	<i>Figures in thousand euros</i>	<b>Balance sheet item as of Dec. 31, 2010</b>	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)	amortised acquisition costs (category: Financial Assets Held for Trading)	Fair value (rest)	Book values	Fair values
<b>Financial instruments Dec. 31, 2010</b>									
<b>Non-current assets</b>									
Financial assets		200	172	—	28	—	—	28	28
Non-current receivables		357	83	274	—	—	—	274	274
<b>Current assets</b>									
Trade receivables		72,024	—	72,024	—	—	—	72,024	72,024
Other current receivables and assets		20,983	3,655	17,328	—	—	—	20,983	20,983
Cash and cash equivalents		23,382	—	—	—	—	23,382	23,382	23,382
<b>Non-current liabilities</b>									
Non-current financial liabilities		24,099	—	24,099	—	—	—	24,099	24,099
Other non-current liabilities		183	—	183	—	—	—	183	183
<b>Current liabilities</b>									
Current financial liabilities		6,641	—	6,641	—	—	—	6,641	6,641
Other current trade payables		82,599	—	82,599	—	—	—	82,599	82,599
Other current liabilities		26,746	201	26,545	—	—	—	26,746	26,746

Financial instruments Dec. 31, 2009	<i>Figures in thousand euros</i>	Balance sheet item as of Dec. 31, 2009	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)	amortised acquisition costs (category: Financial Assets Held for Trading)	Fair value (rest)	Book values	Fair values
<b>Non-current assets</b>									
Financial assets		294	265	—	29	—	—	29	29
Non-current receivables		334	71	263	—	—	—	263	263
<b>Current assets</b>									
Trade receivables		66,533	—	66,533	—	—	—	66,533	66,533
Other current receivables and assets		8,720	3,796	4,924	—	—	—	8,720	8,720
Cash and cash equivalents		8,218	—	—	—	—	8,218	8,218	8,218
<b>Non-current liabilities</b>									
Non-current financial liabilities		26,062	—	26,062	—	—	—	26,062	26,062
Other non-current liabilities		73	—	73	—	—	—	73	73
<b>Current liabilities</b>									
Current financial liabilities		6,462	—	6,462	—	—	—	6,462	6,462
Other current trade payables		73,225	—	73,225	—	—	—	73,225	73,225
Other current liabilities		22,660	182	22,478	—	—	—	22,660	22,660

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 receivable are analysed in detail monthly on the level of the individual companies, as well as 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 89,626 thousand euros as at December 31, 2010 (previous year: 71,720 thousand euros) and is composed as follows:

<b>Credit risk</b>	<i>Figures in thousand euros</i>	<b>Dec. 31, 2010</b>	Dec. 31, 2009
Non-current receivables		274	263
Trade receivables and other current receivables		89,352	71,457
<b>Total</b>		<b>89,626</b>	<b>71,720</b>

The adjusted loans and receivables have changed as follows:

<i>Figures in thousand euros</i>	<b>Dec. 31, 2010</b>	Dec. 31, 2009
Gross value	10,159	11,123
Valuation adjustment	-7,218	-8,540
<b>Total</b>	<b>2,941</b>	<b>2,583</b>

Another 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>	
Up to 30 days	6,726
Between 30 and 90 days	2,348
Older than 90 days	-419

The foremost aim of capital management of the 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 balance sheet date.

<i>Figures in thousand euros</i>	<b>Balance on Dec. 31, 2010</b>	Balance on Dec. 31, 2009
Total assets	287,510	268,572
Equity	120,706	111,694
Equity ratio (in %)	42.0 %	41.6 %
Non-current financial liabilities	24,099	26,062
Current financial liabilities	6,641	6,462
Cash and cash equivalents	23,382	8,218
Net financial liabilities	<b>7,358</b>	24,306

The capital management aims at ensuring a sufficient funding in particular 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 in such a way that there is 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 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 (D 51, D52 and D53).

## E. Other Notes

### 70 | Shareholdings

Shareholdings	Interest in %	Dec. 31, 2010 fixed capital	Dec. 31, 2009 fixed capital
1. CEWE COLOR AG & Co. OHG, Oldenburg <sup>1,2</sup>		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 <sup>3</sup>		99.75	99.75
8. CEWE COLOR Magyarország Kft, Budapest, Hungary		99.75	99.75
9. CEWE COLOR a.s., Prague, Czech Republic		99.31	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 <sup>2</sup>		99.75	99.75
22. Bilder-planet.de GmbH, Cologne <sup>3</sup>		99.75	99.75
23. Dignet Management GmbH, Cologne		99.75	99.75
24. Numérique S.A.S., Paris, France <sup>4</sup>		0.00	99.75
25. Wöltje GmbH & Co. KG, Oldenburg <sup>2</sup>		99.75	99.75
26. Wöltje Verwaltungs-GmbH, Oldenburg		99.75	99.75
27. diron GmbH & Co. KG, Münster <sup>2</sup>		99.75	99.75
28. diron Wirtschaftsinformatik Beteiligungs-GmbH, Münster		99.75	99.75
29. CEWE COLOR Inc., New York, USA		99.75	0.00

The participating interests are as follows:

<sup>1</sup> Directly held holding companies; all other participating interests held indirectly via the holding company CEWE COLOR AG & Co. OHG, Oldenburg

<sup>2</sup> 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.

<sup>3</sup> Non-consolidated companies <sup>4</sup> The company was merged with CEWE COLOR S.A.S.

### 71 | Notes to the cash flow statement

The cash flow statement shows how the cash and cash equivalents in the group have changed during the business years 2010 and 2009. In line with IAS 7, the cash flow was broken down into the cash flow from operating activities, the cash flow from investing activities and the cash flow from financing activities. The cash and cash equivalents carried cover the balance sheet items bank balances and cash in hand including any fixed-term deposits. They correspond to cash in hand recognised in the balance sheet. Not included are financial assets in registered bonds that are attributable to the other operating net working capital.

For the business year 2009, the representation of the cash flow statement was adapted within the scope of the provisions of IAS 7. For the purpose of comparison, the information relating to the inflow and outflow of funds of the previous year was modified accordingly. This modification is intended to provide decision-making-oriented information on the capital flows in the area of operating working capital and other working capital – both in cash flow from operating business – as well as information on the overall inflow and outflow of funds from and to shareholders in the cash flow for financing activity. It also shows how the free cash flow situation presents itself, i. e. the liquidity flows after the investing activity but prior to the inflows and outflows from financing activity.

The rise of the EBIT-induced cash flow (+ 13,170 thousand euros) is essentially the result of the noticeably improved earnings position (EBIT +9,497 thousand euros). Other factors influencing the improved cash flow from operating activities are internal financing effects from the operating net working capital of +23,917 thousand euros as well as from the other net working capital of –13,911 thousand euros. As for the rest, we refer to the notes to the balance sheet and financial management as well as cash flow (page 56 et seq.).

In fiscal 2010, 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.

In the previous year, 0 thousand euros of the purchase prices were settled with cash and cash equivalents.

The cash inflows and outflows from the change in financial debts result from repayments, scheduled reclassifications and the taking up of loans as follows:

<i>Figures in thousand euros</i>	<b>Balance on Dec. 31, 2008</b>	Repayments	Reclassification	Taking up of loans	Balance on Dec. 31, 2009	Repayments	Reclassification	Taking up of loans	<b>Balance on Dec. 31, 2010</b>
Current financial liabilities	20,768	-14,783	429	49	6,462	-6,462	6,573	68	6,641
Non-current financial liabilities	14,505	-12,014	-429	24,000	26,062	-12,890	-6,573	17,500	24,099
<b>Gross financial liabilities</b>	<b>35,273</b>	<b>-26,797</b>	<b>0</b>	<b>24,049</b>	<b>32,524</b>	<b>-19,352</b>	<b>0</b>	<b>17,568</b>	<b>30,740</b>

The taking up of long-term loans in 2010, to the amount of 17,500 thousand euros (previous year: 24,000 thousand euros) was effected within the scope of a reorganisation of financing.

## 72 | Segment reporting

Since fiscal 2009, segment reporting has been effected in compliance with the regulations of IFRS 8 "Operating Segments". The segment report in the photofinishing segments will be 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. Contrary to the previous year, the results will no longer be reported according to EBT, but rather according to EBIT only. Starting in fiscal 2010, EBIT is the central internal key earnings indicator. Previous year's figures were adjusted accordingly. Any and all changes do not affect the net assets, financial position and results of the company.

CEWE COLOR allocates its revenues to the product categories, which 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 – were 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. The segment earnings before taxes are reported as key earnings and performance indicator. A detailed explanation of the segment report is shown in the management report (page 54).

For a better presentation of the operating performance, the segment earnings before taxes (EBT) was adjusted by the restructuring effects of the year under review and the previous year.

As a rule, sales and proceeds between the segments are recorded at prices that would also be 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.

The turnover breakdown for the following geographic regions is as follows:

<i>Figures in thousand euros</i>	<b>2010</b>	2009
Germany	172,634	164,439
Abroad	274,166	245,373
thereof Poland (more than 10 % of total turnover)	66,887	54,792
thereof Norway (more than 10 % of total turnover)	46,732	35,736



The turnover categories are photofinishing revenues and retail trade revenues. Their breakdown is as shown in the segment report.

In the year under review and in the previous year, turnover with a major account was above 10 %.

The non-current assets breakdown for the following geographic regions is as follows:

<i>Figures in thousand euros</i>	<b>2010</b>	2009
Germany	81,887	90,094
Abroad	28,765	30,755
<b>Total</b>	<b>110,652</b>	<b>120,849</b>

### 73 | 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 in the amount of 1,863 thousand euros (previous year: 5,469 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.

The 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, a total of 1,322 thousand euros were incurred for short-term payments to members of the Board of Management (previous year: 968 thousand euros). For payments after the termination of the employment relations, 403 thousand euros were expended (previous year: 442 thousand euros). The increase is explained mainly by claims of Mr. Michael Wefers as retired member of the Board of Management,

totalling 143 thousand euros, by a post-contractual prohibition of competition (103 thousand euros), and by bonus payments in 2009 for 2008 as last year of his active employment (40 thousand euros). No other payments were granted because of the termination of employment or other share-based remunerations.

Business transactions with related companies and persons occurred to a small extent only in 2010. Major transactions concern some leases conducted between the group and affiliated companies of the community of heirs of Senator h.c. Heinz Neumüller, Oldenburg, that exist for commercial real estate. The volume of the services used amounted to 2,241 thousand euros (previous year: 2,173 thousand euros). Any and all transactions with related parties are dealt at conditions customary in the market and are, with the exception of the leases already mentioned, of lesser extent only. The remuneration report as part of the management report of the 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 fiscal year under review, provisions amounting to 169 thousand euros accrued for these commitments (previous year: 127 thousand euros). The total of the present values of the performance-related commitments amounts to 3,136 thousand euros (previous year: 2,834 thousand euros).

Various delivery and service relationships exist among the companies of the CEWE COLOR Group, as well as financing and funding with cash and cash equivalents. All transactions within the group are conducted at standard commercial terms.

On February 28, 2011, the Board of Management decided to offer shares of CEWE COLOR Holding AG, Oldenburg, as employee shares to the employees of the CEWE COLOR Group according to Section 3 no. 39 EStG.

## 74 | 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 Neumüller CEWE COLOR Stiftung, Oldenburg)

- Chairman of the Supervisory Board of CEWE COLOR Holding AG, Oldenburg
- Member of the Board of Trustees of Neumüller CEWE COLOR Stiftung, Oldenburg
- Chairman of the Supervisory Board of CEWE COLOR a.s., Prague, Czech Republic<sup>1,2</sup>
- Chairman of the Supervisory Board of CEWE COLOR a.s. Bratislava Czech Republic<sup>1,2</sup>
- Member of the Advisory Board of Gräper Holding GmbH, Ahlhorn<sup>2</sup>

**Hartmut Fromm, resident in Berlin** (Deputy Chairman)

Lawyer and partner of the law firm Buse Heberer Fromm

Tax advisor partnership company Berlin

- Deputy Chairman of the Supervisory Board of CEWE COLOR Holding AG, Oldenburg
- Chairman of the Board of Management of IMW Immobilien AG, Berlin
- Chairman of the Supervisory Board of Swarco Traffic Holding Munich
- Deputy chairman of the Supervisory Board of Swarco AG, Wattens, Austria<sup>2</sup>
- President of the Board of Directors of Vermar Verwaltungs- und Marktstudien AG, Zurich, Switzerland<sup>2</sup>
- President of the Board of Directors of Vermar Beteiligungs AG, Zurich, Switzerland<sup>2</sup>
- Member of the Advisory Board of Homburg Invest Inc., Halifax, Canada<sup>2</sup>
- President+CEO of HoT JWP Music Inc., Miami, USA<sup>2</sup>
- Chairman of the Advisory Board of Zamek Nahrungsmittel GmbH & Co. KG, Düsseldorf
- President of the Board of Directors of Bohem Press AG, Zurich, Switzerland<sup>2</sup>
- President of the Board of Directors of ZOEY PF Schuhe und Accessoires AG, Zurich, Switzerland<sup>2</sup>

**Prof. Dr. Dr. h.c. Hans-Jürgen Appelrath, resident in Oldenburg**

University professor for information technology at the 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/specialist for tax law 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 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 (East Frisia), 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, India<sup>2</sup>

**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 Board of Directors of Barry Callebaut Asia Pte, Singapore<sup>2</sup>
- Member of the Board of Directors of Skytower Pte, Singapore<sup>2</sup>
- Member of the Board of Directors of North Pacific Holding Pte Ltd., Singapore<sup>2</sup>
- Member of the Supervisory Board of Neumann Gruppe GmbH, Hamburg

**Dr. Rolf Hollander, resident in Oldenburg**

- Chairman of the Board of Management of Neumüller CEWE COLOR Stiftung, Oldenburg
- Chairman 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<sup>1,2</sup>
- Member of the Board of Directors of CEWE COLOR Fotoservice AG, Dübendorf, Zurich, Switzerland<sup>1,2</sup>
- Member of the Board of Directors of the Second CEWE COLOR Fotoservice AG, Dübendorf, Zurich, Switzerland<sup>1,2</sup>
- Member of the Supervisory Board of Japan Photo Holding Norge AS, Oppegård, Norway<sup>1,2</sup>
- Member of the Supervisory Board of Japan Photo Sverige AB, Göteborg, Sweden<sup>1,2</sup>
- Member of the Supervisory Board of Japan Photo Danmark A/S, Skødstrup, Denmark<sup>1,2</sup>

**Dr. Reiner Fageth, resident in Oldenburg**

- Chairman of the Supervisory Board of CEWE COLOR a. s., Prague, Czech Republic<sup>1,2</sup>
- Member of the Supervisory Board of CEWE COLOR Inc., Delaware, USA<sup>1,2</sup>

**Dr. Olaf Holzkämper, resident in Oldenburg (as of April 1, 2010)**

<sup>1</sup> Group mandate

<sup>2</sup> 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 fiscal 2010, which they received for the execution of their tasks in the parent company and the subsidiaries amounted to 1,322 thousand euros (previous year: 968 thousand euros) for active members and 403 thousand euros (previous year: 442 thousand euros) for former members. As of the balance sheet date of December 31, 2010, the Board of Management held 56,675 no-par shares (previous year: 54,175 no-par shares). In addition, the members of the Board of Management held a total of 31,500 option rights (previous year: 30,000 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, please see the explanations on personnel expenses on page 129 (item C 26).

In the year under review, the variable remuneration elements connected with the group result totalled 286 thousand euros (previous year: 212 thousand euros). They increased by 34.9 % compared to the previous year. The portion of total remuneration amounted to 21.6 % (previous year: 21.9 %). Variable, performance-related special benefits for the business year 2010 to be paid in 2011 will, in the forecast, be at approx. 391 thousand euros on account of the 2010 earnings situation.

In fiscal 2010, the total remunerations of the Supervisory Board amounted to 158.3 thousand euros (previous year: 122.7 thousand euros) and were composed of fixed remunerations of 45.0 thousand euros (previous year: 45.0 thousand euros), attendance fees of 27.0 thousand euros (previous year: 27.0 thousand euros) and additional remuneration depending on the decided dividend amounting to 60.0 thousand euros (previous year: 50.7 thousand euros). The amounts are net amounts. As of December 31, 2010, members of the Supervisory Board held a total of 50,000 no-par shares (previous year: 50,000 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 92 (Section 315 (2) no. 4 sentence 2 HGB).

Consulting and intermediary services and other personal services performed by members of the Supervisory Board amounted to 3.8 thousand euros (previous year: 11.2 thousand euros). Previous and special 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.

The financial statements are approved by resolution of the Supervisory Board, at its meeting as Audit Committee on March 23, 2011. On the same date, the Board of Management will recommend a dividend, which will then be publicised in the electronic Federal Gazette.

75 | Declaration concerning the German Corporate Governance Code  
The declaration of conformity with the German Corporate Governance Code required ac-

ording 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](http://www.cewecolor.de).

Oldenburg, March 9, 2011

**CEWE COLOR Holding AG**

– The Board of Management –

**Declaration according to Sections 297 (2) sentence 4, 315 (1) sentence 6 HGB  
(confirmation of the balance sheet)**

To the best of our knowledge, and in accordance with the applicable reporting principles for consolidated financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group and 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, the group management report gives a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group in the new business year.

Oldenburg, March 9, 2011

**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 balance sheet, profit and loss account, statement of changes in equity, cash flow statement and notes to the financial statements – as well as the group management report for the business year from January 1 to December 31, 2010. 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 the IFRS as a whole.

We conducted our audit in accordance with Section 317 HGB and with the German principles of proper auditing adopted by the Institut der Wirtschaftsprüfer (IDW). 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 9, 2011

COMMERZIAL TREUHAND  
Gesellschaft mit beschränkter Haftung  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

Dipl.-Kfm. Heinrich Sanders  
Certified Public Accountant

ppa. Dipl.-Kfm. Thomas Münchenberg  
Certified Public Accountant

## THE 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
- 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 Neumüller CEWE COLOR Stiftung, Oldenburg
- Hartmut Fromm, Berlin (Deputy Chairman)  
Lawyer and partner of the law firm Buse Heberer Fromm Rechtsanwälte Steuerberater Partnerschaftsgesellschaft, Berlin
- 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 (as at April 1, 2010)





### Digital printing

The photo shows the so-called stacker, the paper sheet box after digital printing on an HP Indigo 7,000 digital printing machine. In total, CEWE COLOR operates **50 digital printing machines** of different makes throughout Europe.

## FURTHER INFORMATION

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## FINANCIAL STATEMENTS OF CEWE COLOR HOLDING AG

### Profit and Loss Account of CEWE COLOR Holding AG

for the period from January 1 to December 31, 2010 (according to HGB)

<i>Figures in thousand euros</i>	<b>2010</b>	2009
Income from investments	21,160	16,412
Other operating income	89	26
Personnel expenses		
Wages and salaries	-226	-156
Social security, pension and other benefit costs	-112	-51
	<b>-338</b>	<b>-207</b>
Depreciation of own shares	-1,708	-1,527
Other operating expenses	3,097	3,539
Other interest and similar income	-22	0
<b>Result from operating activities</b>	<b>22,278</b>	<b>18,242</b>
Income taxes	-64	0
<b>Net income for the year</b>	<b>22,214</b>	<b>18,242</b>
Profit carried forward from previous year	-4,740	-4,056
<b>Withdrawal from revenue reserves</b>	<b>17,474</b>	<b>14,186</b>
Addition to revenue reserves	13,781	7,106
Dividend	-7,249	-6,903
Allocations to other revenue reserves	-6,500	0
<b>Remaining profits brought forward from the previous year</b>	<b>32</b>	<b>203</b>
Allocations to revenue reserves		
to the provision for own shares	0	-608
Expenses incurred by the purchase of own shares	-640	0
<b>Net retained profits</b>	<b>16,866</b>	<b>13,781</b>

## Balance Sheet of CEWE COLOR Holding AG

as of December 31, 2010 (according to HGB)

<b>ASSETS</b>	<i>Figures in thousand euros</i>	<b>2010</b>	2009
<b>Non-current assets</b>			
Financial assets		20,748	20,748
<b>Current assets</b>			
Receivables and other assets		0	0
Receivables from affiliated companies		140,587	130,042
Other assets		3,466	3,588
		<b>144,053</b>	<b>133,630</b>
Securities			
Own shares		0	6,599
Checks, cash in hand and balances with banks		1	1
<b>Prepaid expenses</b>		<b>35</b>	<b>28</b>
		<b>164,837</b>	<b>161,006</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<i>Figures in thousand euros</i>	<b>2010</b>	2009
<b>Equity</b>			
Subscribed capital		19,188	19,188
Own shares		-1,300	0
Expended capital		17,888	19,188
Capital reserve		56,509	56,197
Revenue reserves			
Legal reserves		1,534	1,534
Reserve for own shares		0	6,599
Provision set up for own shares (BilMoG)		1,300	0
Other revenue reserves		68,347	61,846
		<b>71,181</b>	<b>69,979</b>
Net retained profits		16,866	13,781
<b>Total equity</b>		<b>162,444</b>	<b>159,145</b>
<b>Provisions</b>			
Provisions for pensions and similar commitments		452	276
Provisions for tax		1,331	975
Other provisions		436	322
		<b>2,219</b>	<b>1,573</b>
<b>Liabilities</b>			
Trade payables		164	218
Other liabilities		10	69
		174	287
		<b>164,837</b>	<b>161,005</b>

## MULTI-YEAR OVERVIEW

### Consolidated Profit and Loss Account Total Year

<i>Figures in million euros</i>	2003	2004	2005	2006	2007	2008	2009	2010
Revenues	416.2	428.4	431.1	396.0	413.5	420.0	409.8	446.8
Increase/decrease in the inventory of finished and unfinished products	-0.4	0.0	-0.1	-0.1	0.0	-0.1	0.0	0.0
Other own work capitalised	1.6	1.5	1.5	0.9	1.5	1.6	1.2	1.5
Other operating income	20.8	21.0	34.6	24.9	24.6	27.3	28.3	24.9
Cost of materials	-162.7	-162.8	-153.1	-139.6	-154.6	-163.2	-154.7	-168.7
<b>Gross profit</b>	<b>275.5</b>	<b>288.1</b>	<b>314.0</b>	<b>282.1</b>	<b>285.0</b>	<b>285.6</b>	<b>284.6</b>	<b>304.5</b>
Personnel expenses	-119.5	-124.3	-131.1	-111.5	-108.4	-105.0	-104.8	-102.3
Other operating expenses	-97.9	-103.6	-114.3	-107.4	-123.8	-127.9	-124.0	-136.4
<b>Income before taxes, interest and depreciation (EBITDA)</b>	<b>58.1</b>	<b>60.2</b>	<b>68.6</b>	<b>63.2</b>	<b>52.8</b>	<b>52.8</b>	<b>55.9</b>	<b>65.9</b>
Depreciation of property, plant and equipment and amortisation of intangible assets	-42.9	-44.3	-39.9	-36.8	-38.5	-40.4	-37.2	-37.7
<b>Earnings before interest and taxes (EBIT)</b>	<b>15.2</b>	<b>15.9</b>	<b>28.7</b>	<b>26.4</b>	<b>14.3</b>	<b>12.4</b>	<b>18.7</b>	<b>28.2</b>
Financial results	-2.0	-1.7	-3.2	-5.3	-1.5	-1.7	-1.9	-1.8
<b>Earnings before taxes (EBT)</b>	<b>13.2</b>	<b>14.2</b>	<b>25.5</b>	<b>21.1</b>	<b>12.8</b>	<b>10.7</b>	<b>16.8</b>	<b>26.4</b>
Income taxes	-7.2	-10.7	-11.6	-1.0	-5.5	-2.5	-9.2	-11.7
Other taxes	-2.4	-2.3	-2.4	-2.2	-1.4	-1.1	-0.8	-0.9
<b>Earnings after taxes</b>	<b>3.6</b>	<b>1.2</b>	<b>11.5</b>	<b>17.9</b>	<b>5.9</b>	<b>7.0</b>	<b>6.7</b>	<b>13.7</b>
Profit/loss attributable to minority shareholders	1.4	0.9	4.4	3.8	0.0	0.0	0.0	0.0
Profit/loss attributable to shareholders of the parent company	2.2	0.2	7.1	14.0	5.9	7.0	6.7	13.7

### Cash Flow Total Year

<i>Figures in million euros</i>	2003	2004	2005	2006	2007	2008	2009	2010
Cash flow from operating activities	36.4	45.9	50.6	33.8	52.6	34.8	36.5	53.0
Cash flow from investments	-35.8	-35.0	-34.3	-32.8	-41.9	-33.8	-26.6	-27.3
Free cash flow	0.6	10.9	16.3	1.0	10.7	1.0	9.9	25.6
Cash flow from financing activity	-3.6	-5.4	-6.3	-14.0	-18.1	2.3	-11.9	-10.8
Net changes in liquid funds due to payments	-3.1	5.6	10.0	-13.0	-7.4	3.3	-2.0	14.8

## Consolidated Profit and Loss Account Fourth Quarter

<i>Figures in million euros</i>	Q4 2003	Q4 2004	Q4 2005	Q4 2006	Q4 2007	Q4 2008	Q4 2009	Q4 2010
Revenues	88.8	109.5	102.6	96.4	110.5	120.7	127.4	150.0
Increase/decrease in the inventory of finished and unfinished products	-0.3	0.0	-0.1	0.0	0.1	-0.1	0.0	0.0
Other own work capitalised	0.7	0.4	0.4	-0.2	0.4	0.0	0.2	0.3
Other operating income	6.9	9.6	9.1	12.4	7.6	9.1	8.2	8.7
Cost of materials	-33.9	-40.6	-33.4	-36.2	-41.1	-46.2	-44.7	-52.3
<b>Gross profit</b>	<b>62.2</b>	<b>78.9</b>	<b>78.7</b>	<b>72.4</b>	<b>77.4</b>	<b>83.5</b>	<b>91.1</b>	<b>106.6</b>
Personnel expenses	-29.0	-34.3	-35.3	-29.0	-29.5	-24.7	-26.3	-28.1
Other operating expenses	-25.7	-31.0	-31.4	-31.6	-37.8	-40.5	-39.4	-47.6
<b>Income before taxes, interest and depreciation (EBITDA)</b>	<b>7.5</b>	<b>13.6</b>	<b>12.0</b>	<b>11.8</b>	<b>10.1</b>	<b>18.3</b>	<b>25.4</b>	<b>30.9</b>
Depreciation of property, plant and equipment and amortisation of intangible assets	-15.0	-11.1	-12.6	-12.0	-10.0	-10.1	-9.8	-9.1
<b>Earnings before interest and taxes (EBIT)</b>	<b>-7.5</b>	<b>2.5</b>	<b>-0.6</b>	<b>-0.2</b>	<b>0.1</b>	<b>8.2</b>	<b>15.7</b>	<b>21.8</b>
Financial results	-0.5	-0.3	-1.3	-0.7	-0.6	-0.5	-0.5	-0.3
<b>Earnings before taxes (EBT)</b>	<b>-8.0</b>	<b>2.2</b>	<b>-2.0</b>	<b>-0.8</b>	<b>-0.4</b>	<b>7.7</b>	<b>15.2</b>	<b>21.5</b>
Income taxes	0.0	-3.8	-0.8	4.2	-0.3	-1.0	-5.3	-6.4
Other taxes	-0.2	0.2	0.0	0.0	0.8	-0.2	-0.2	-0.2
<b>Earnings after taxes</b>	<b>-8.2</b>	<b>-1.4</b>	<b>-2.7</b>	<b>3.4</b>	<b>0.1</b>	<b>6.6</b>	<b>9.8</b>	<b>14.8</b>
Profit/loss attributable to minority shareholders	-2.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Profit/loss attributable to shareholders of the parent company	-6.2	-1.4	-2.6	3.4	0.1	6.6	9.8	14.8

## Cash Flow Fourth Quarter

<i>Figures in million euros</i>	Q4 2003	Q4 2004	Q4 2005	Q4 2006	Q4 2007	Q4 2008	Q4 2009	Q4 2010
Cash flow from operating activities	—	—	—	—	—	—	24.2	22.2
Cash flow from investments	—	—	—	—	—	—	-4.0	-8.1
Free cash flow	—	—	—	—	—	—	20.2	14.1
Cash flow from financing activity	—	—	—	—	—	—	-20.9	-8.9
Net changes in liquid funds due to payments	—	—	—	—	—	—	-0.7	5.2

## MULTI-YEAR OVERVIEW

### Consolidated Balance Sheet

<b>ASSETS</b> <i>Figures in million euros</i>	2003	2004	2005	2006	2007	2008	2009	<b>2010</b>
Property, plant and equipment	121.4	118.5	116.4	110.6	110.9	95.4	86.7	<b>80.5</b>
Real estate held as financial investment	0.0	0.0	0.0	0.0	0.0	3.2	5.3	<b>4.8</b>
Goodwill	11.6	6.2	2.5	2.5	5.3	10.3	10.3	<b>9.1</b>
Intangible assets	8.0	8.7	9.0	9.4	21.5	22.6	18.5	<b>16.3</b>
Financial assets	1.3	1.3	1.9	2.1	0.3	0.3	0.3	<b>0.2</b>
Non-current receivables from income tax refund	0.0	0.0	0.0	4.2	3.7	3.3	3.0	<b>2.9</b>
Non-current receivables and assets	0.0	3.0	0.6	0.5	0.6	0.5	0.3	<b>0.4</b>
Deferred tax assets	2.3	1.6	2.9	3.1	5.7	5.5	5.2	<b>5.4</b>
<b>Non-current assets</b>	<b>144.6</b>	<b>139.3</b>	<b>133.2</b>	<b>132.4</b>	<b>148.0</b>	<b>141.2</b>	<b>129.7</b>	<b>119.5</b>
Assets held available for sale	0.0	0.0	0.0	0.0	0.0	2.8	2.0	<b>0.2</b>
Inventories	31.3	34.6	39.0	34.2	41.2	36.8	52.3	<b>50.3</b>
Current trade receivables	49.7	60.4	53.4	56.4	55.8	54.3	66.5	<b>72.0</b>
Current receivables from income tax refund	0.0	0.6	0.4	6.9	3.3	5.8	1.1	<b>1.2</b>
Current other receivables and assets	13.3	8.7	8.0	13.1	9.5	10.9	8.7	<b>21.0</b>
Cash and cash equivalents	11.4	17.2	27.4	14.5	7.1	10.1	8.2	<b>23.4</b>
<b>Current Assets</b>	<b>105.7</b>	<b>121.4</b>	<b>128.1</b>	<b>125.0</b>	<b>116.8</b>	<b>120.8</b>	<b>138.9</b>	<b>168.0</b>
	250.3	260.7	261.3	257.4	264.8	262.0	268.6	<b>287.5</b>

<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b> <i>Figures in million euros</i>	2003	2004	2005	2006	2007	2008	2009	<b>2010</b>
Subscribed capital	15.6	15.6	15.6	19.2	19.2	19.2	19.2	19.2
Capital reserve	29.2	29.2	29.2	58.6	56.2	56.2	56.2	56.2
Special item for treasury shares	-12.0	-12.1	-10.4	-6.0	-14.2	-16.4	-17.0	-17.6
Revenue reserves and net profits	62.2	60.4	65.0	55.6	59.3	53.3	53.3	62.9
Third-party interests	12.6	13.4	13.7	0.0	0.1	0.1	0.0	0.0
<b>Equity</b>	<b>107.6</b>	<b>106.4</b>	<b>113.0</b>	<b>127.4</b>	<b>120.6</b>	<b>112.4</b>	<b>111.7</b>	<b>120.7</b>
Non-current special items for investment grants	1.9	1.2	1.0	0.9	0.7	0.6	0.5	0.4
Non-current provisions for pensions	7.8	8.3	8.7	9.3	9.7	9.7	9.7	10.0
Non-current deferred tax liabilities	7.0	4.5	2.0	1.5	5.7	2.3	1.7	1.8
Non-current other provisions	0.0	4.2	4.4	2.2	1.9	1.5	1.1	0.9
Non-current financial liabilities	19.0	11.8	10.1	5.6	10.4	14.5	26.1	24.1
Non-current other liabilities	0.0	12.9	14.2	0.9	0.6	0.7	0.1	0.2
<b>Non-current liabilities</b>	<b>35.7</b>	<b>43.0</b>	<b>40.3</b>	<b>20.4</b>	<b>29.1</b>	<b>29.3</b>	<b>39.1</b>	<b>37.4</b>
Current special items for investment grants	0.0	0.3	0.2	0.1	0.1	0.1	0.1	0.1
Current provisions for taxes	5.9	5.8	8.4	7.9	2.9	3.0	3.7	4.7
Current other provisions	11.0	8.7	14.0	11.1	11.4	10.9	11.6	8.6
Current financial liabilities	1.8	8.8	7.2	17.3	10.2	20.8	6.5	6.6
Current other trade payables	47.8	58.8	45.7	46.9	66.7	63.6	73.2	82.6
Current other liabilities	40.6	28.9	32.5	26.4	23.9	21.8	22.7	26.7
<b>Current liabilities</b>	<b>107.1</b>	<b>111.3</b>	<b>107.9</b>	<b>109.7</b>	<b>115.1</b>	<b>120.2</b>	<b>117.7</b>	<b>129.4</b>
	250.3	260.7	261.3	257.4	264.8	262.0	268.6	287.5

## MULTI-YEAR OVERVIEW

### Key Figures

<b>Volume and Employees</b>		2003	2004	2005	2006	2007	2008	2009	<b>2010</b>
Digital prints	<i>in million units</i>	170.3	508.6	829.8	1,114.4	1,514.5	1,786.1	2,035.8	2,129.1
Prints from film	<i>in million units</i>	3,231.7	3,025.4	2,603.0	1,765.0	1,277.3	828.9	558.3	367.7
Total prints	<i>in million units</i>	3,402	3,534	3,433	2,879	2,792	2,615	2,594	2,497
CEWE PHOTOBOOKS	<i>in million units</i>	0.0	0.0	0.1	0.5	1.5	2.6	3.6	4.3
Employees	<i>on a full-time basis</i>	3,906	3,829	3,730	3,131	3,124	2,921	2,742	2,681

<b>Income</b>		2003	2004	2005	2006	2007	2008	2009	<b>2010</b>
Revenues	<i>in million euros</i>	416.2	428.5	431.1	396.0	413.5	420.0	409.8	446.8
EBITDA	<i>in million euros</i>	58.1	60.2	68.6	63.2	52.8	52.8	55.9	65.9
EBITDA margin	<i>in % of revenue</i>	14.0 %	14.0 %	15.9 %	16.0 %	12.8 %	12.6 %	13.6 %	14.7 %
EBIT	<i>in million euros</i>	15.2	15.9	28.7	26.4	14.3	12.4	18.7	28.2
EBIT margin	<i>in % of revenue</i>	3.7 %	3.7 %	6.7 %	6.7 %	3.5 %	2.9 %	4.6 %	6.3 %
Restructuring costs	<i>in million euros</i>	0.0	2.6	12.9	6.7	12.2	11.4	9.5	2.2
EBT before restructuring	<i>in million euros</i>	15.2	18.5	41.6	33.1	26.5	23.8	28.2	30.4
EBT	<i>in million euros</i>	13.2	14.2	25.5	21.1	12.8	10.7	16.8	26.4
Profit after taxes	<i>in million euros</i>	3.6	1.2	11.5	17.9	5.9	7.0	6.7	13.7

<b>Capital</b>		2003	2004	2005	2006	2007	2008	2009	<b>2010</b>
Total assets	<i>in million euros</i>	250.3	260.7	261.3	257.4	264.8	262.0	268.6	287.5
Capital Employed (CE)	<i>in million euros</i>	145.0	158.5	160.8	165.1	160.0	162.6	157.4	164.8
Equity	<i>in million euros</i>	107.6	106.4	113.0	127.4	120.6	112.4	111.7	120.7
Equity ratio	<i>in % of assets</i>	43.0 %	40.8 %	43.3 %	49.5 %	45.5 %	42.9 %	41.6 %	42.0 %
Net debt	<i>in million euros</i>	9.4	3.4	-10.0	8.3	13.6	25.2	24.3	7.4
ROCE (previous 12 months)	<i>in % of capital employed</i>	10.5 %	10.0 %	17.9 %	16.0 %	9.0 %	7.6 %	11.9 %	17.1 %




<b>Cash Flow</b>		2003	2004	2005	2006	2007	2008	2009	2010
Gross cash flow	<i>in million euros</i>	46.5	45.4	51.4	54.7	44.4	47.5	44.0	51.4
Outflow of funds from investing activity	<i>in million euros</i>	40.4	37.2	36.2	32.5	35.5	33.3	27.4	26.4
Net cash flow	<i>in million euros</i>	6.1	8.2	15.2	22.2	8.9	14.1	16.6	25.1
Cash flow from operations	<i>in million euros</i>	36.4	45.9	50.6	33.8	52.6	34.8	36.5	53.0
Cash flow from investments	<i>in million euros</i>	-35.8	-35.0	-34.3	-32.8	-41.9	-33.8	-26.6	-27.3
Free cash flow	<i>in million euros</i>	0.6	10.9	16.3	1.0	10.7	1.0	9.9	25.6

<b>Share</b>		2003	2004	2005	2006	2007	2008	2009	2010
Number of shares (nominal value 2.60 euros)	<i>in units</i>	6,000,020	6,000,020	6,000,020	7,380,020	7,380,020	7,380,020	7,380,020	7,380,020
Earnings per share (diluted)	<i>in euros</i>	0.52	0.19	1.43	2.39	0.83	1.02	1.00	2.02
Year-end share price	<i>in euros</i>	18.80	22.26	41.35	33.00	27.00	14.05	22.60	33.35
Dividend per share	<i>in euros</i>	0.80	0.60	1.20	1.20	1.20	1.00	1.05	1.25*
Year-end dividend yield	<i>in %</i>	4.25 %	2.25 %	2.90 %	3.64 %	4.44 %	7.12 %	4.64 %	3.75 %

\* Dividend recommendation made by the Board of Management and the Supervisory Board at their meeting on March 23, 2011

## PRODUCTION PLANTS AND DISTRIBUTION BRANCHES

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General map with all locations

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## FINANCIAL DIARY

**March 30, 2011** Financial Statements Press Conference,  
Analyst conference, DVSA Center,  
Frankfurt

**May 12, 2011** Q1 Interim Report


**May 18, 2011** General Meeting, Park Hotel, Bremen

**Aug. 11, 2011** Q2 Interim Report

**Aug. 29, 2011** SCC\_Small Cap Conference, Frankfurt

**Nov. 15, 2011** Q3 Interim Report

**Nov. 21, 2011** Equity Forum of the Deutsche Börse,  
Frankfurt

 You may also find upcoming dates and events on the Internet at  
[www.cewecolor.de](http://www.cewecolor.de)



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## IMPRINT

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## GLOSSARY

**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%

### EBT

Earnings before taxes and financial result

### 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

### 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 balance sheet under other credit lines

### Free cash flow

Cash flow from operating activities minus cash flow to investing activities (both according to cash flow statement)

### 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

### 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

### Operating net working capital

Inventories plus current trade receivables minus current trade payable

### 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



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