ANNUAL REPORT 2019

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Cover: Winner CEWE Photo Award 2019 / REZA VAHDATI / Baseball Hold

STATEMENT

"With CEWE PHOTOBOOK as the no. 1 on the market as well as CEWE CALENDARS, CEWE CARDS, CEWE WALL ART and other photo products, CEWE is the leading omnichannel photo provider in Europe. In Commercial Online Printing, with our highly efficient production facilities we are a top provider of high-quality but low-cost printing products. Together with all of our employees, we are working on new products and innovations every day. Customer satisfaction is always the guiding principle which plays a key role in our activities."

DR CHRISTIAN FRIEGE, CHAIRMAN OF THE BOARD OF MANAGEMENT OF NEUMÜLLER CEWE COLOR STIFTUNG

PREMIUM QUALITY WITH LEADING BRANDS

PHOTOFINISHING

RETAIL

COMMERCIAL ONLINE PRINTING

THE CEWE GROUP

EUROPE'S LEADING PHOTO SERVICE AND ONLINE PRINTING PROVIDER

From its beginnings in 1912, CEWE has established itself as the first choice as a photo service for anyone looking to make more of their photos. The company's CEWE PHOTOBOOK in particular stands for this, with multiple awards and significantly more than six million copies sold every year. Customers can obtain further personalised photo products through the brands CEWE, WhiteWall and Cheerz, for instance – and from many leading European retailers. These brand worlds inspire customers to produce a wide range of creative designs with their personal photos, and customers entrust the company with around 2.4 billion photos every year.

In addition, for the still young online printing market the CEWE Group has established a highly efficient production system for printed advertising media and business stationery. Billions of quality printing products reliably reach their customers via the distribution platforms SAXOPRINT, CEWE-PRINT.de, LASERLINE and viaprinto every year.

The CEWE Group is committed to a sustainable corporate management philosophy which is also supported by the Neumüllers, the company's founding family and anchor investor, and has been recognised with multiple awards: for its long-term business focus; its fair, partnership-based relationships with customers, employees and suppliers; and for assuming social responsibility while pursuing an environmentally friendly approach and conserving resources. For instance, all CEWE brand products are produced on a climate-neutral basis.

The CEWE Group is present in more than 20 countries, with over 4,000 employees, and its turnover increased to 714.9 million euros in 2019. The CEWE share is listed in the SDAX index.

PRESENT IN EUROPE

PRODUCTION PLANTS WITH DISTRIBUTION OFFICES
Oldenburg (Headquarters ■), Bad Kreuznach, Dresden, Freiburg (Eschbach), Frechen, Munich (Germering), Budapest (HU), Koźle (PL), Paris (FR), Prague (CZ), Warwick (UK)

PRODUCTION PLANTS
Mönchengladbach, Montpellier (Fabrègues (FR)), Rennes (Vern-sur-Seiche (FR))

DISTRIBUTION OFFICES
Aarhus (Åbyhøj (DK)), Berlin, Bratislava (SK), Bucharest (RO), Gothenburg (SE), Cologne, Ljubljana (SI), Madrid (ES), Mechelen (BE), Münster, Nunspeet (NL), Oslo (NO), Warsaw (PL), Vienna (AT), Zagreb (HR), Zurich (Dübendorf (CH))

DELIVERY AREA FOR CEWE PRODUCTS
Austria, Belgium, Croatia, Czech Republic, Denmark, France, Germany, Hungary, Ireland, Italy, Luxembourg, Netherlands, Norway, Poland, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom

see Production plants and distribution offices, page 183

KEY INDICATORS CEWE GROUP 2019

21
European countries[1]

27
Distribution offices

714.9 million euros
Turnover

6.6 million
CEWE PHOTOBOOKS

18,000
CEWE PHOTOSTATIONS

4,200
Employees

14
Production plants

20,000
Retailers supplied

2.4 billion
Photos produced

1 Since 2019, the countries where CEWE is considered to have a presence are those countries where CEWE products are actively distributed.

RESULTS 2019

PHOTOFINISHING SALES

- Total volume of photos exceeds the expected range, with 2.40 billion photos
- 6.62 million CEWE PHOTOBOOKS sold: +7.2 %
- Further increase in the volume of CEWE CALENDARS, CEWE WALL ART, CEWE CARDS and other photo gifts, reinforcing the trend of higher-quality products
- 59.9 % of all photos are collected from retail stores

PHOTOFINISHING TURNOVER

- CEWE brand products achieve further growth and strengthen Photofinishing turnover
- Turnover per photo continues to increase: + 5.5 % to 23.65 euro cents per photo
- Photofinishing turnover of 568.0 million euros in 2019: strong growth of +13.8 % on previous year
- Fourth-quarter turnover increases by a strong 15.0 % to 251.1 million euros

PHOTOFINISHING EARNINGS

- Photofinishing EBIT increases to 66.9 million euros in 2019 (2018: 57.8 million euros, +15.7 %)
- Despite the transaction costs associated with WhiteWall's acquisition, Photofinishing's operating margin once again increases in 2019 as a whole and now amounts to 12.4 % (2018: 12.1 %)
- Fourth quarter delivers 95 % of Photofinishing's EBIT for the year as a whole

COMMERCIAL ONLINE PRINTING RESULTS

- Turnover increases slightly overall in 2019, by 1.6 % to 103.2 million euros (2018: 101.6 million euros)
- LASERLINE's weak turnover trend due to price pressure in Germany in particular dampens growth throughout the Commercial Online Printing business unit
- Decline in LASERLINE's business also reduces COP operating earnings; in addition, 5.0 million euros for extraordinary expenses and accruals for planned optimisation measures at LASERLINE has negative impact on EBIT: – 7.7 million euros (2018: – 1.6 million euros)

RETAIL RESULTS

- CEWE RETAIL makes further active reduction in photo hardware turnover in 2019: 43.7 million euros (2018: 48.7 million euros)
- Despite decline in turnover, EBIT at same level as in the previous year: 35 thousand euros (2018: 55 thousand euros)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

- Group turnover increases more than planned to 714.9 million euros (2018: 649.3 million euros)
- Earnings target clearly achieved: Group EBIT increases to 57.8 million euros (2018: 55.7 million euros)
- Excellent Christmas business once again delivers profit for the year: Q4 EBIT increases to 58.5 million euros
- Tax result does not reflect LASERLINE's restructuring costs, normalised tax rate of 30.9 %
- Earnings per share at 4.41 euros due to high absolute tax burden

BALANCE SHEET AND FINANCING

- Equity ratio remains a strong 47.6 % despite IFRS 16
- Operating net working capital reduced by 11.2 %
- Before balance sheet extension due to new leasing accounting rules: net cash position of 30.4 million euros – even after acquisitions

CASH FLOW

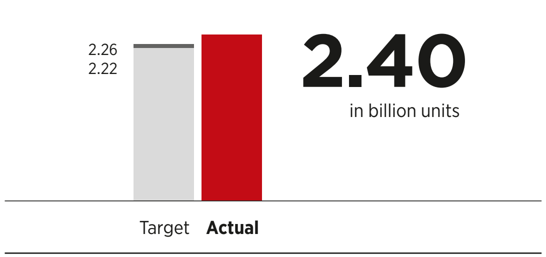
- EBITDA growth causes cash flow from operating activities to increase to 102.1 million euros
- Free cash flow improves by 25.4 million euros, even before new leasing accounting rules

RETURN ON CAPITAL EMPLOYED

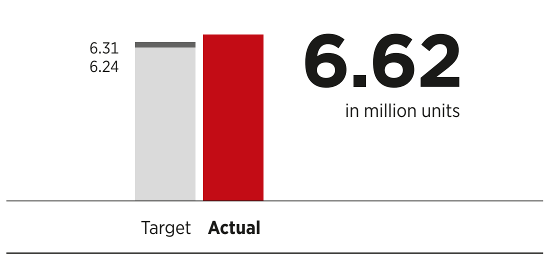
- Average capital employed increased to 300.9 million euros, due to acquisitions
- Positive earnings trend causes ROCE before IFRS 16 and restructuring to increase to 19.6 %

DEVELOPMENT OF FINANCIAL INDICATORS 2019

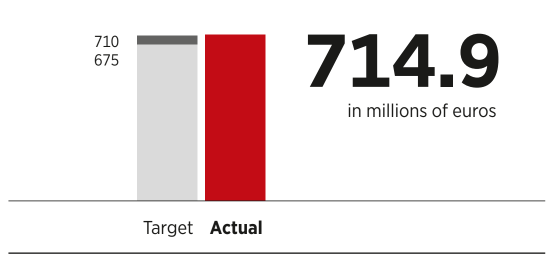
Photos



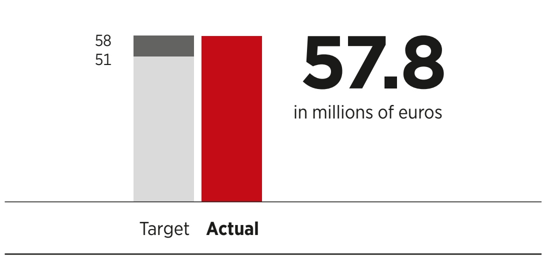
CEWE PHOTOBOOK



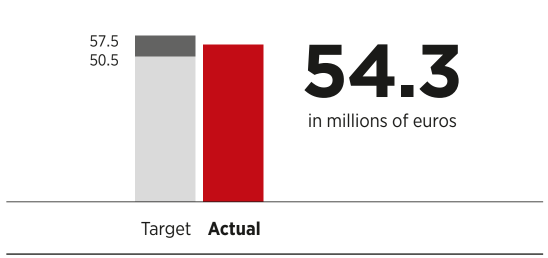
Turnover



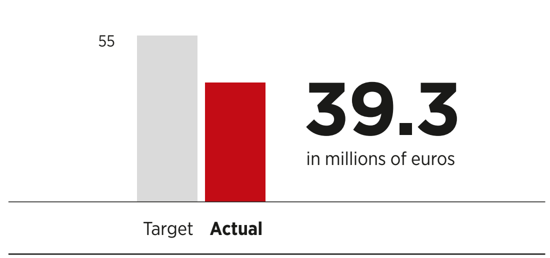
EBIT



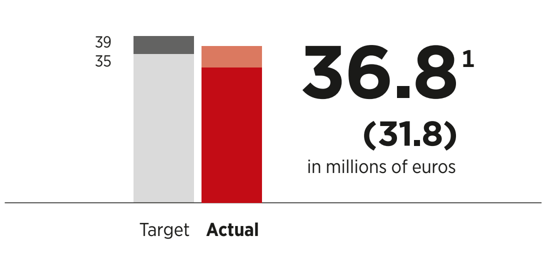
EBT



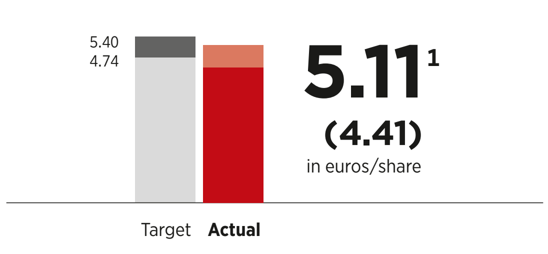
Operational investments



Earnings after taxes



Earnings per share



1 Adjusted for LASERLINE's restructuring costs

Winner CEWE Photo Award 2019
RICHARD WHITSON
Catching Some Morning Air

TO THE SHAREHOLDERS

2

THE BOARD OF MANAGEMENT

DR REINER FAGETH | CARSTEN HEITKAMP | PATRICK BERKHOUWER | DR CHRISTIAN FRIEGE Chairman of the Board of Management | DR OLAF HOLZKÄMPER | THOMAS MEHLS | FRANK ZWEIGLE

LETTER TO THE SHAREHOLDERS

Dear Shareholders,

At the time of writing, in the spring of 2020, no company can talk to its shareholders without mentioning the omnipresent corona crisis – and CEWE is no exception. In this pandemic, we are seeking to protect the health of our employees while ensuring that we can continue to provide services and deliver products to our customers. CEWE continues to work on maintaining its operational capacity and serving its customers' needs.

It is currently not possible to predict the effects of the corona crisis

The corona pandemic will in all probability have negative effects on your company, even though the crisis does also represent an opportunity for us. Customers enjoy designing and ordering many of our products – and CEWE PHOTOBOOK in particular – in the comfort of their own homes. In view of the quarantine plans which are currently being introduced in many countries, they may have abundant opportunities to do so over the next few weeks. Even in this difficult situation, we will still be there for our customers.

We are currently torn between the positive year 2019 and the difficult corona situation

In Europe, 2019 was not yet affected by the impact of the coronavirus. Accordingly, in this annual report we report on the course of a – rather successful – "normal" year. We discuss the corona situation in the report on events after the balance sheet date as well as the subsequent report on expected developments. On the subject of "expected developments", in what appears to still be an early phase of this pandemic we are currently not able to provide you with a reliable outlook for 2020. Accordingly, in our report on expected developments we present the situation which we would have expected in 2020 had the corona crisis not arisen. The year 2020 started off in the wake of a strong 2019 Christmas business season which meant that CEWE achieved its annual targets for 2019 very nicely. So let's look away from corona for a short while, if that is possible.

Annual targets 2019 achieved

The entire CEWE team is delighted to be able to report that we have achieved our key operating targets: turnover increased by +10.1 % to 714.9 million euros in 2019, while EBIT climbed by +3.9 % to 57.8 million euros. In the process, your company CEWE has even reached new all-time highs. We are thus once again not entirely dissatisfied with what we have achieved over the past year.

Clear improvement measures for LASERLINE already priced in for 2020

We would actually be even more pleased if our profit of 57.8 million euros didn't include the burden of a 5 million euros accrual for improvement measures in Commercial Online Printing for 2020. This was unfortunately necessary because LASERLINE, which we acquired in 2018, was unable to maintain its market position in view of the general price pressure in the online printing market. We have therefore now taken steps to improve its efficiency.

The remainder of the Commercial Online Printing business unit realises turnover growth and a marginally positive result

These extraordinary expenses and the additional operational challenges associated with LASERLINE resulted in a clearly negative EBIT figure for Commercial Online Printing overall in 2019 (–7.7 million euros). However, the other companies in the Commercial Online Printing business unit achieved so much turnover growth that, despite a decline in turnover at LASERLINE, the business unit as a whole still registered a turnover increase of +1.6 % to 103.2 million euros, and this business unit's other companies also generated a marginally positive EBIT result. That is a solid basis.

At second glance – before extraordinary expenses: our profit target has been clearly exceeded

If we were simply to add back the above-mentioned 5 million euros in extraordinary expenses for the improvement measures in 2020 (as a figure not related to operating earnings) to our profit of 57.8 million euros, then in 2019 we would have achieved an EBIT figure before extraordinary expenses significantly in excess of the target range of 51 to 58 million euros for 2019. We are not disclosing this figure in any of our financial reporting. But we know that many of you, as shareholders and investors, include this in your calculations. Despite a considerable groan and the goal to clearly improve the situation at LASERLINE in 2020, CEWE's earnings growth becomes evident this way and it is a figure which certainly spurs our ambition. Your CEWE team is convinced, which you will also see in our report on expected developments: CEWE's profits will grow even stronger in 2020 than in 2019.

Photofinishing underpins CEWE's profitability

Photofinishing is the key pillar of your company CEWE: +13.8 % turnover increase, +15.7 % EBIT increase in 2019. And those of you who have kept an eye on us for some time now will be familiar with the core ingredient of this pillar: with its "order-friendly" weather (dark, wet, cold days are ideal for customers to spend time at home, e. g. designing a CEWE PHOTOBOOK) and the opportunity to present Christmas gifts (every CEWE photo product is a highly personal present), the fourth quarter provides CEWE's core income in Photofinishing. 44 % of Photofinishing's turnover and 95 % of Photofinishing's income were generated in the fourth quarter. The smoothness of the company's operations during this peak season reflects a strong performance throughout CEWE. Congratulations!

6.6 million CEWE PHOTOBOOKS – more than ever before

Our unchanged brand strategy is at the heart of this positive trend. Under the CEWE umbrella brand, we offer a full range of photo products. But CEWE PHOTOBOOK is the engine which drives the train. 6.6 million CEWE PHOTOBOOKS were ordered and produced in 2019 – another record high. Back in the summer, we handed over our 60 millionth CEWE PHOTOBOOK to a happy customer in Austria. Our other products such as CEWE CALENDAR, CEWE CARDS, CEWE WALL ART and other photo gifts also developed very positively.

WhiteWall rounds off the upper end of our product range, with gallery-quality images

In 2019, we further strengthened the high-end segment of our wall art product range. Through our acquisition of WhiteWall, we now also offer wall art in gallery quality, including the sorts of huge formats (e. g. 1.80 x 5.00 metres) which you mainly see in museums and galleries or when photo lovers want to decorate their homes with a real top-quality product. It's not cheap, but it's the best there is. And WhiteWall doesn't just decorate walls, it has also done the same for our balance sheet: we are right on target with the earnings it has generated for CEWE since joining the Group in June 2019.

We are still clearly focused on our long-term goal: CEWE = photo, photo = CEWE …

All of these top products are contributing to the goal which we are clearly focused on at CEWE and intend to achieve in the long term. As we are growing in size and continually expanding our product range, and especially with the rising number of top products that are only available to consumers through our company, customers throughout Europe increasingly consider us the no. 1 brand for photo products. CEWE = photo, photo = CEWE. And that is exactly what we are aiming for.

… and the CEWE Photo Award 2019 was another successful step on the path to this goal

Further activities that go well beyond the scope of our product range also contribute to this goal. For instance, in 2019 we organised the CEWE Photo Award: hobby photographers, amateur photographers, semi-professionals and professional photographers from many countries submitted almost 450,000 photos in total to an international jury chaired by the star photographer Yann Arthus-Bertrand. The CEWE Photo Award was thus the world's largest ever photography competition. We held the prize ceremony in appropriate surroundings: the beaming winners received their prizes in the venerable Natural History Museum in Vienna. CEWE = photo, photo = CEWE. That means it will soon be time for us to launch our next Photo Award competition. And that is a challenge we embrace.

Hardware retail continues to support Photofinishing

In the Retail business unit, you will only see turnover and earnings generated by the sale of cameras, lenses and other photo hardware. We have been cutting back on this business unit in a controlled fashion for some years now (2019 turnover −10.3 %, with a virtually unchanged EBIT figure of 35 thousand euros in 2019, compared to 55 thousand euros in 2018). But the turnover achieved with photofinishing products sold through this channel is much more important to us. This has been on the rise for years now, and in 2019 it is once again a component of the strong + 13.8 % turnover increase in Photofinishing which I already mentioned. So Retail is likewise on the right track.

futalis improves the Other Activities business unit which is otherwise burdened by costs

The Other Activities business unit mainly comprises the typical structural costs which a corporate group such as CEWE incurs (general meeting expenses, capital market communication, supervisory bodies, etc.). However, it also includes the young company futalis whose progress we would like to acknowledge: + 38.8 % turnover growth to 5.5 million euros in 2019 and, moreover, an earnings improvement which has even more than made up for the odd increase in the above-mentioned “structural costs”. Fantastic!

“I am a CEWE shareholder”

In 2019, we once again provided all of our employees who have been with the CEWE Group for some time with the offer of becoming shareholder employees or increasing their shareholdings on favourable terms. We are therefore delighted, dear shareholders, that around 80 % of the CEWE team are joint owners of CEWE, together with you. We intend to continue along this path, step by step. CEWE is a very special, profitable company with very special, personal products. Our goal is for our workforce to be able to share in the progress we have jointly achieved in terms of the company’s development, and to do so both as shareholders and as customers.

You appreciate beautiful photo products …

Naturally we would be delighted if you, as a shareholder, would choose to place an order with us as a customer, whether in Commercial Online Printing or Photofinishing. In the latter business unit, following Valentine’s Day gifts in February, various personal photo gifts at Easter and also Mother’s Day in the near future are now strongly in demand.

… and in the meantime, we will get ready for Christmas

Our innovation merry-go-round is once again on the move. At our large-scale innovation fair in February, we assessed and systematically prioritised ideas and requests put forward by many different customers, business partners, employees and many other people. The ideas identified as top priorities are now in preparation throughout CEWE’s various departments. Whether purchasing, production, marketing, customer service or even administration … these new features need to be integrated everywhere to ensure that you will be familiar with them during the Christmas season and be able to order them. Your CEWE team is now working on these and many other details with the goal of being able to get back to you in a year’s time on the achievement of our targets for 2020.

While we are already working on 2020, we would be delighted if you, our shareholders, would give a nod of approval to the year 2019 for CEWE – which we present in this report – and thus to what is expected to be our eleventh consecutive year of dividend increases.

On behalf of all of the team at CEWE
best wishes,

Dr Christian Friege

OTTO KORTE
Chairman of the Supervisory Board of CEWE Stiftung & Co. KGaA and
Member of the Board of Trustees of Neumüller CEWE COLOR Stiftung

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

In the year under review, 2019, your company can once again report very positive figures. In a constantly evolving market environment, it has consistently achieved results in at least the upper third of its earnings target ranges. As well as the company's strong business performance, its share price has also developed positively and reached an annual high of 106.80 euros on December 27, 2019 (Xetra closing price).

The successes of the past year reflect, above all, the commitment and expertise of all of the company's employees, under the leadership of a motivated Board of Management team. The Supervisory Board would like to express its thanks and acknowledgement to everyone involved.

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

Meetings of the Supervisory Board
The Supervisory Board met in full five times in the year under review, on February 6, March 21 (balance sheet meeting), June 5, September 11 and November 6.

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

Core issues dealt with by the Supervisory Board
At all of the Supervisory Board's meetings, the Board of Management presented the turnover and earnings trends for the Group's individual segments, including the figures for the previous year and the planning figures, as well as the results of operations and the net assets and financial position. At every meeting, the Supervisory Board was provided with an outline of the risk report.

In addition, the Board of Management regularly reported on the position of the Commercial Online Printing business unit.

At the meeting held on February 6, 2019, the corporate planning, the reorganisation of the risk management system and the related reporting system were discussed in detail with the Board of Management.

The investment acquired in Cheerz in 2018 was followed particularly closely at every meeting. Following long and complicated negotiations which the Supervisory Board was kept continuously informed of, at the meeting on June 5, 2019 the Board of Management provided details of the completion of the acquisition of WhiteWall Media GmbH.

In addition, within the scope of presentations given by the Board of Management, discussions covered customer service, the development of the On-Site Finishing market, the structure of the Group's logistics in view of its various distribution channels as well as the conclusions to be drawn from the equity investments and customer bases acquired to date.

After the general meeting resolved a contingent capital on June 5, 2019, the Supervisory Board considered how the resulting shares should be used. The Supervisory Board approved a Stock Option Plan 2019 for the company's Board of Management and its managing directors as well as an Employee Share Programme 2019, including treasury shares.

During the meeting on September 11, 2019, which took place in Bad Kreuznach, the management provided a detailed presentation of the subsidiary DeinDesign GmbH which is based here.

The Supervisory Board continuously discussed the planned amendments to the Second Shareholder Rights Directive (ARUG II) and the German Corporate Governance Code and the consequences of these amendments.

At various meetings, including on November 6, 2019, the Board of Management outlined various aspects of its strategy and discussed them with the full Supervisory Board.

At the balance sheet meeting held in March, those present approvingly noted the audit findings for the annual financial statements and the consolidated financial statements, the sustainability report and the summarised non-financial declaration, corporate governance and risk management as well as the report on related parties. The resolutions to be voted on at the general meeting held on June 5, 2019 were prepared.

With the exception of one member who was absent on one occasion on grounds of illness, all of the members of the Supervisory Board were present at all of its meetings.

Committee meetings
The Nomination Committee did not meet in the year under review.

The Audit Committee met on March 20 and November 5, 2019 with all of its members present. The core aspects of its activities were monitoring the financial reporting process as well as the preparatory audit of the annual financial statements, the consolidated financial statements and the combined management report for the past financial year, 2019.

At its meeting held on March 20, 2019, the Audit Committee undertook preliminary planning for the audit of the separate financial statements and the consolidated financial statements of CEWE Stiftung & Co. KGaA with the combined management report for the financial year 2018, the proposal for appropriation of unappropriated profits as well as the report on related parties. The Chairman of the Board of Management, the Chief Financial Officer and the auditor were present at this meeting.

The draft resolutions associated with the financial statements were prepared for the Supervisory Board.

This committee intensively examined the information provided by the auditor concerning the subject matter, the procedure and the key findings of its audit of the non-financial reporting.

The Board of Management and the auditor reported on the auditor's non-audit services provided in 2018 and planned for 2019; no objections were raised.

The Audit Committee verified the auditor's independence and qualifications and provided the Supervisory Board with a recommendation for its proposal to the general meeting on the appointment of the auditor for the financial year 2019.

At the meeting on November 5, 2019, the auditor reported on the outcome of its preliminary audit for 2019. The status of the tax compliance management system was discussed at this meeting. The Audit Committee was provided with a report on the risks in the areas of value added tax and income taxes. The accounting and measurement issues associated with the acquisition of WhiteWall Media GmbH were discussed in detail. The core areas for the audit of the financial statements for the financial year 2019 were discussed and agreed with the auditor.

Finally, the transposition of the CSR Directive was also a subject of discussion. The Audit Committee resolved to issue the Supervisory Board with a recommendation for the auditor to review the non-financial declaration for 2019.

Corporate governance

In the year under review, the members of the Supervisory Board once again pursued discussions regarding the German Corporate Governance Code. However, this issue entailed considerable legal uncertainty. The same was true of the amendments to provisions of company law due to the Second Shareholder Rights Directive (ARUG II). At the present time, these changes are only expected to have a clear impact in the financial year 2020.

In the year under review, the Supervisory Board included seven female members and thus fulfilled the quota which is required by law.

For the financial year 2019, the Board of Management and the Supervisory Board have submitted an updated declaration of conformity in accordance with § 161 of the German Stock Corporation Act (Aktiengesetz – AktG), which has been permanently available on the company's website since February 1, 2020. In addition, in the Board of Management's corporate governance report – which the Supervisory Board adopts as its own – the Board of Management reports on corporate governance at CEWE.

Conflicts of interest

There were no conflicts of interest on the part of members of the Board of Management or the Supervisory Board which must be immediately disclosed to the Supervisory Board and notified to the general meeting. All of the current members of the Supervisory Board are independent within the meaning of item 5.4.2 clause 2 of the German Corporate Governance Code.

Efficiency review

The Supervisory Board has decided not to implement an efficiency review for the time being and, in view of the elections which only took place in 2018, to wait and see how the Supervisory Board's activities develop.

Changes to the makeup of the executive bodies

There were no changes to the makeup of the Supervisory Board or the Board of Management in the year under review.

In November 2019, FINANCE magazine selected Dr Holzkämper as its CFO of the year for 2019. The Supervisory Board would like to congratulate Dr Holzkämper, alongside the many other well-wishers.

Annual financial statements and consolidated financial statements, audit

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

BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, (BDO) – which was appointed as the auditor for the financial year 2019 by the general meeting – audited the annual financial statements and the consolidated financial statements as well as the consolidated management report including the management report for CEWE Stiftung & Co. KGaA for the financial year 2019, including the accounting, and issued an unqualified auditor's opinion in each case. The auditor also determined that the Board of Management has established an appropriate information and monitoring system which is suitable in order to identify early on any developments which jeopardise the continuation of the company as a going concern.

At its meeting held on March 17, 2020, the Audit Committee initially verified on the basis of the audit reports and the Board of Management's report that these two sets of financial statements and the combined management report provide a true and fair view of the net assets, financial position and results of operations in compliance with applicable accounting regulations. The auditor outlined the format and the key findings of its audit in detail at this meeting. The Audit Committee was provided with detailed information on the audit activities and findings of the auditors for the parent company as well as its German and foreign subsidiaries, particularly in relation to the key audit matters and the defined core audit areas. The audit of the accounting-related internal control system, the early risk detection system and the non-financial reporting were also discussed in depth. In particular, the auditor reported on the structure of the accounting-related internal controls and the risk management system. The chairwoman of the Audit Committee reported to the Supervisory Board on the outcomes of these discussions.

For its part, the Supervisory Board also audited the annual financial statements, the proposal for appropriation of unappropriated profits and the consolidated financial statements as well as the consolidated management report for the financial year 2019. All of these documents were provided in good time. Representatives of the auditor were also present at the balance sheet meeting of the Supervisory Board held on March 18, 2020 and were available to provide further information. Additional questions from the members of the Supervisory Board prompted an in-depth discussion of the results. The Supervisory Board agreed to the audit findings for CEWE Stiftung & Co. KGaA and the Group.

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

Following a preliminary audit by the Audit Committee at a meeting held on March 17, 2020, at its meeting of March 18, 2020 the Supervisory Board endorsed the annual financial statements and the consolidated financial statements of CEWE Stiftung & Co. KGaA as well as the combined management report, and found that there were no grounds for objections. The Supervisory Board complied with its audit obligation under § 171 (1) clause 4 AktG in relation to the summarised non-financial declaration and did not raise any objections. Following a discussion at its balance sheet meeting held on March 18, 2020, the Supervisory Board agreed to the general partner's proposal to the general meeting for approval of the annual financial statements of CEWE Stiftung & Co. KGaA and issued its consent for the general partner's proposal for the appropriation of profits, with the distribution of a dividend of 2.00 euros, a further dividend increase.

Report on related parties

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

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

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

The report on related parties and the audit report of the auditor on the report on related parties were available to the Audit Committee at its meeting held on March 17, 2020 and to all of the members of the Supervisory Board at its balance sheet meeting held on March 18, 2020. Even after consultation with the auditor and the Board of Management following the final outcome of its audit, the Supervisory Board has not raised any objections in relation to the general partner's declaration at the end of its report on related parties. The Supervisory Board has approvingly noted the outcome of the auditor's audit of the report on related parties.

Oldenburg, March 18, 2020

The Supervisory Board of CEWE Stiftung & Co. KGaA

Otto Korte, Chairman

INTERVIEW WITH DR CHRISTIAN FRIEGE

CHAIRMAN OF THE BOARD OF MANAGEMENT OF NEUMÜLLER CEWE COLOR STIFTUNG

Mr Friege, can we jump straight into things?
Of course!

Almost 30 million euros of additional, extraordinary investments in each of the past three years: the Saxopark site in 2017, the acquisition of LASERLINE and Cheerz in 2018, and now WhiteWall in 2019. Has CEWE discovered the pleasures of shopping?
Those were all carefully analysed situations. In discussions which were generally protracted and involved a very healthy amount of argument, the company's management considered the pros and cons together with internal and external experts and, finally, very deliberately opted to implement these steps. Of course, it is true that these acquisitions or investments occurred in "rapid" succession and drained us of energy in many other areas of the company. You can rarely choose the timing of such opportunities.

So, looking back, what is your view of the steps you took?
It is certainly still too soon for a full and definitive assessment. Our purchase of the SAXOPRINT building in 2017 was clearly the right move, that was obvious at the time: we have avoided rent payments – which would probably have increased – and secured a location which should prove to be a good investment for CEWE, not just because of its operational significance but also in terms of its location. That's all I have to say about that investment.

In regard to our acquisitions in 2018 and 2019, we seemingly had a sure touch on two occasions, and on one occasion not quite so much. In the latter case, I have in mind our acquisition of LASERLINE. We are not satisfied with the trend here. We are therefore now implementing targeted measures to achieve efficiency gains by concentrating production for this brand as well at SAXOPRINT's plant in Dresden. That will leverage efficiencies.

On the other hand, we are entirely satisfied with our two Photofinishing acquisitions, Cheerz and WhiteWall. We have already reported in detail on Cheerz, which joined us in February 2018. The positive trend for this company continued in 2019. As things currently stand, that appears to have been a good investment – the figures are moving in the right direction and strategically the acquisition of Cheerz was the right step. We've gained even more expertise in the mobile segment, strengthened our position in the French market, and with Cheerz' smooth interface we have the right sort of offering for southern Europe. So that looks good!

WhiteWall was added in 2019. Judging by our experience of the past six months – WhiteWall joined us in June 2019 – we had a sure touch here as well. This company fits in well with the CEWE Group. And strategically this is also a nice "upward" expansion of our product portfolio, i.e. encompassing the even-higher-quality segment. This was precisely what we were looking for, and we are delighted with this. WhiteWall adds to our range of wall decoration products in the gallery-quality segment. That is another real step and, as we announced back in the summer of 2019, we're not going to make any changes to WhiteWall's positioning: WhiteWall will remain WhiteWall, and CEWE will remain CEWE.

You're now adding a question mark to your acquisition of LASERLINE. Doesn't the entire Commercial Online Printing business unit require a question mark? After all, following an EBIT result of –1.5 million euros in 2018 you have not been able to return to positive territory, and with a result of –7.7 million euros you have actually gone much further into the negative zone. How are you going to take things forward from here?

Your question is of course a reasonable one, particularly if we juxtapose the figures as you have just done. And we are not satisfied with this either, that must be clearly said. But if we take a closer look at the figures, then things look less dramatic.

The 7.7 million euros negative EBIT contribution provided by Commercial Online Printing in 2019 already includes an accrual of 5 million euros for financing the efficiency gain resulting from the transfer of LASERLINE's production operations from Berlin to our highly efficient printing plant in Dresden. As you can see, we are acting in a highly focused manner here, so as to improve LASERLINE's earnings which have failed to live up to our expectations. And even though in 2020 we will not yet achieve the cost situation we are aiming for here, due to some residual costs over the year as a whole, we will at least achieve a very clear step "towards" the EBIT breakeven point through the removal of these 5 million euros of restructuring costs alone, but also thanks to further improvements in our COP segments. We will have to see exactly how far this step takes us and whether we can even go beyond breakeven point.

But from a strategic point of view we continue to stand by our COP business. This is a very different market than in Photofinishing. Production efficiency is even more critical here. We therefore feel that we are outstandingly positioned for this business with our highly industrialised production plant in Dresden. Many competitors envy us for this location, which is probably the most efficient job printing plant anywhere in Europe. It is so efficient that many other printing firms are now placing their printing orders with us. So we are optimistic in regard to this strategically appropriate positioning. Another very positive fact is that we can still see a good number of potential areas of operational/tactical improvement, not only at LASERLINE but also at SAXOPRINT, for instance. And, very clearly last but not least: our COP teams are doing a really excellent job in their various roles. It is great to experience their enthusiasm for the business, which fuels outstanding results. To be sure, the market is not exactly easy. It is undergoing a fundamental transformation. But we are a large group with a long-term perspective and we think in terms of decades. We have the strength to get through difficult market phases. That is what we will do here.

Getting on board is a phrase which has a nice ring to it. But you envisaged getting out of futalis. That didn't happen in 2019. What are your plans here? Are you now suddenly about to become a number one friend to dogs the world over, Mr Friege?
I am not entirely sure whether all of the world's dogs and I are set to become the very best of friends. But regardless of that point, it is true that we put futalis up for sale in 2019 – and that it is still on the market. The priority for futalis is now to embark upon its next growth phase, ideally with a partner who makes for an (even) better fit.

With our expertise in the area of "size 1 production runs", we have helped futalis to switch over from 100 % manual production to an industrialised and largely automated production system and to demonstrate the viability of its business model. futalis is thus now a "settled", functioning company, not only in terms of its production operations but also elsewhere. The company's founder and the entire futalis team have developed a genuine asset. "Economically viable" also means that futalis can demonstrate growing turnover and a continuously improving bottom line. So this too is a positive trend. And if we can't yet find the right buyer who recognises and appreciates this, then CEWE will continue to support futalis for the time being.

OK. Now that we have talked about the issues or work areas which CEWE needs to address, we would naturally not wish to deny you the opportunity to say a few words about Photofinishing and the related Retail business unit. How are things looking here, Mr Friege?
Thank you for asking that question! In all modesty, which we place a high premium on at CEWE, it is already clear that the results for our largest business unit, Photofinishing, and thus the results for CEWE as a whole mean that 2019 was a presentable year, also and above all in view of the fact that the earnings headwind associated with the COP situation which we just talked about has already been factored into our overall earnings figure.

Our turnover has continued to rise, not just thanks to our successful acquisition of WhiteWall but also organically: +10.1 % to 714.9 million euros for the Group and +13.8 % to 568.0 million euros in Photofinishing. Our EBIT figure has also developed positively. Here, Photofinishing has realised an increase of 9.1 million euros to 66.9 million euros and thus helped the company as a whole to achieve a 2.2 million euros increase to 57.8 million euros, despite the COP accruals made. We thus reached the upper end of our target earnings range of between 51 and 58 million euros – and, once again, this was despite the 5 million euros of COP accruals. This is certainly a presentable result, which all of our workforce are jointly responsible for.

I see, but if that is all that you have to say about that positive trend, then we would like to delve a little deeper. How can you improve things even further?
In principle, it is true that there is no such thing as infinite growth. Of course we would like to take things a little further – not in order for them to shoot up rapidly, but for them to develop slowly and solidly. And we are on our way.

Precisely thanks to this positive trend which you just mentioned, we believe that there is still no need for a strategic about-turn in Photofinishing. We will continue down the same path which we have already pursued for some years now, and we will do so meticulously and with considerable determination. That is true of virtually all of the areas of our company which are involved in this – in all of these areas, we are aiming to improve things just a little further: whether in the area of product development, with new and even more sustainable products (and that includes more sustainable preliminary products), or in the area of production with further efficiency gains, or marketing with an even more integrated overall concept for the year, encompassing the full range of communication channels, or in the area of software development, with even more options and an even more consistent consumer experience across all of our ordering channels, etc.

This strong integration capacity and thus consistency at CEWE – covering all of our ordering channels, all of our communication channels, all of our production locations, etc. – is important so as to ensure a consistent CEWE experience for consumers. But it is also important in order to enable our business partners to provide their consumers with a genuine omnichannel offering via all of our ordering and delivery channels: whether it's CEWE PHOTOSTATIONS in retail stores, the ability to place orders via our website using a mobile phone, tablet, laptop or desktop PC, or using our ordering software which can be downloaded to all of these devices – and which is an “app” on mobile phones and tablets – all of these channels offer a consistent overall experience. That is very important to us. We invest a lot of effort in that internally. We are therefore delighted that this consistent omnichannel capability is highly appreciated by an increasing number of business partners. For that is precisely what they are aiming for strategically. CEWE is their ideal partner for that. We are picking up new business partners, since they understand the unbelievable amount of effort that we go to on their behalf, so that they can offer the fruits of this to their customers.

That’s very nice to hear. But if everything is going well and you are working to ensure that things stay that way ... Mr Friege, what are you planning to do with the money which CEWE earns? I can well imagine that that is a question which is of great interest to your investors!
Yes, that question is naturally of interest for lots of people. There are various things which I should mention in response.

First of all, it is important to put the 32 million euros cash position (leaving aside the IFRS 16 reporting effect) at the end of 2019 in the right context. That is a snapshot taken at the moment when CEWE has its strongest cash position in its annual cycle. And we do have a very, very pronounced cycle: it is only the success of our Christmas business which pulls us out of the trough of net debt and which brings us back to a net cash position which is then reported in our balance sheet at the end of the year. This is a very important point: we should not be misled by the cash position shown in the balance sheet on December 31 in a given year. Most of the rest of the year looks quite different, and we need the resources so as to prepare properly for the next season and to be able to cope with this successfully.

For 2020, it is naturally also true that some of these resources were already set aside in 2019 for the improvement measures in Commercial Online Printing and will be invested here. We also have a large volume of work planned in the area of IT in 2020 and over the next few years. We estimate the extra volume of work required for this in 2020 at slightly more than 5 million euros. We will launch our SAP S/4HANA project for this purpose and also replace or adjust other software components (e.g. instal new personnel software and revise our CRM solution). That involves a revision of our IT landscape which will take several years and will require a corresponding volume of resources.

... Please provide us with a few more details on that.
Of course.

The third purpose which we have in mind for our financial resources is CEWE's continued development, both in terms of organic growth and through targeted acquisitions. CEWE has already successfully made use of these two sources of growth over the past few decades. We intend to keep things that way. So we are keeping our powder dry to ensure that we can act in a targeted fashion in terms of acquisitions whenever the time is right.

And ... certainly not least among these issues: in 2019, we celebrated our tenth year of continuously rising dividends. We now intend to follow on for an eleventh year, with our proposal to the general meeting to raise our dividend to 2.00 euros per share. We think that this is a strong trend which we are very keen to continue. Not just the management of CEWE, but also more than 80 % of our workforce are mindful of this, since as shareholder employees they have a very clear grasp of such considerations.

Finally, I would like to emphasise the payout ratio for the past year. While this is not of key significance for us, at around 45 % it falls within the range of what many shareholders typically have in mind.

So you are going to stick with your philosophy here, that is understood. But let's talk a bit more about your major IT programme for 2020 which you just mentioned. What does that involve?
I would be delighted to talk about that, it is a big issue and an important one. Many people consider CEWE to be a model company in the area of digitalisation. The entire company has done a great job over the last 20 years or so – actually the last 30 – and has coped with a huge "transformation". That is all true and we are delighted with that and are also rather proud of it, very much so.

But this transformation has worked out so well because the entire company focused 100 % on the required digitalisation in all of the directly customer-related, i. e. turnover-relevant, areas (e. g. production, ordering channels, marketing) and created the CEWE brand (and others) in line with this goal.

But we are sure that our systems, which have evolved over many years and which are heterogeneous in many places, could do with some basic renovation work. That would enable our company to put the progress made in the areas of database technology (such as “in-memory databases”), data storage, software usability and, in particular, business intelligence software etc. to good use. First of all, this will make improvements considerably simpler for our customers and business partners, e. g. adding a product version, a country, an ordering process, a payment method, etc. Secondly, it should be easier to integrate newly acquired companies. And finally, thirdly, in some administrative areas this will free up capacities for our staff who will be able to invest more time in value-added analyses.

If we look around at other companies, we can see that we are not alone in this position. But, as so often at CEWE, we now intend to tackle this issue wholeheartedly. This “back-office” transformation will take a few years and will tie up some resources. Everyone at CEWE has understood that this will involve a good deal of work for them, not just in the field of IT but in every administrative area of the company and beyond. The good thing about CEWE is that we approach problems with considerable vigour, focus and curiosity. A good deal of curiosity about progress was what drove the successful analogue/digital transformation of the past few years. The company handled this very successfully. That provides us with a sense of self-confidence. We will now approach our next transformation with the same attitude.

Do you really mean that the entire company will deal with this issue?

But of course! Naturally, not every member of staff will be involved with the same level of intensity. That will vary, depending on people’s various roles in the company. But just as the transformation of our company’s customer-facing elements was supported by our entire workforce, equally everyone will get behind our back-office transformation.

To provide you with just one example: the transformation of our customer-facing elements is still ongoing. Every year we come up with new products/product versions, new production processes, new software with new design and ordering options for our products, new communication formats, new opportunities to make use of recycled materials, many different new things. All of our 4,000-strong workforce at CEWE collect a large number of ideas throughout the year for precisely these sorts of changes and then present them, in concentrated form, at our Innovation Days which take place at the start of the following year, once the Christmas season is over. These ideas are examined here in a setting covering significantly more than 1,000 square metres by over 600 members of staff and passionately debated over a period of two days. This is followed by a clear process of prioritising, fleshing out and finally implementing these ideas. This work is then carried out by the people who are logically responsible for it, in line with their respective roles in the company. But our Innovation Days are the key point for me here. Everyone participates. Whatever their position in the company. Let me be very clear: we quite deliberately don’t have an innovation department! Our innovation department are our workforce of 4,200 CEWE personnel who are always keeping their eyes open and continuously pushing forward with the transformation of our company’s customer-facing elements.

And we will approach the transformation of our back office in precisely the same way. Everyone is taking on board this task. And – allow me to fill you in on a secret – essentially, that is already the way things are. At our Innovation Days over the past few years, we have not only filled more and more space with product ideas, we have also added an increasingly large additional space for ideas for back-office improvements. We have also already presented a large number of new software applications here: software bots, new business intelligence solutions, our new HR software. And this year, all of our members of staff who attended were even able to try out SAP S/4HANA for the first time. If you spend two days like that experiencing the innovative spirit which all of our workforce embody, then that bolsters your confidence that CEWE still has a lot of success ahead of it.

Then we would like to wish you every luck in coming up with further good ideas and implementing them, and we would like to thank you for this interview!

You’re most welcome.

CEWE SHARE

Stock market registers significant upturn in 2019
Following a strong setback towards the end of 2018, the stock markets started off in 2019 with a sensational upward trend. At the start of the year, equity prices were buoyed by the prospect of a compromise in the trade dispute between the USA and China and the significant change in the rhetoric adopted by the US central bank, the Fed, regarding further interest rate hikes. The upward trend on the stock markets then came to a halt towards the end of April. This reflected the fact that agreement in the trade conflict between the USA and China, which had already been palpably close, now appeared to have become a more remote prospect. This was followed by a volatile sideways movement over a period of several months, which continued up to mid-October. The stock markets only recovered thanks to the support provided by the central banks in the fourth quarter of 2019 and subsequently began a year-end rally. Germany's DAX leading index – which comprises the 30 strongest stocks in Germany on the basis of market capitalisation and stock exchange turnover – thus registered a strong annual performance of 25.5% in 2019. With growth rates of 31.2% and 31.6%, the MDAX and SDAX indexes, which are ranked below the DAX, did even better.

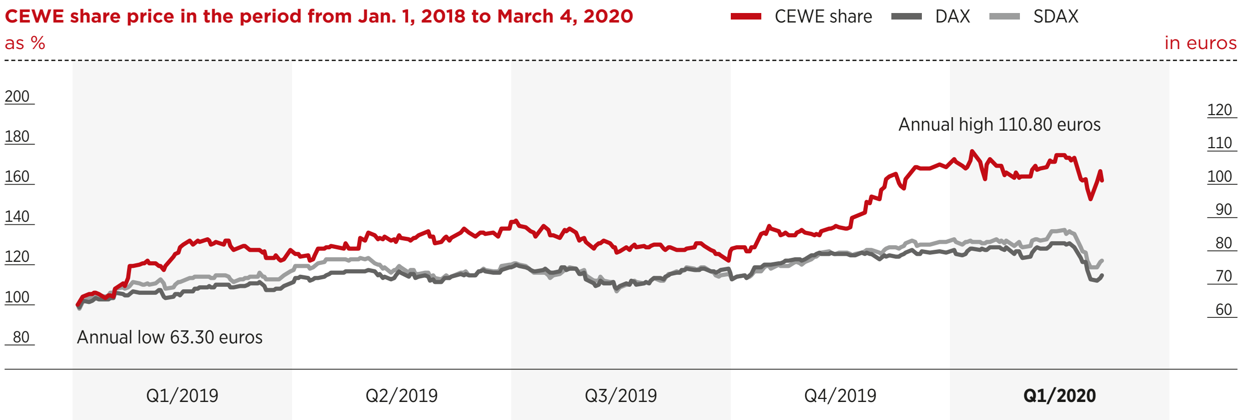
Key share information

Type of security	No-par value share
Market segment	Regulated market, Prime Standard
Index	SDAX (from March 23, 2009)
ISIN	DE 0005403901
Symbol	CWC
Reuters	CWCG.DE
Bloomberg	CWC GR
Date of initial quotation	March 24, 1993
Number of shares	7,400,020 units
Daily volume (2019 average)	10,565 units
Annual high in 2019	106.80 euros
Annual low in 2019	61.83 euros
Year-end price 2019	105.80 euros

CEWE share registers growth in excess of 70% in 2019
With a strong growth rate of 70.4%, in 2019 the CEWE share achieved far stronger growth than its benchmark indexes, the DAX, the MDAX and the SDAX: following a 2018 year-end price of 62.10 euros, the CEWE share price had climbed to 105.80 euros on December 31, 2019. This is an outstanding annual performance.

Dividend for 2019 to rise for the eleventh consecutive occasion
With a goal of dividend continuity, CEWE seeks to issue a dividend every year which is at least unchanged in absolute terms, and ideally an increased dividend, provided that its balance sheet is solid enough to permit this. In 2019, CEWE was able to offer its shareholders a dividend of 1.95 euros per share, an increase for the tenth consecutive occasion. With this dividend, on the basis of the year-end price for 2018, shareholders also received a dividend yield of 3.1%.

CEWE share price in the period from Jan. 1, 2018 to March 4, 2020



For the financial year 2019, the Board of Management and the Supervisory Board of CEWE Stiftung & Co. KGaA will propose to the general meeting an increase in the dividend to 2.00 euros for each share conferring a dividend entitlement. On the basis of the 2019 year-end price of 105.80 euros, this corresponds to a dividend yield of 1.9 %. If the general meeting which will be held on June 10, 2020 agrees to this proposal, this will be the eleventh consecutive dividend increase and also the highest dividend in the company's history. Since 2008, the dividend issued by CEWE has risen continuously, year-on-year, from 1.00 euros per share to the current figure of 2.00 euros.

CEWE shares traded with a daily volume of around 0.9 million euros in 2019

On average, 10,565 CEWE shares were traded every day on German stock markets in 2019. This was slightly lower than the daily volume in the previous year (2018: 13,378 shares per day), which was partly due to the higher price level in absolute terms. The daily euro trading volume almost matched the previous year's level, with an average figure of 0.9 million euros (2018: 1.0 million euros per day). The daily volume of CEWE shares traded continues to confirm the level of around 1 million euros per day, which influences the investment decisions of many institutional investors. The CEWE share thus also remains attractive for other larger institutional investors on a long-term basis.

Analysts continue to have a consistently positive view of CEWE

All of the analysts who follow CEWE continue to concur in their positive investment analysis. Four analysts are signalling "Buy" for the CEWE share, while another four are signalling "Hold". For an overview of these analysts and their recommendations, please go to the Investor Relations section of CEWE's website. ir.cewe.de

Overview of current analysts' assessments

	Analysts' assessment	Date
Frankfurt Main Research AG	Hold	Feb. 6, 2020
Warburg Research	Buy	Feb. 7, 2020
GSC Research	Hold	Feb. 27, 2020
Deutsche Bank	Hold	May 14, 2019
Baader Bank	Buy	Mar. 2, 2020
Kepler Cheuvreux	Hold	Feb. 6, 2020
Bankhaus Lampe	Buy	Feb. 6, 2020
Berenberg Bank	Buy	Nov. 13, 2019

CEWE solidly positioned in the SDAX

According to the "Trading volume" criterion, in December 2019 CEWE was in 148th position (December 2018: 156th position) and in terms of "Market capitalisation" it was in 138th position (December 2018: 160th position) in Deutsche Börse's ranking. By comparison with its ranking at the end of 2018, this represents an outstanding improvement of 8 (by trading volume) or 22 (by market capitalisation) places. The CEWE share has thus strengthened its position as a permanent fixture on the SDAX index, whose current structure normally features shares with a ranking of 165 or higher.

Stable shareholder structure strengthens management's strategy

CEWE enjoys a high level of ownership stability thanks to its anchor investor, the heirs of Senator h. c. Heinz Neumüller (ACN Vermögensverwaltungsgesellschaft mbH & Co. KG), who hold 27.2 % of its shares.

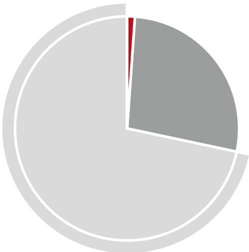
CEWE is there for its shareholders

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

CEWE thus naturally also publishes all of its annual and interim reports and capital market information online at ir.cewe.de/publications. All analyst telephone conferences are made available as webcasts and audiocasts on the CEWE website. All of the company's key presentation documents at conferences and other events are also published online.

The Board of Management and the Investor Relations team present the company at key capital market conferences and attend roadshows in European and US financial centres. For details of the dates currently planned for 2020, please refer to the financial calendar on page 185 of this report.

Shareholder structure as %
(100 % = 7.4 million shares)



CEWE Stiftung & Co. KGaA, Oldenburg	1.3
Heirs of Senator h. c. Heinz Neumüller, Oldenburg	27.2
Other shareholders	71.5

Winner CEWE Photo Award 2019
VOLKER SANDER
In the Middle

COMBINED MANAGEMENT REPORT

3

BASIC INFORMATION ON THE GROUP

BUSINESS MODEL

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

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

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

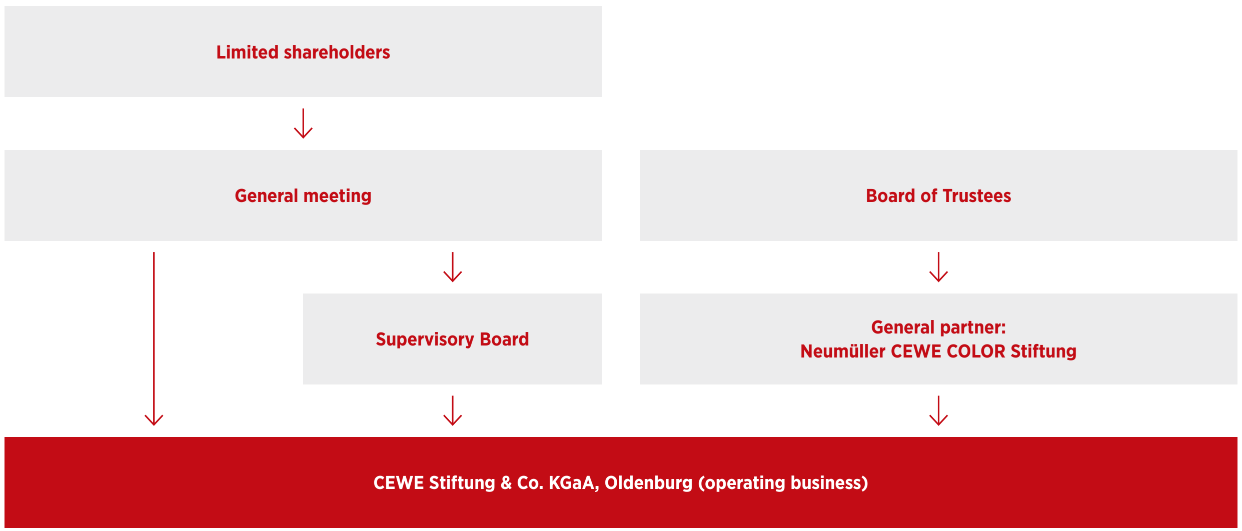
Europe accounts for almost 100 % of CEWE's Photofinishing business.

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

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

ORGANISATION AND MANAGEMENT SYSTEMS

Organisational structure
The CEWE business group has the following structure:



see Board of Management, page 10

In 2018, Neumüller CEWE COLOR Stiftung was represented by seven members of the Board of Management. The Group's remaining 4,098 staff were employed by CEWE Stiftung & Co. KGaA and the subordinate Group companies.

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

The company's founder, Senator h. c. Heinz Neumüller, intended to ensure that his entrepreneurial principles would remain permanently established within the company. He also aimed to ensure the company's long-term future. This is safeguarded by Neumüller CEWE COLOR Stiftung and the major interest held by ACN Vermögensverwaltungsgesellschaft mbH & Co. KG (the heirs of Senator h. c. Heinz Neumüller, the largest shareholder with 27.2 % see Shareholder structure, page 25). The first of these entities ensures that the business group continues to be managed true to the legacy of Senator h. c. Heinz Neumüller and thus upholds the character of the family firm. It stands for a long-term orientation in terms of the company's business policy. For this reason, it is also responsible for its management.

The company's founder always demanded that the CEWE business group should operate innovatively, while optimising income. The capital market effectively promotes these entrepreneurial objectives. The decision-making of the company's executive bodies – i.e. its management and its Supervisory Board – reflects its shareholders' interest in an attractive investment, with the goal of solid and sustainable long-term growth in the value of the company and thus of their investment. see Results, pages 37 ff.

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

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

CEWE operates through a total of 36 subsidiaries
CEWE Stiftung & Co. KGaA is the parent company which manages all of the CEWE Group's activities. Retail is directly combined with Photofinishing in countries where a production plant is present. Otherwise, it operates independently. From an operational point of view, photo products are also sold through the Group's retail companies. However, in terms of strategic management they form part of the Photofinishing business unit, since they follow an entirely different growth path and their strategic significance differs from that of photo hardware, which is reported in the Retail business unit.

Management of the CEWE Group
The Board of Management of Neumüller CEWE COLOR Stiftung is responsible for overall planning and fulfilment of the goals of the CEWE Group. The allocation of responsibilities is set out in the "Other disclosures" section of the Notes on page 158.

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

Investments on the basis of profitability calculations
Investments which consistently assume profitability calculations and which entail continuous as well as follow-up monitoring also form part of the company's corporate planning.

Close monitoring through monthly target/actual comparisons
Every month, a target/actual comparison is implemented for the strategic business units and for each of the profit centres and for the CEWE Group as a whole. These target/previous-year/actual comparisons enable close monitoring of goal achievement and an early response by the Board of Management and the management. At the same time, these and other operating indicators of the production plants and the distribution companies are passed on to all of the managers of these profit centres, for internal benchmarking and discussion. The performance indicators used at CEWE are outlined in the "Goals and strategies" section. see page 30

GOALS AND STRATEGIES

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

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

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

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

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

Non-financial performance indicators: number of photos and CEWE PHOTOBOOKS

CEWE uses the total number of photos as a non-financial performance indicator in the Photofinishing business unit. These photos also include all of the images which are used in value-added products (e.g. CEWE PHOTOBOOK, CEWE CARDS, CEWE CALENDARS and CEWE WALL ART as well as further photo gifts). Due to its key significance, the number of CEWE PHOTOBOOKS produced is shown as a separate indicator. CEWE's management analyses all of these indicators at least weekly, and in some cases daily. CEWE also provides information on its development in its annual report, by means of a target/actual comparison and discusses this in the "Results" chapter, see page 37. A target figure for the following year is indicated in the forecast. Non-financial performance indicators do not play such a significant role in Commercial Online Printing and thus are not discussed in external communications.

CEWE performance indicators

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

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

CEWE analyses its turnover trend every day in all of its units (but not for the consolidated Group) and conducts a monthly review of its earnings (incl. EBT) as key variables. The financial statements prepared by all of the Group companies are likewise consolidated and analysed in a target/actual/previous-year comparison. Deviations from target figures and previous-year figures are assessed in terms of their effect on financial goals. The responsible individuals already account for any such discrepancies through comments during preparation of the company's reports. The Board of Management discusses every month both earnings in the strategic business units and for the Group as a whole and the detailed figures for the individual profit centres. Turnover, EBIT and EBT are presented in the annual report in terms of a target/actual comparison and are discussed in the results; a forecast figure is notified for the following year.

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

Additional indicators: ROCE, free cash flow and operating working capital
In every quarterly and annual report, CEWE analyses its ROCE figure to determine the rate of return on its capital employed. For many years now, CEWE has achieved figures above the 10 % mark. Since CEWE's pre-tax capital cost rate has been clearly below 10 % for some years now, according to analysts' calculations in their research reports, CEWE is certainly delivering increasing value. The long-term goal is an ROCE figure which continues to clearly exceed the capital costs.

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

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

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

The company's ROCE, free cash flow, working capital and equity ratio are analysed in further detail in the quarterly financial statements. Due to possible short-term setbacks which may arise for the company's cash flow or working capital, as outlined above, no precise planning variables are stated for these additional indicators. Due to their significance, these indicators are discussed in detail in the "Results" chapter. see page 37

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

RESEARCH & DEVELOPMENT

All software-based ordering channels registered increased order quantities in the year under review. Concentration on usability and the possibility to order photo products by computer or smartphone, using the software installed on a device (or by means of browser-based software), contributed to a successful year for CEWE. The CEWE MYPHOTOS link to CEWE PHOTOSTATIONS was once again improved and intensified.

Smartphones continue to generate more images per device and user than traditional digital cameras. For this reason, CEWE made further improvements to the assistant function in its CEWE PHOTOWORLD ordering software and also rolled out the online ordering channels (COPS) for further business partners during the year under review, and made them even easier to use in smartphone browsers. The first functions supported by artificial intelligence have been directly installed in smartphone apps and provide consumers with a fully automated view of key events. This event recognition system makes ordering even easier, and it makes it even more fun for consumers to view their most important images on their smartphones. These applications were developed in our MAIC (Mobile & Artificial Intelligence Campus) which was established in 2018 as an internal incubator precisely in order to implement these types of research activities, in close cooperation with industry partners and universities. For this reason, too, CEWE was the first company to be recognised as a "Digital Zone in Lower Saxony".

These and all of CEWE's other artificial intelligence applications (as well as traditional algorithms) are transparently presented in CEWE's customer charter at **www.cewe.ai**. For all of CEWE's solutions, the benefit for customers and protection of their privacy are always the prime considerations. Images will not be transferred to public albums or to servers outside the scope of the GDPR or to third parties for marketing purposes. Consumers retain full control over the whereabouts of their images.

CEWE is also testing its first AI-based solutions in the areas of preventive maintenance in its production facilities and its CEWE PHOTOSTATIONS. It is successfully employing robots and intelligent sensors (Industry 4.0) by means of internally produced machinery and workflow solutions. These new technologies are also being used in apprenticeship training and are making apprenticeship trades more attractive in general. CEWE is thus successfully recruiting qualified members of staff for these future challenges.

My CEWE PHOTOWORLD mobile and other apps

CEWE's ordering app "CEWE PHOTOWORLD mobile" achieved top rankings in the two app stores (Android and iOS) at Christmas time. The integration of CEWE's Service app (which was still a standalone app in the previous year) played a role in this. This also helped to increase the app's relevance and thus its visibility in terms of its ranking in the app stores.

CEWE PHOTOBOOK and CEWE CALENDARS in particular were especially successful during the Christmas business season. Here, for the 2019 Christmas season CEWE introduced the option of a finish for its CEWE PHOTOBOOK covers and thus underlined CEWE PHOTOBOOK's positioning as a premium product, including in the mobile segment.

My CEWE PHOTOWORLD

New products were integrated, while the range of designs with CEWE PHOTOBOOK and CEWE CARDS finishes was further expanded. These additional opportunities were immediately taken up by many consumers, so as to produce even more attractive gifts for Christmas. The most important change was to the editor which is used to produce CEWE PHOTOBOOKS. This is easier to use, both for new and existing customers, and provides helpful guidance in relation to the design of CEWE products.

CEWE PHOTOBOOKS are produced with our software "My CEWE PHOTOWORLD". This software is available for Windows, Mac and Linux. With this software, users can create a draft version using the CEWE PHOTOBOOK assistant and then individually design each page using the edit option or the large number of design functionalities. Customers can also use an online software package to produce a CEWE PHOTOBOOK. This is a component of COPS.

COPS – the CEWE ONLINE PRINTING SYSTEM
The evolution of COPS to produce a responsive design – i.e. optimised for various screen sizes – is now virtually complete in Germany and is currently being rolled out to the company's first business partners outside Germany. All of our product sites have been redesigned, to provide further space for the new brand elements developed by our Marketing department for CEWE WALL ART, CEWE CARDS and CEWE CALENDARS as well as our redesigned theme worlds. CEWE is thus now placed for the rollout in markets outside Germany.

CEWE MYPHOTOS
CEWE MYPHOTOS supports multiple-platform devices for all common operating systems (Windows, MacOS, Linux/Android, iOS). CEWE MYPHOTOS can also be used by means of desktop software, a browser and an app. Customers can also access their CEWE MYPHOTOS images via CEWE PHOTOSTATIONS in the stores of CEWE's business partners. CEWE MYPHOTOS thus provides access to all of CEWE's ordering channels. The AI-based features presented at photokina 2018 (e.g. integrated facial and object recognition) are thus now available upon request for all consumers, via all of CEWE's ordering channels, and thus make the process of searching for relevant images easier.

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

High-performance back-end system further expanded and optimised
CEWE's platform processed record volumes of data during the Christmas season in the year under review, both in terms of the number of orders per hour and the overall total per day. All of the above-mentioned applications and the CEWE PHOTOSTATIONS in the stores of CEWE's business partners deliver the photo orders created by the customer to CEWE's back-end system. This back-end system continues to be distributed across two independent and redundant data centres. In addition, the company's automated monitoring system for processes and hardware was further expanded.

Optimisations were also implemented from the point of view of sustainability. CEWE has once again reduced its power use and the volume of racks required in its data centres by means of further virtualisation as well as new higher-capacity servers and storage devices. For instance, in the data centre at its Oldenburg site CEWE is using new innovative cooling techniques in order to reduce its energy requirements.

ECONOMIC REPORT

MARKETS

OVERALL ECONOMIC ENVIRONMENT

World economy grows more slowly than in the previous year – Germany registers weak growth
In the view of the International Monetary Fund (IMF), in 2019 with growth of 2.9 % the global economy achieved a significantly weaker rate of growth than in the previous year (2018: 3.6 %). This trend is identical in virtually all of the world's regions. In the Eurozone, economic growth fell to 1.2 % (2018: 1.9 %). Germany registered a particularly strong decline in its growth rate, with a figure of 0.5 % (2018: 1.5 %). Of the key European economies, only Italy fared worse, with a figure of 0.2 % (2018: 0.8 %).[1] In December 2019, the unemployment rate in Germany was 4.9 % and thus at the same positive level as in the previous year.[2] Gross wages and salaries increased by 4.4 % and remain at a high level (2018: 4.8 %).[3]

Inflation weakens considerably
While the inflation rate was close to its target level in the euro area in 2018, it fell to 1.2 % in 2019 (2018: 1.8 %). This reflected the generally weaker growth momentum. The ECB's Governing Council left its key interest rate unchanged at 0.0 % and launched a new asset purchase programme in November 2019.[4] In Germany, at an average annual rate of 1.4 % inflation was likewise lower than in the previous year (2018: 1.9 %).[5] The euro experienced moderate exchange rate fluctuations against CEWE's key non-Eurozone currencies in 2019.[6]

CEWE largely independent of cyclical factors
CEWE's development is characterised by its independence in relation to the overall economic situation. Photos provide a permanent record of emotional moments, which they capture by means of a wide variety of photo products. They are an asset whose value far exceeds that of conventional consumer goods which are affected by fluctuations in the economic cycle. Particularly thanks to the intensive use of mobile devices, the number of photo products from this source is increasing in every age group. This is a trend which is entirely independent of economic conditions. In Commercial Online Printing, CEWE even generally benefits during times of crisis, since in these phases the number of more price-sensitive customers exploiting CEWE's price advantage over traditional printing firms tends to increase.

PHOTOFINISHING MARKET

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

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

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

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

1 IMF – World Economic Outlook, January 2020
2 German Federal Employment Agency – End-of-Year Review, page 19
3 German Federal Statistical Office – National Accounts, page 21
4 ECB – Economic Bulletin 8/2019, pages 5 – 6
5 German Federal Statistical Office – Press Release No. 019 of January 16, 2020
6 Deutsche Bundesbank – Exchange Rate Statistics

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

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

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

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

ONLINE PRINTING MARKET

Improved business climate index for first time since January 2018

In December 2019, the business climate index produced by the German Federal Printing and Media Association (Bundesverband Druck und Medien – BVDM) fell by 1.0 % on the previous month on a seasonally adjusted basis, from 102.1 to 101.0 points. However, the index level was significantly higher than in the previous year, for the first time since January 2018. In December, the index rose by 5.1 % by comparison with the previous year.

The printing and media companies surveyed by the ifo Institute in December 2019 stated that their current business situation was better than in previous months. While around 10 % of all of the companies consulted indicated that they had increased their sales prices in the previous month (November), none of these companies reported a reduction in its prices. In December this year, the proportion of companies expecting a weaker business trend fell to around 30 %. The corresponding balance thus improved by around 5 percentage points year-over-year (source: BVDM Economic Telegram, December 2019).

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

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

No discernible bottlenecks resulted in the relevant raw materials markets in the course of the financial year 2019. In particular, the availability of printing paper and printing plates was not jeopardised at any time.

Online printing market: high barriers to market entry

As in previous years, no new market participants with their own production facilities emerged as a relevant competitor as an “online printing firm” in 2019. CEWE achieved further growth in overall terms in the relevant online printing market through its brands “CEWE-PRINT.de”, “SAXOPRINT”, “viaprinto” and “LASERLINE”.

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

The market is likely to remain characterised by price movements.

RETAIL MARKET

Retail turnover in Europe is benefiting from the enduring low level of unemployment and from households' consistently high net incomes. The average retail volume for 2019 once again increased on 2018 in the Eurozone and also in the EU27, by +2.4% (source: Eurostat).

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

The trend of rising average prices in the camera segment, which has been apparent over the past few years, continued in 2019, since higher-quality models are in particularly strong demand. While compact cameras (with a built-in lens) and digital single-lens reflex cameras (DSLR) continue to decline in terms of the quantities sold, sales of mirrorless compact system cameras (CSC) are on the rise. Specialist photographic retailers are particularly benefiting from this trend, since they are able to provide advice for these models.

RESULTS

PHOTOFINISHING BUSINESS UNIT

DEVELOPMENTS IN THE PHOTOFINISHING BUSINESS UNIT

In 2019, CEWE's value-added products once again provided solid turnover growth. In particular, CEWE PHOTOBOOK and CEWE CALENDARS achieved significant turnover growth, thanks to the strong Christmas business.

CEWE is the market leader, with many years of strong expertise in the field of photography. Innovations in general and product innovations in particular once again played a very considerable role in 2019. One of the highlights of 2019 for CEWE was the further growth in the range of CEWE PHOTOBOOK finishes. The new CEWE PHOTOBOOK with a leather and linen cover has further enhanced the company's product portfolio.

In addition, in the past financial year the "Best Photo Print Service Worldwide" recognition once again bestowed by the TECHNICAL IMAGE PRESS ASSOCIATION (TIPA) for CEWE's internally developed wall art product "hexxas" was a particular highlight for CEWE and for all of the employees involved in this product's development.

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

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

CEWE offers a broad range of apps for the operating systems Android and iOS. These are continuously optimised and are marketed through every channel of communication: websites, online/mobile marketing, social media, newsletters, print, POS, cooperative ventures and PR. The CEWE PHOTOWORLD app is at the heart of the company's mobile applications.

CEWE PHOTO AWARD – the world's largest open photography competition

In 2019, the CEWE PHOTO AWARD reached its next milestone, with an impressive 448,152 images sent in. With the motto "Our world is beautiful", contestants from all over the world took part and captured the world's beauty in extraordinary images. Here, CEWE is demonstrating additional social commitment and donated 0.10 euros to SOS Children's Villages for each photo sent in.

CEWE supports photography as a form of cultural expression

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

PHOTOFINISHING RESULTS

Photofinishing has a distinct seasonal profile and focus in the fourth quarter

CEWE's Photofinishing core business unit generates peak sales and particularly strong turnover and, above all, income in the fourth quarter. Many consumers appreciate CEWE PHOTOBOOKS, CEWE CALENDARS, CEWE CARDS and CEWE WALL ART as well as further photo gifts as Christmas presents. The demand trend for many CEWE customers also shows that "order-friendly weather" – i. e. many consumers' heightened enthusiasm for spending time on their PC at home or using mobile ordering applications to place photo orders during the cold and dark time of year – is, on the whole, likewise strengthening the first quarter.

Further growth in the share of value-added products

For many years now, CEWE's product mix has increasingly shifted towards "value-added products": the level of demand for "simple" photo prints is in decline, while the share accounted for by the brand products CEWE PHOTOBOOK, CEWE CALENDARS, CEWE CARDS and CEWE WALL ART is continuously growing. The volume of CEWE INSTANT PHOTOS, i. e. the photos which customers print out and purchase directly in the retail outlets of CEWE's business partners, has likewise been on the rise for some years. Since CEWE tends to realise a higher volume of turnover and stronger earnings per photo through these value-added products, the move away from "mass" (a large number of lower quality, individual laboratory photos) to "class" (a small number of high-quality photo products in absolute terms, but with a higher level of quality for each individual photo) is continuing to support the earnings trend in the Photofinishing business unit.

WhiteWall strengthens CEWE Photofinishing business unit with premium wall art

In the financial year 2019, CEWE expanded into the upscale premium segment for wall art through its acquisition of the wall art specialist WhiteWall. WhiteWall's core business field is upscale, gallery-quality wall art. The brand is experiencing dynamic growth. As well as in Germany, it is also active in many other European countries as well as the USA. CEWE plans to further develop the brand and its business. Even as a member of the CEWE Group, WhiteWall will remain an independent brand with its own production operations. WhiteWall's customers will therefore not notice any changes. CEWE has acquired from the vendor, Avenso GmbH, WhiteWall's brand and business activities, its production plant in Frechen as well as the four WhiteWall stores in Hamburg, Düsseldorf, Berlin and Munich, but not WhiteWall's LUMAS division and its galleries. WhiteWall will maintain its shop-in-shop presences in the LUMAS galleries in New York, Vienna, Zurich, Cologne, Frankfurt and Paris. WhiteWall will maintain its production facility in Frechen near Cologne, which will also continue to produce LUMAS artworks.

PHOTOFINISHING SALES

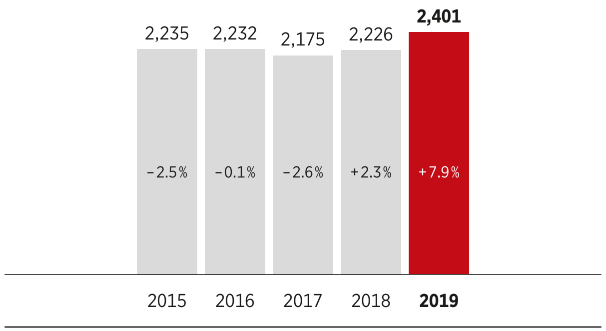
- » **Total volume of photos exceeds the expected range, with 2.40 billion photos**
- » **6.62 million CEWE PHOTOBOOKS sold: +7.2 %**
- » **Further increase in the volume of CEWE CALENDARS, CEWE WALL ART, CEWE CARDS and other photo gift articles, reinforcing the trend of higher-quality products**
- » **59.9 % of all photos are collected from retail stores**

Volume of photos exceeds expected range

As well as individual photo prints, images forming part of other photo products, such as CEWE PHOTOBOOK, CEWE CALENDARS, CEWE WALL ART, CEWE CARDS and other photo gifts, have also been included or taken into consideration in the volume of photos. With 2.40 billion photos produced (+7.9 % on the previous year, 2018), CEWE has even exceeded its envisaged range of between 2.22 and 2.26 billion photos in the financial year 2019. A small part of this growth was provided inorganically by the wall art specialist WhiteWall, which CEWE acquired in June 2019. The French market leader for photofinishing apps, Cheerz, which was acquired in February 2018, only provided inorganic growth for January 2019.

The fourth quarter once again slightly increased its share of the volume for the year as a whole. While the volume of photos already grew by 6.9 % in the first three quarters (1.51 billion photos), in the fourth quarter the volume increased very strongly, by + 9.6 % to 892 million photos (Q4 2018: 814 million photos).

Total volume of photos in million units / change on previous year as %

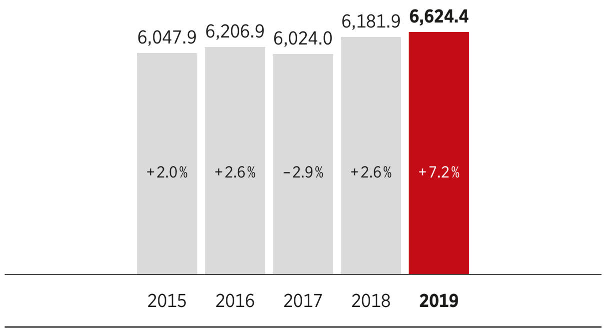


This marks the continuation of a long-term trend of a seasonal migration, with a rising volume share in the fourth quarter, which now amounts to 37.2 % (2014: 33.3 %, 2015: 34.7 %, 2016: 34.9 %, 2017: 35.9 %, 2018: 36.6 %).

CEWE PHOTOBOOK sales rise by a strong 7.2 % in 2019

The trend for the volume of CEWE PHOTOBOOKS in the financial year 2019 was positive: while 6.18 million CEWE PHOTOBOOKS were sold in the previous year, 2018, in 2019 the sales figures for CEWE PHOTOBOOK picked up very strongly, with 6.62 million copies sold. The market leader CEWE, which in 2019 already received its third TIPA Award as "Best Photo Print Service Worldwide", thus continued CEWE PHOTOBOOK's success story in the past financial year: never before have so many CEWE PHOTOBOOKS been sold in the space of a single year. In mid-2019, CEWE already delivered its 60 millionth CEWE PHOTOBOOK since this product's market launch.

Total number of CEWE PHOTOBOOKS in thousand units / change on previous year as %



"Internet ordering and collection from retail stores" remains a winning combination

The proportion of digital photos ordered via the Internet changed from 71.7 % in the previous year, 2018, to 72.0 % (1,701 million photos) in the year under review. Of the photos ordered over the Internet, 43.3 % were collected as finished products from the retail outlets supplied by CEWE, while 56.6 % were home-delivered by post. Customers thus collected a total of 59.9 % of all photos (both analogue and digital, ordered via the Internet and over-the-counter, incl. the photos printed out at CEWE PHOTOSTATIONS in retail stores) at retail outlets of CEWE's business partners. This confirms the strength of CEWE's "clicks and bricks" positioning, a strategic combination of physical outlets and the Internet: CEWE products can be purchased in retail stores, while in case of online purchasing photos can be sent to customers by post or collected from stores.

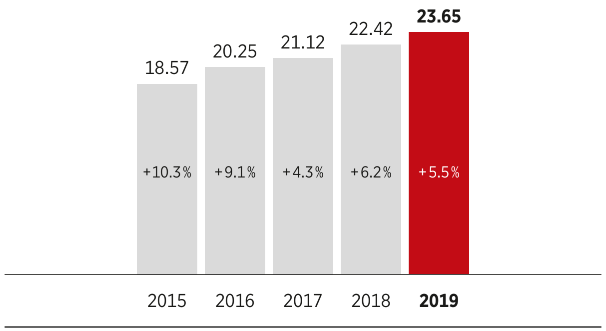
PHOTOFINISHING TURNOVER

- **CEWE brand products achieve further growth and strengthen Photofinishing turnover**
- **Turnover per photo continues to increase: + 5.5 % to 23.65 euro cents per photo**
- **Photofinishing turnover of 568.0 million euros in 2019: strong growth of + 13.8 % on previous year**
- **Fourth-quarter turnover increases by a strong 15.0 % to 251.1 million euros**

Value-added products continue to strengthen Photofinishing turnover

In 2019, CEWE brand products and value-added products once again accounted for an increased share of overall turnover. The trend of higher-quality photo products thus continues to strengthen the turnover trend. Turnover per photo once again rose in 2019: by 5.5 % from 22.42 euro cents per photo in 2018 to 23.65 euro cents per photo in the year under review. The fourth quarter of 2019 likewise once again reinforced this positive trend: turnover per photo also climbed in the key Christmas quarter, by a strong 4.9 % from 26.81 euro cents in the same quarter in the previous year to 28.14 euro cents.

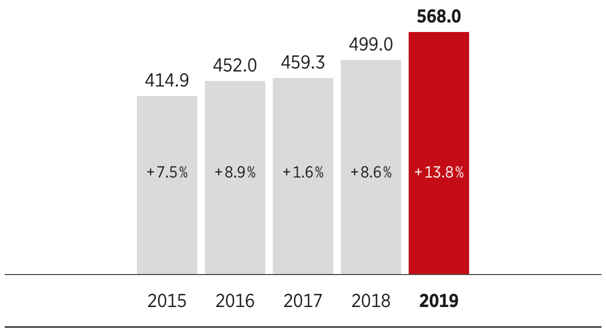
Photofinishing turnover per photo in euro cents / change on previous year as %



Photofinishing turnover clearly within expected range

The positive turnover-per-photo trend on account of higher-quality products caused Photofinishing turnover in 2019 to increase to 568.0 million euros (2018: 499.0 million euros, +13.8 %). As a goal for 2019, CEWE had set a turnover target of between 520 million euros and 555 million euros. The realised Photofinishing turnover figure thus clearly exceeds this range. This rise reflects the turnover growth resulting from the additional volume of business generated through the June 2019 acquisition of the wall art specialist WhiteWall as well as the organic growth for CEWE's core Photofinishing business unit.

Photofinishing turnover in millions of euros / change on previous year as %



In 2019, Christmas business continued to gain in significance on the basis of the fourth quarter's increased volume share in general. In the key fourth quarter, turnover increased by 15.0 % from 218.3 million euros in the same quarter in the previous year to the current 251.1 million euros. Some of this increase in turnover has been generated inorganically by the acquired wall art specialist WhiteWall. The French photo app specialist Cheerz, which was acquired and consolidated for the first time in February 2018, already provided an entirely organic growth contribution, except for in January 2019.

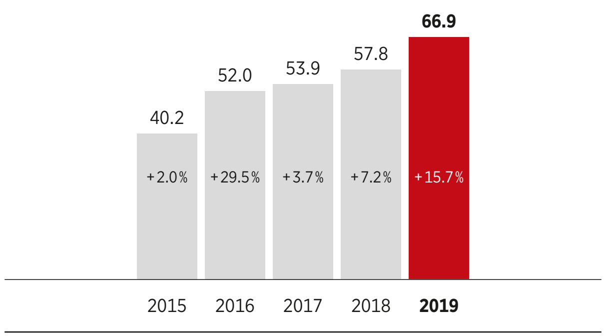
PHOTOFINISHING EARNINGS

- » Photofinishing EBIT increases to 66.9 million euros in 2019 (2018: 57.8 million euros, +15.7%)
- » Despite the transaction costs associated with WhiteWall's acquisition, Photofinishing's operating margin once again increases in 2019 as a whole and now amounts to 12.4% (2018: 12.1%)
- » Fourth quarter delivers 95% of Photofinishing's EBIT for the year as a whole

Photofinishing EBIT increases to 66.9 million euros in 2019 and thus more strongly than expected

CEWE realised most of its annual profits in the Christmas quarter (the fourth calendar quarter). With an EBIT figure of 66.9 million euros, the Photofinishing business unit once again achieved earnings growth (+9.1 million euros), following a prior-year EBIT volume of 57.8 million euros (2018: previous year's figure restated due to the finalisation of the purchase price allocation for Cheerz). The Photofinishing business unit thus even clearly exceeded its envisaged 2019 target range of between 50.5 million euros and 57.5 million euros.

Photofinishing EBIT in millions of euros / change on previous year as %



In the past financial year, 2019, one-off factors accounted for a total of approx. –3.6 million euros due to amortisation on the purchase price allocation for DeinDesign (–0.4 million euros), Cheerz (–1.9 million euros) and WhiteWall (–1.2 million euros). In the previous year, 2018, as well as amortisation on purchase price allocations (DeinDesign –0.4 million euros and Cheerz –1.8 million euros) extraordinary expenses included the proceeds from the sale of the former Photofinishing site in Nuremberg (roughly 1.2 million euros), as well as the company's presence at the photokina trade fair (approx. –1.3 million euros).

Adjusted for these one-off factors, at 70.5 million euros the operating EBIT figure for the Photofinishing business unit in 2019 was approx. 10.3 million euros better than in the previous year (adjusted operating EBIT in 2018: 60.2 million euros).

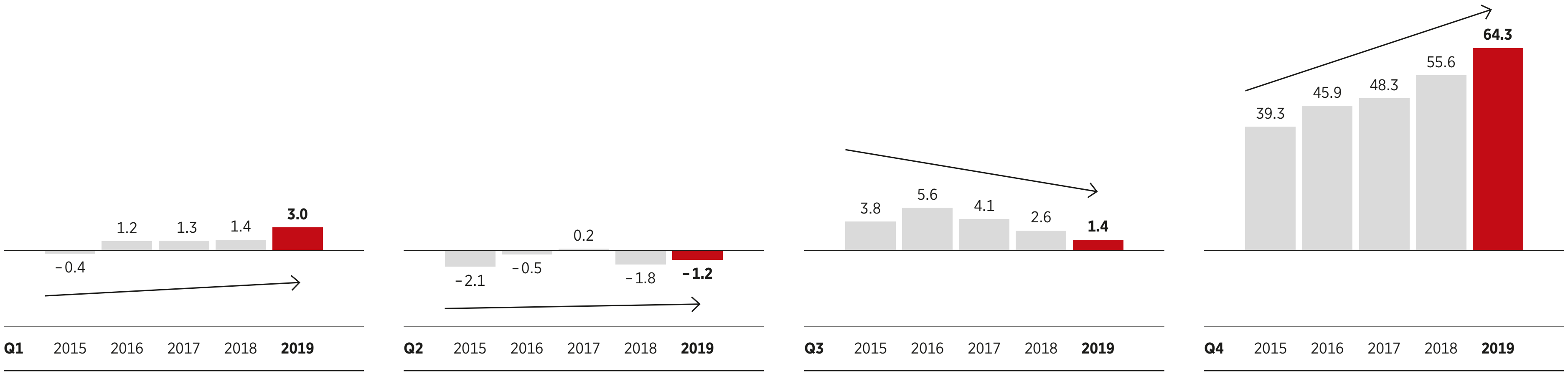
Further growth in Photofinishing's operating EBIT margin: 12.4%

In 2019, in particular the trend of a changing product mix for Photofinishing, which has been intact for some years now – the replacement of individual photo prints with value-added photo products such as CEWE PHOTOBOOK, CEWE CALENDARS, CEWE WALL ART and CEWE CARDS plus other photo gift articles – once again resulted in a further rise in its operating EBIT margin (before the extraordinary expenses outlined above): 12.4%, compared to 12.1% in the previous year. CEWE PHOTOBOOK's strong market position was helpful: with a level of unaided brand awareness of more than 50% in Germany, customers are increasingly finding CEWE's photo service when they search for photo service providers on the Internet. They then place orders directly with CEWE. This increase in the operating EBIT margin is all the more notable in that the earnings figure for 2019 includes the planned negative EBIT contribution from the young company Cheerz as well as transaction costs associated with the acquisition of WhiteWall. CEWE achieved growth in its core Photofinishing business in 2019.

Significant increase in EBIT in the fourth quarter

In accordance with the increasing core volume of demand in the fourth quarter and influenced by the continuing change in the product mix, as outlined above, income from the company's main business unit, Photofinishing, once again rose in the Christmas quarter. In the fourth quarter, EBIT increased by 8.7 million euros to 64.3 million euros (Q4 2018: 55.6 million euros; previous year's figure restated due to the finalisation of the purchase price allocation for Cheerz). This shift in demand is most clearly apparent at the level of earnings, driven by increasing sales of higher-margin value-added products during the Christmas season, as illustrated by the graphic on this page showing the seasonal distribution of Photofinishing EBIT.

Development of EBIT – seasonal breakdown prior to restructuring in millions of euros



COMMERCIAL ONLINE PRINTING BUSINESS UNIT

DEVELOPMENTS IN THE COMMERCIAL ONLINE PRINTING BUSINESS UNIT

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

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

Four online printing brands focus on various target groups and products

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

Target-group-oriented B2B marketing

Within the scope of the company's intensification of its target-group-focused marketing and acquisition of new customers, in the past financial year, 2019, CEWE forged ahead with its development of reseller online stores under the "SAXOPRINT.pro" branding in several European countries. Moreover, in 2019 CEWE once again exploited the high level of brand awareness for its Photofinishing business in order to sharpen the profile of its CEWE-PRINT.de brand in Germany. Its marketing agenda also included targeting new customers through online marketing measures (search engine marketing and optimisation as well as optimisation of the company's online stores) and, of course, also maintaining relationships with existing customers by means of newsletters and mailings.

Expansion of SAXOPRINT's production facilities in Dresden

As CEWE already reported in January 2020, from mid-2020 SAXOPRINT in Dresden will also execute a large number of the orders received by the Berlin printing specialist LASERLINE. This will further strengthen the company's printing plant in Dresden. The current concentration of production at SAXOPRINT will provide an even further boost in production efficiency. At LASERLINE in Berlin, the planned increase in distribution and service personnel will partially compensate for the effect of concentrating production in Dresden. This transfer of resources will also help LASERLINE to improve its earnings contribution to the Commercial Online Printing business unit in overall terms. In 2019 in particular, LASERLINE suffered due to weak turnover on account of price pressure on the market and therefore provided a negative contribution to the result for this business unit in the past financial year.

COMMERCIAL ONLINE PRINTING RESULTS

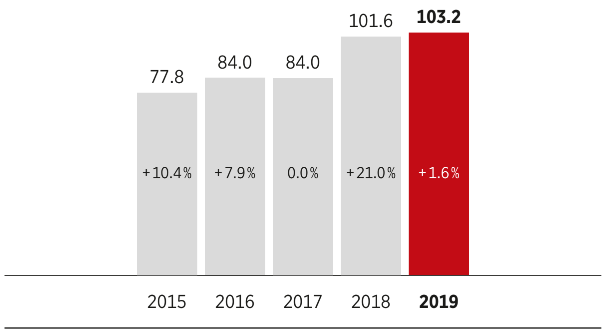
- **Turnover increases slightly overall in 2019, by 1.6 % to 103.2 million euros (2018: 101.6 million euros)**
- **LASERLINE's weak turnover trend due to price pressure in Germany in particular dampens growth throughout the Commercial Online Printing business unit**
- **Decline in LASERLINE's business also reduces COP operating earnings; in addition, 5.0 million euros for extraordinary expenses and accruals for planned optimisation measures at LASERLINE has negative impact on EBIT: –7.7 million euros (2018: –1.6 million euros)**

Commercial Online Printing turnover increases to 103.2 million euros in 2019

In the financial year 2019, the turnover of the Commercial Online Printing business unit increased from 101.6 million euros in the previous year to 103.2 million euros – a slight growth rate of 1.6 %. In particular, LASERLINE's weak turnover trend due to price pressure has dampened growth in the Commercial Online Printing business unit in general by a few percentage points. In 2019, the new SAXOPRINT.pro marketing channel in particular, but also CEWE's online printing brands viaprinto and CEWE-PRINT.de in some cases significantly outperformed the average growth rate in the Commercial Online Printing business unit. LASERLINE has been affected by the continuing price pressure in Germany in particular due to its market and price positioning in the Berlin and Brandenburg regional market.

On the whole, Commercial Online Printing's organic growth remains subdued due to price pressure in Germany as well as the performance of the British market. For CEWE, profitable growth is of paramount importance and it does not focus on its own short-term price reactions.

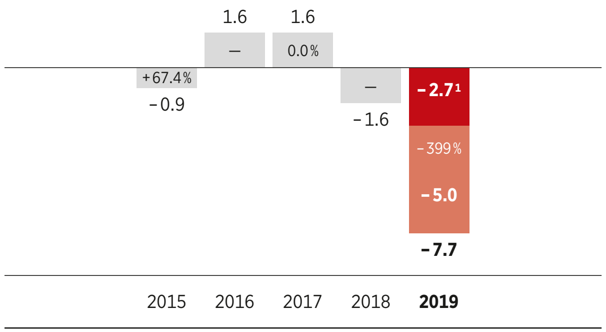
Commercial Online Printing turnover in millions of euros / change on previous year as %



EBIT lower than in the previous year, mainly due to LASERLINE's earnings situation

With a reported EBIT figure of −7.7 million euros, overall Commercial Online Printing fell significantly short of the previous year's result (2018: −1.6 million euros). LASERLINE's turnover-driven earnings weakness negatively affected the operating earnings of the entire Commercial Online Printing business unit. To improve the situation at LASERLINE, in late 2019 CEWE decided to expand SAXOPRINT's production facilities in Dresden by integrating LASERLINE's production volumes. This concentration of production operations is intended to yield further production efficiency gains at SAXOPRINT, and LASERLINE will once again provide a positive contribution to the result for this segment thanks to the associated decrease in its fixed cost base. Overall, −5.0 million euros in extraordinary expenses have been factored into the annual financial statements 2019 for these optimisation and restructuring measures. Without LASERLINE's negative result, Commercial Online Printing would actually have ended 2019 with a marginally positive EBIT figure thanks to the positive overall earnings contributions provided by SAXOPRINT, viaprinto and CEWE-PRINT.de.

Commercial Online Printing EBIT in millions of euros / change on previous year as %



1 Adjusted for LASERLINE's restructuring costs

In the year under review, besides the above-mentioned −5.0 million euros in extraordinary expenses for the optimisation and restructuring measures at LASERLINE, the ongoing amortisation on the purchase price allocations for SAXOPRINT (−0.2 million euros) and LASERLINE (−0.3 million euros) was another one-off factor. In the previous year, 2018, besides the expenses resulting from the purchase price allocations (SAXOPRINT −0.6 million euros and LASERLINE −0.4 million euros) −0.9 million euros in integration costs for LASERLINE's acquisitions was reported as an additional one-off factor. Adjusted for these one-off factors, Commercial Online Printing's EBIT in 2019 amounts to −2.2 million euros (EBIT figure adjusted for the one-off factor in the previous year, 2018: 0.3 million euros).

RETAIL BUSINESS UNIT

DEVELOPMENTS IN THE RETAIL BUSINESS UNIT

CEWE RETAIL has both retail outlets and online shops

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

CEWE RETAIL is the distribution channel for photofinishing products

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

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

In 2019, CEWE RETAIL once again maintained or even expanded its strong market position in Poland, the Czech Republic and Slovakia in particular, since it remains a preferred port of call for photography enthusiasts thanks to its outstanding product range. In the year under review, CEWE RETAIL once again exploited its advantages resulting from a combination of attractive retail stores with well-trained staff and its Internet business, which has been established for many years now, and optimised existing branches instead of pursuing a strategy of expansion. As well as to its existing customers, it is thus increasingly also appealing to new customer groups which are interested in photography.

RETAIL RESULTS

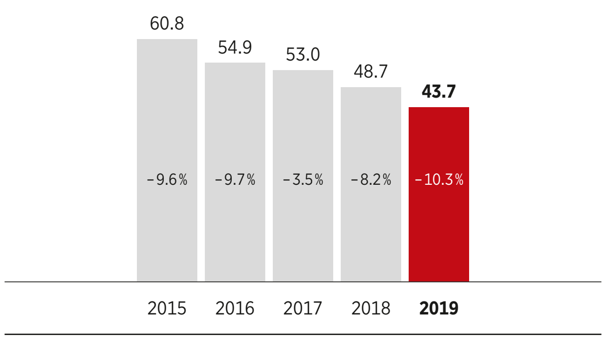
» **CEWE RETAIL makes further active reduction in photo hardware turnover in 2019: 43.7 million euros (2018: 48.7 million euros)**
» **Despite decline in turnover, EBIT at same level as in the previous year: 35 thousand euros (2018: 55 thousand euros)**

CEWE RETAIL realises turnover of 3.7 million euros in 2019

CEWE RETAIL's product range, the high-quality advice provided and its strong customer focus are the key factors which determine its market position. In 2019, CEWE continued to strengthen its focus on sales of photofinishing products through its own Retail operations. In addition, it continues to rigorously pursue its optimised price strategy in order to strengthen margins for photo hardware. This deliberate abandonment of low-margin turnover had already continually reduced turnover in the Retail business unit in the past few years. In the financial year 2019, at 43.7 million euros Retail turnover was lower than in the previous year (2018: 48.7 million euros, –10.3 %), in line with the company's strategy and planning. Adjusted for currency effects, the decline is slightly lower at – 8.8 % (2019 currency-adjusted turnover: 44.4 million euros). At the same time, Retail was able to once again increase its turnover from photofinishing products, which is reported in the strategic Photofinishing business unit.

The same picture applies for the fourth quarter of 2019, considered in isolation: at 12.4 million euros, CEWE RETAIL remained 8.6 % short of the turnover volume achieved in the same quarter in the previous year (Q4 2018: 13.6 million euros). Adjusted for currency effects, the decline is slightly lower at 12.5 million euros or – 7.9 % on the same quarter in the previous year. However, at the same time turnover from photofinishing products sold through CEWE RETAIL also increased in the fourth quarter, by comparison with the previous year.

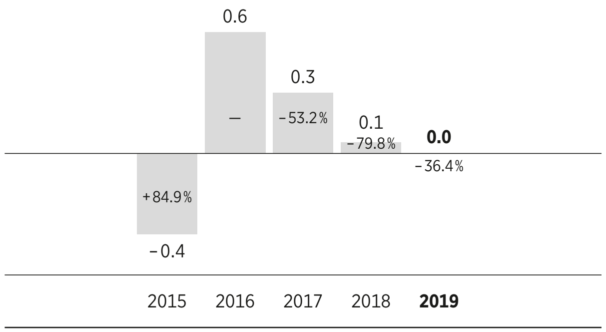
Retail turnover in millions of euros / change on previous year as %



Retail EBIT at same level as in previous year, despite active relinquishment of turnover in 2019

The repositioning of CEWE Retail over the past few years, with a focus on photofinishing products, once again resulted in growing retail contributions to the Photofinishing business unit in the year under review. That is a great success for CEWE. In the hardware retail segment, the focus on a higher-margin pricing and product range policy is continuing to pay off: even though turnover fell by 10.3 %, Retail achieved an EBIT figure of 35 thousand euros in line with the previous year's level (2018: 55 thousand euros).

Retail EBIT in millions of euros / change on previous year as %



Fourth quarter delivers important earnings contribution of 0.8 million euros

As in the other business units, in the Retail business unit Christmas business – and thus the fourth quarter – plays a key role in the earnings trend for the year as a whole. With an EBIT figure of 0.8 million euros which was mainly generated during December's Christmas business, CEWE Retail was able to increase its Q4 profitability by comparison with the same quarter in the previous year, with an EBIT margin of 6.5 % (EBIT Q4 2018: 0.8 million euros; EBIT margin Q4 2018: 6.2 %).

OTHER ACTIVITIES BUSINESS UNIT

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

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

In 2019, CEWE realised turnover in the amount of 5.5 million euros (2018: 4.0 million euros, + 38.8 %) in its Other Activities business unit. This turnover is entirely attributable to futalis. In the past financial year, the EBIT contribution to consolidated income deriving from the expense items for structural and company costs and the result of real estate holdings and equity investments improved to – 2.3 million euros (2018: – 2.6 million euros). This earnings improvement has resulted, in particular, due to the improved earnings situation at futalis, which has more than made up for a slight decrease in the earnings contribution provided by real estate holdings and increased structural and company costs.

EBIT by business units in millions of euros

	2015	2016	2017	2018	2019
Photofinishing	40.2	52.0	53.9	57.8	66.9
Retail	– 0.4	0.6	0.3	0.1	0.0
Commercial Online Printing	– 0.9	1.6	1.6	– 1.6	– 7.7
Other Activities	– 2.4	– 7.2	– 6.6	– 2.6	– 2.3
Group [1]	**36.4**	**47.0**	**49.2**	**55.7**	**57.8**

1 EBIT according to IFRS 5 excl. the “discontinued operation” futalis

CONSOLIDATED PROFIT AND LOSS ACCOUNT

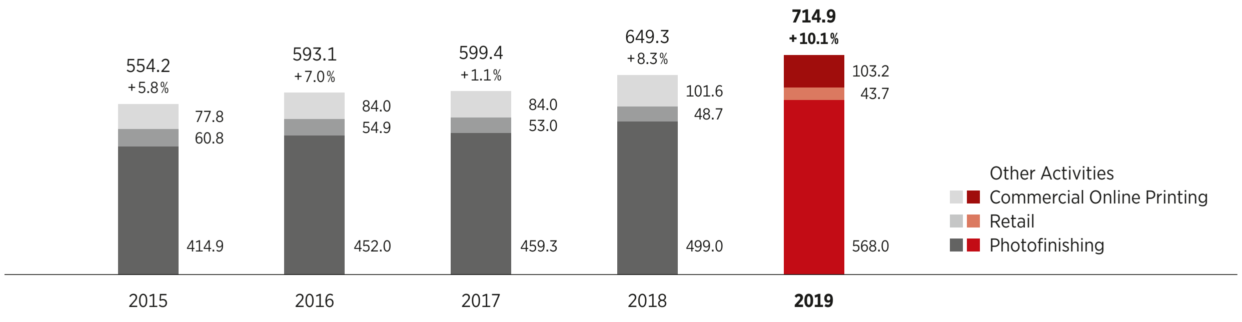
- **Group turnover increases more than planned to 714.9 million euros (2018: 649.3 million euros)**
- **Earnings target clearly achieved: Group EBIT increases to 57.8 million euros (2018: 55.7 million euros)**
- **Excellent Christmas business once again delivers profit for the year: Q4 EBIT increases to 58.5 million euros (2018: 58.1 million euros)**
- **Tax result does not reflect LASERLINE's restructuring costs, normalised tax rate of 30.9 % (notional tax rate: 39.7 %)**
- **Earnings per share at 4.41 euros (2018: 5.06 euros) due to high absolute tax burden**

Group turnover increases significantly to 714.9 million euros in 2019

The turnover growth in the Photofinishing and Commercial Online Printing business units clearly more than made up for the decline in turnover in the Retail business unit. In the financial year 2019, this resulted in Group turnover of 714.9 million euros (2018: 649.3 million euros). It should be borne in mind that, in line with IFRS 5, the CEWE Group turnover outlined here and any other P&L items above earnings after tax are shown without the Group company futalis, which is held for sale. However, it is still included in the Other Activities business unit within the scope of the segment reporting.

With this turnover growth, CEWE has actually exceeded its targets for 2019, which assumed an increase in turnover up to 710 million euros. Around half of this turnover growth has resulted from the two latest Photofinishing acquisitions, Cheerz and WhiteWall, while CEWE's original core business provided the other half.

Turnover in millions of euros / change on previous year as %



Overall year 2019
in millions of euros

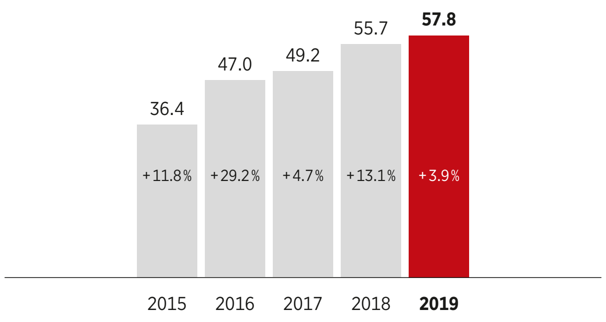
	Target	Actual	Deviation [1] in %
EBIT	51 - 58	57.8	+ 6.1
EBT	50.5 - 57.5	54.3	+ 0.5
Earnings after tax	35 - 39	31.8	- 14.0
Earnings per share (euros/share)	4.74 - 5.40	4.38	- 14.8

1 Calculated on the basis of the mean value for the planned target range

EBIT target range for 2019 clearly achieved, at upper limit

CEWE has clearly fulfilled its targets, and not just in terms of its turnover. With its Group EBIT figure of 57.8 million euros, CEWE is likewise at the upper end of its target range of between 51 and 58 million euros (EBIT 2018: 55.7 million euros, figure for previous year restated due to the finalisation of the purchase price allocation for LASERLINE and Cheerz as well as IFRS 5 elimination of the "discontinued operation" futalis). This earnings figure even reflects the 5 million euros in extraordinary expenses – outlined in the chapter on the Commercial Online Printing business unit – for the optimisation and restructuring measures which are to be implemented at LASERLINE in 2020. This, too, demonstrates that CEWE has once again improved its operating profitability and achieved a very respectable Group earnings figure in the financial year 2019.

Operating result (EBIT) in millions of euros / change on previous year as %



Operating earnings increase of 7.1 million euros in 2019

Before the one-off factors already outlined in the sections for the business units (effects of purchase price allocations - 4.2 million euros and restructuring costs/accruals for LASERLINE - 5.0 million euros), following 59.9 million euros in the previous year the consolidated operating EBIT figure amounted to 67.0 million euros in the year under review (one-off factors 2018: effects of purchase price allocations - 3.2 million euros, integration costs for LASERLINE - 0.9 million euros, proceeds of the sale of the former Photofinishing production site in Nuremberg + 1.2 million euros and extraordinary expenses for CEWE's presence at photokina - 1.3 million euros). This represents earnings growth of 7.1 million euros – a strong increase.

Fourth quarter with new peak earnings contribution of 59.0 million euros

The fourth quarter is highly significant for the company's annual EBIT figure due to the clear seasonal peak in the Photofinishing business unit and likewise in the Commercial Online Printing business unit. In the quarter under review, the reported consolidated EBIT figure increased to 59.0 million euros (Q4 2018: 58.1 million euros). This was despite the extraordinary expenses which arose entirely in the fourth quarter due to optimisation and restructuring measures at LASERLINE, in the amount of – 5.0 million euros. This was an outstanding earnings trend in the fourth quarter, which continued the tradition seen in the past few years of continuously improving Q4 earnings contributions.

Q4 delivers operating earnings increase of 6.2 million euros

The operating EBIT figure before the one-off factors recognised in the fourth quarter (effects resulting from purchase price allocations –1.2 million euros and restructuring costs/accruals for LASERLINE – 5.0 million euros) now amounted to 65.2 million euros in the current quarter under review, compared to 59.0 million euros in the same quarter in the previous year (Q4 one-off factors 2018: effects resulting from purchase price allocations – 0.8 million euros and integration costs for LASERLINE – 0.1 million euros). This represents an operating earnings increase of 6.2 million euros.

Group operating EBIT margin increases to 9.4 %

Before the above-mentioned one-off factors relating to purchase price allocations and, in particular, extraordinary expenses for LASERLINE, the absolute improvement in earnings resulted in an increase in the operating EBIT margin to 9.4 % for the Group (2018: 9.2 %). The EBIT margin on the basis of the reported Group EBIT figure including all one-off factors reached 8.1 % (2018: 8.6 %).

Consolidated profit and loss account in millions of euros

		2018	% of turnover	2019	% of turnover	Change as %	Change in millions of euros
Revenues		**649.3**	**100**	**714.9**	**100**	**+ 10.1**	**+ 65.6**
Change in inventories	(1)	– 0.1	0.0	0.2	0.0	–	+ 0.3
Other own work capitalised		1.1	0.2	1.0	0.1	– 4.9	– 0.1
Other operating income	(2)	25.0	3.9	22.1	3.1	– 11.8	– 3.0
Cost of materials	(3)	– 177.1	– 27.3	– 185.5	– 25.9	– 4.7	– 8.4
Gross profit		**498.2**	**76.7**	**552.7**	**77.3**	**+ 10.9**	**+ 54.5**
Personnel expenses	(4)	– 175.8	– 27.1	– 194.8	– 27.3	– 10.8	– 19.0
Other operating expenses	(5)	– 226.9	– 34.9	– 243.3	– 34.0	– 7.2	– 16.4
EBITDA		**95.5**	**14.7**	**114.6**	**16.0**	**+ 20.0**	**+ 19.1**
Depreciation	(6)	– 39.9	– 6.1	– 56.8	– 7.9	– 42.4	– 16.9
EBIT		**55.7**	**8.6**	**57.8**	**8.1**	**+ 3.9**	**+ 2.2**
Financial income	(7)	0.7	0.1	0.1	0.0	– 89.3	– 0.6
Financial expenses	(7)	– 1.1	– 0.2	– 3.7	– 0.5	– 238	– 2.6
EBT		**55.3**	**8.5**	**54.3**	**7.6**	**– 1.8**	**– 1.0**
Income taxes		– 17.0	– 2.6	– 21.6	– 3.0	– 26.6	– 4.5
Earnings after taxes from continuing operations		**38.2**	**5.9**	**32.7**	**4.6**	**– 14.5**	**– 5.5**
Post-tax profit/loss for discontinued operation		– 1.9	– 0.3	– 0.9	– 0.1	+ 54.8	+ 1.1
Group earnings after taxes		**36.3**	**5.6**	**31.8**	**4.9**	**– 12.3**	**– 4.5**

Summary of changes in individual P&L items
The item "Change in inventories" (1) has changed only marginally by comparison with the previous year's figure. It has improved slightly due to a stronger decrease in the volume of finished and unfinished goods than in the previous year.

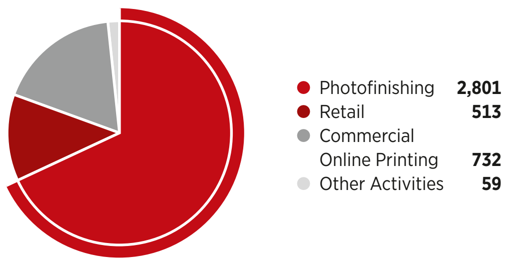
The roughly 3.0 million euros decrease in other operating income (2) is mainly due to the sale of the former Photofinishing production site in Nuremberg, in the approximate amount of 1.2 million euros, in the previous year 2018. In addition, in the previous year this item was increased due to a value added tax refund for past assessment periods which was identified through a tax audit. CEWE's earnings strength is demonstrated by the fact that this substantial decline in earnings was likewise more than made up for.

The absolute cost of materials (3) has increased in line with the volume of business growth. At 25.9 %, the cost-of-sales ratio has failed to match this trend (2018: 27.3 %). On the one hand, this is attributable to the declining volume of Retail turnover, which tends to support a higher cost-of-sales ratio than the increase in the Photofinishing and Commercial Online Printing business units, which are both characterised by a lower material expense ratio. The cost-of-sales ratio has thus declined for the Group as a whole. Moreover, in the Photofinishing business unit the increased level of demand for value-added products (CEWE PHOTOBOOK, CEWE CALENDAR, CEWE CARDS, CEWE WALL ART and further photo gift articles) and fewer individual photo prints continues to generally reduce the cost of materials ratio.

The absolute increase in personnel expenses (4) is attributable, in part, to the initial consolidation of WhiteWall in June 2019, the hirings made by the French photo app specialist Cheerz, which is enjoying strong growth, as well as the slight increase in personnel for CEWE's central functions in Oldenburg. In addition, on the one hand, pay scale adjustments in all three business units resulted in increased personnel expenses by comparison with the previous year. On the other hand, the exercise of a stock option plan which had not existed in the previous year likewise contributed to the reported personnel expense trend. A portion of the extraordinary expenses for optimisation and restructuring measures at LASERLINE comprises personnel expenses and has thus increased this item. The ratio of personnel expenses to turnover has increased only slightly overall to 27.3 % (2018: 27.1 %).

On average, the CEWE Group had 4,105 employees in 2019 (2018: 3,900). Of this number, 2,749 employees or approx. 67 % (2018: 2,623 employees or 67 %) worked at the Group's domestic plants and 1,357 employees or 33 % (2018: 1,277 employees or 33 %) at the CEWE Group's foreign plants.

Average workforce of the CEWE Group in 2019
by business unit



The cost ratio for other operating expenses (5) has improved to 34.0 % of turnover (2018: 34.9 %). The absolute increase in this position is attributable, on the one hand, to the first-time consolidation of WhiteWall, while higher marketing costs – also for the photo app specialist Cheerz, which is enjoying strong growth – have likewise increased the cost base. Shipping and logistics costs have increased on business-related grounds and due to shipping service providers' price increases. On the other hand, the capitalisation and depreciation of leases, which has been required according to IFRS 16 since 2019, has resulted in a decrease in other operating expenses in the amount of the rental payments made for the leased assets. Adjusted for the IFRS 16 effect, in line with expectations, other operating expenses would have increased slightly to 35.6 % of turnover.

In regard to the depreciation figure (6), at 7.9 % of turnover the depreciation ratio is higher than the previous year's level, in line with expectations (2018: 6.1 %). This is due to the IFRS 16 accounting standard for leasing, which came into force in 2019 and which requires the capitalisation and depreciation of leases. At CEWE, this has resulted in a balance sheet extension of around 65 million euros and a corresponding increase in the depreciation item in the profit and loss account in particular. Accordingly, as outlined above, other operating expenses have decreased. Adjusted for the IFRS 16 effect, a depreciation ratio of 6.3 % of turnover would have resulted. In addition to this IFRS 16 effect, in the financial year 2019 depreciation has increased due to the higher basis for depreciation at Cheerz as well as the initial consolidation of WhiteWall. Much of the 5.0 million euros in extraordinary expenses for optimisation and restructuring measures at LASERLINE is allocable to the depreciation item and has thus resulted in an increase in this item year-over-year.

The change in the financial result (7) has overwhelmingly resulted from the remeasurement of the call option due to the acquisition of Cheerz, which was necessary due to Cheerz strong business performance.

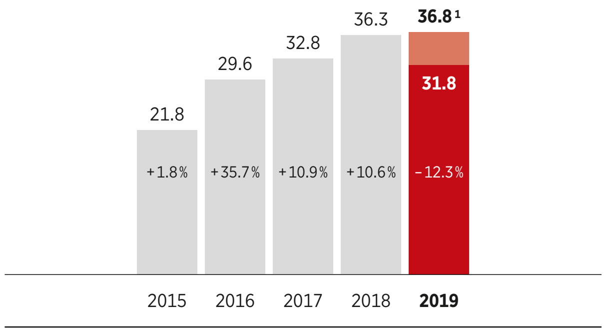
Normalised Group tax rate of 31.7 %

When considering the Group's tax position, in principle it should be noted that, in particular, still negative earnings of companies in which CEWE holds an equity investment have resulted in an increase in the tax rate to 39.7 % of EBT in purely numerical terms, since use of the related loss carry-forwards will only have a positive impact on the tax rate in subsequent years. In the financial year 2019, in particular the extraordinary expenses for optimisation and restructuring measures at LASERLINE in the amount of 5.0 million euros are not relevant for tax purposes, since LASERLINE's operating earnings were negative. Adjusted for these special balance-sheet items, a normalised tax rate of 31.7 % (previous year: 31.9 %) applies in the year under review.

Earnings after tax of 31.8 million euros result in earnings per share of 4.41 euros

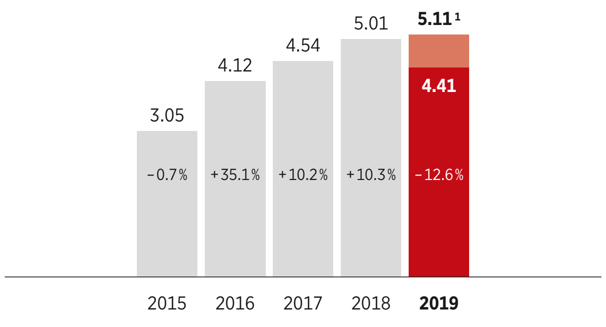
Due to the increased tax expenses on account of LASERLINE's situation in terms of the reported EBT figure, in the financial year 2019 CEWE achieved earnings after tax of 31.8 million euros, i. e. below its envisaged target range of 35 to 39 million euros. At the time of the planning for 2019, the integration of LASERLINE's production operations at SAXOPRINT in Dresden, and the related extraordinary expenses which this would entail, were not yet apparent. (Undiluted) earnings per share accordingly amounted to 4.41 euros and were thus below the original target range of between 4.84 and 5.40 euros (2018: 5.06 euros). Adjusted for the 5.0 million euros of restructuring costs at LASERLINE alone, earnings after tax (36.8 million euros) and earnings per share (5.11 euros) would both have been within the target range.

Earnings after taxes in millions of euros / change on previous year as %



1 Adjusted for LASERLINE's restructuring costs

Earnings per share in euros / change on previous year as %



1 Adjusted for LASERLINE's restructuring costs

BALANCE SHEET AND FINANCING

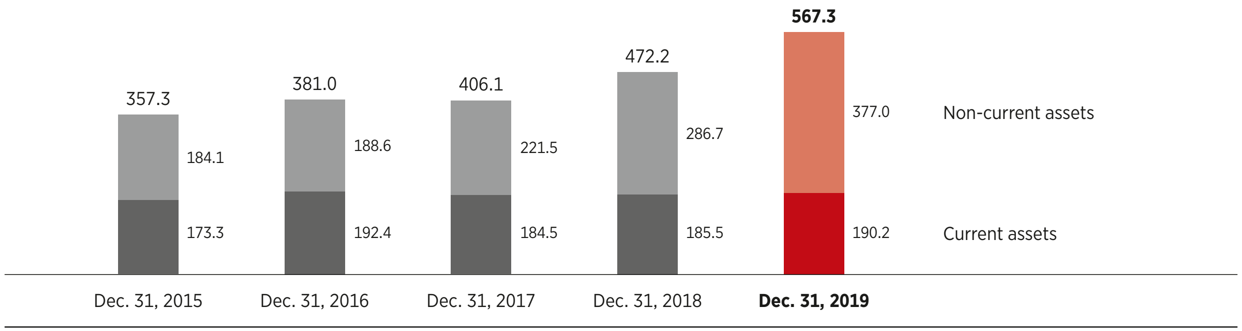
- » **Equity ratio remains a strong 47.6 % despite IFRS 16**
- » **Operating net working capital reduced by 11.2 %**
- » **Before balance sheet extension due to new leasing accounting rules: net cash position of 30.4 million euros – even after acquisitions**

The following comments on CEWE's balance sheet and financing structure mainly refer to the development of the management balance sheet during the past financial year. Where necessary for a fuller picture, these figures are also compared with the situation as of September 30, 2019. They are preceded by a section detailing general trends for the consolidated balance sheet by comparison with December 31, 2018.

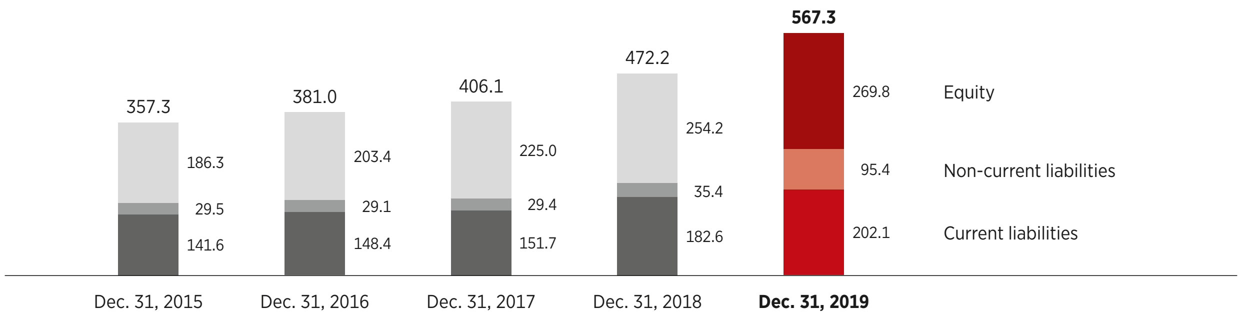
New leasing standard and acquisition of WhiteWall result in increased total assets

By comparison with the previous year, the balance sheet as of December 31 was mainly shaped by the introduction of the new leasing accounting rules (IFRS 16) in the first quarter of 2019 as well as the acquisition of WhiteWall Media GmbH, which is based in Frechen near Cologne. Non-current assets have thus increased by 90.3 million euros to 377.0 million euros. Of this amount, 62.6 million euros was attributable to the property, plant and equipment reportable as rights of use under leases in line with IFRS 16. Due to acquisitions, goodwill has increased by 18.0 million euros, intangible assets by 13.7 million euros and current assets by 4.7 million euros to 190.2 million euros. Of this amount, WhiteWall's newly acquired business alone accounts for 6.2 million euros. Other current assets have thus decreased by 1.5 million euros, as outlined below. The company's balance sheet total has thus increased by 95.0 million euros to 567.3 million euros.

Balance sheet figures – Assets
in millions of euros



Balance sheet figures – Equity and liabilities
in millions of euros



Solid balance sheet: equity ratio a strong 47.6 % despite IFRS 16

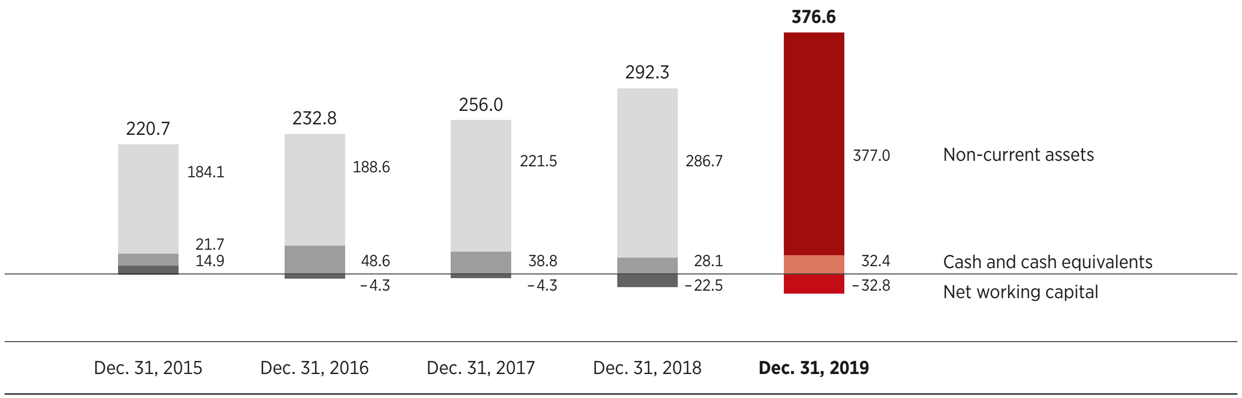
Equity has increased by a total of 15.6 million euros by comparison with December 31, 2018 and amounts to 269.8 million euros. In particular, this reflects positive comprehensive income in the past financial year, in the amount of 27.9 million euros, less owner-related equity changes in the amount of – 12.4 million euros. The owner-related equity capital changes include, in particular, the dividend distribution of 14.1 million euros and, on the other hand, the allocation to the capital reserve for stock option plans as well as the retirement of treasury shares. Due to this 95.0 million euros balance sheet extension, the equity ratio amounts to 47.6 %. Without the approx. 62.7 million euros balance sheet extension due to IFRS 16 (leasing accounting) but including the effect of the acquisition of WhiteWall, the equity ratio (thus comparable with the previous year) would amount to a strong 53.6 % (previous year: 53.8 %).

The Group's debt has increased by 79.5 million euros by comparison with December 31, 2018 and amounts to 297.5 million euros. This increase is mainly attributable to leasing liabilities, which amount to 63.0 million euros as of the reporting date. Liabilities in the amount of 9.9 million euros have resulted from WhiteWall's newly acquired business. The remainder of this increase mainly relates to pension accruals as well as restructuring accruals in the amount of 2.8 million euros, which were established under current other accruals in connection with the transfer of LASERLINE's production operations to SAXOPRINT in Dresden. Due to these trends, non-current liabilities have increased by 60.0 million euros to 95.4 million euros, while current liabilities have risen by 19.5 million euros to 202.1 million euros.

Capital employed increases by 98.1 million euros due to acquisition and new leasing accounting rules

On December 31, 2019, capital employed (1) totalled 376.6 million euros and was thus 84.3 million euros higher than in the previous year. As outlined below, the non-current assets (2) included in this figure increased by 90.3 million euros to 377.0 million euros. Net working capital (3) amounted to – 32.8 million euros in the year under review (previous year: – 22.5 million euros). Cash and cash equivalents (4) increased by 4.3 million euros to 32.4 million euros.

Management balance-sheet figures – Capital employed
in millions of euros (as of December 31)



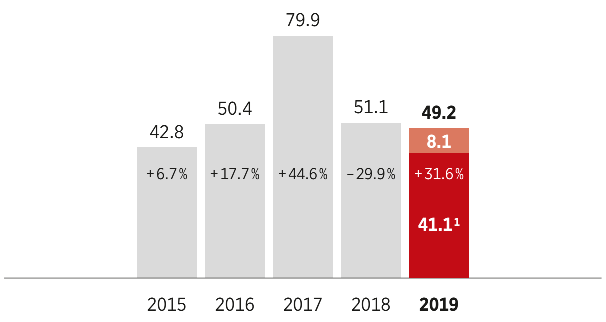
Capital employed in millions of euros

		Dec. 31, 2018	% of capital employed	Dec. 31, 2019	% of capital employed	Change as %	Change in millions of euros
Non-current assets	(2)	286.7	98.1	377.0	100	+ 31.5	+ 90.3
+ Net working capital	(3)	– 22.5	– 7.7	– 32.8	– 8.7	+ 45.6	– 10.3
+ Cash and cash equivalents	(4)	28.1	9.6	32.4	8.6	15.3	+ 4.3
Capital employed	(1)	**292.3**	**100**	**376.6**	**100**	**+ 28.8**	**+ 84.3**

Non-current investments increased due to new leasing accounting rules as well as acquisitions

The 90.3 million euros increase in non-current assets (5) is mainly attributable to property, plant and equipment (6) reportable as rights of use under leases in line with IFRS 16 (+62.6 million euros), the acquisition-related increase in goodwill (7) (+18.0 million euros) as well as the intangible assets (8) acquired in this context (+13.7 million euros). For property, plant and equipment-related operating investments, the company invested 12.4 million euros in digital printing and finishing, 4.4 million euros in offset printing and finishing, 5.1 million euros in point-of-sale presences, 3.9 million euros in IT infrastructure and 6.1 million euros in various items of property, plant and equipment. At 7.5 million euros, investments in intangible assets mainly related to software. Overall, 39.3 million euros were invested in 2019, compared to 49.6 million euros in the previous year. Operational investments are thus below the target for 2019. This does not include additions from acquisitions.

Investments in millions of euros / change on previous year as %



1 Adjusted for additions to rights of use according to IFRS 16

Non-current assets in millions of euros

		Dec. 31, 2018	% of capital employed	**Dec. 31, 2019**	**% of capital employed**	Change as %	Change in millions of euros
Property, plant and equipment	(6)	160.2	54.8	221.1	58.7	+38.0	+60.9
Investment properties		17.6	6.0	17.2	4.6	−2.3	−0.4
Goodwill	(7)	59.7	20.4	77.8	20.6	+30.2	+18.0
Intangible assets	(8)	28.5	9.7	39.0	10.4	+36.9	+10.5
Financial assets		6.9	2.3	5.6	1.5	−18.6	−1.3
Non-current financial assets		1.3	0.4	1.5	0.4	+17.2	+0.2
Non-current other receivables and assets		0.3	0.1	0.7	0.2	+156	+0.4
Deferred tax assets		12.3	4.2	14.2	3.8	+15.6	+1.9
Non-current assets	(5)	**286.7**	**98.1**	**377.0**	**100**	**+31.5**	**+90.3**

Operating net working capital (10) and other net working capital (11) have contributed to the decline in net working capital (9), as outlined in detail in the following sections.

Net working capital in millions of euros

		Dec. 31, 2018	% of capital employed	**Dec. 31, 2019**	**% of capital employed**	Change as %	Change in millions of euros
Operating net working capital	(10)	**29.2**	**10.0**	**26.0**	**6.9**	**−11.2**	**−3.3**
− Other net working capital	(11)	−51.8	−17.7	−58.8	−15.6	−13.5	−7.0
Net working capital	(9)	**−22.5**	**−7.7**	**−32.8**	**−8.7**	**−45.6**	**−10.3**

Operating net working capital in millions of euros

		Dec. 31, 2018	% of capital employed	Dec. 31, 2019	% of capital employed	Change as %	Change in millions of euros
Inventories	(13)	49.0	16.8	48.4	12.8	–1.4	–0.7
+ Current trade receivables	(14)	92.9	31.8	91.2	24.2	–1.9	–1.7
Operating gross working capital		**141.9**	**48.6**	**139.5**	**37.0**	**–1.7**	**–2.4**
– Current trade payables	(15)	112.7	38.5	113.6	30.2	+0.8	+0.9
Operating net working capital	(12)	**29.2**	**10.0**	**26.0**	**6.9**	**–11.2**	**–3.3**

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

	Dec. 31, 2018	Sept. 30, 2019	Dec. 31, 2019
Inventories	17	27	15
Current trade receivables	32	26	28
Current trade payables	39	36	35
Operating net working capital	**10**	**20**	**8**

Operating net working capital reduced by 11.2 %

By comparison with December 31, 2018, operating net working capital (12) decreased by 3.3 million euros to 26.0 million euros. This was mainly due to an approx. 1.4 % decrease in inventories (13) and equally a slight decline in the volume of receivables (14), despite the further increase in the volume of business, while trade payables (15) were virtually unchanged. By comparison with September 30, 2019, operating net working capital has decreased by 17.0 million euros. Accordingly, the scope has undergone a positive change, calculated on the basis of the turnover in the previous quarter. Operating net working capital overall as of late December has thus decreased from 10 to 8 days.

This decrease in the scope was attributable, almost equally, to the reduction in inventories as well as the decline in trade receivables. The scope of inventories thus fell from 17 to 15 days, while the average payment period for trade receivables decreased from 32 to 28 days. While debts to suppliers were almost unchanged, the increased volume of business had a positive effect on the accounts payable collection period, which decreased from 39 to 35 days.

Other net working capital provides stronger contribution to financing

Since the start of the year, other net working capital (16) has decreased by a further 7.0 million euros and has provided a stronger contribution to the company's financing, in the amount of – 58.8 million euros. Other gross working capital (17) increased by 2.8 million euros to 18.4 million euros. This was mainly due to the held-for-sale assets of futalis (18) included in this figure (+ 3.0 million euros) as well as the current financial assets (19) (+ 2.0 million euros) which mainly resulted from the receivables from payment service providers included in this amount. The main offsetting factor was a decrease in receivables from income tax refunds (20). Other current liabilities (21) increased by 9.8 million euros. This includes the business-related increase in value added tax liabilities as well as wage and salary liabilities (22). In connection with the transfer of LASERLINE's production operations to SAXOPRINT in Dresden, restructuring accruals in the amount of 2.8 million euros were established under current other accruals (23). The financial liabilities mainly comprise the put/call options measured in connection with acquisitions (24).

Other net working capital in millions of euros

		Dec. 31, 2018	% of capital employed	**Dec. 31, 2019**	**% of capital employed**	Change as %	Change in millions of euros
Non-current assets held for sale	(18)	0.0	0.0	3.0	0.8	–	+ 3.0
+ Current receivables from income tax refunds	(20)	2.7	0.9	1.5	0.4	– 43.7	– 1.2
+ Current financial assets	(19)	3.4	1.2	5.3	1.4	+ 58.2	+ 2.0
+ Other current receivables and assets		9.5	3.2	8.6	2.3	– 9.4	– 0.9
Other gross working capital	(17)	**15.5**	**5.3**	**18.4**	**4.9**	**+ 18.3**	**+ 2.8**
– Current tax liabilities		8.2	2.8	7.5	2.0	– 9.3	– 0.8
– Current other accruals	(23)	3.5	1.2	6.3	1.7	+ 82.2	+ 2.9
– Current financial liabilities	(24)	10.2	3.5	11.2	3.0	+ 10.2	+ 1.0
– Current other liabilities	(22)	45.4	15.5	51.6	13.7	+ 13.6	+ 6.2
– Liabilities classified as held for sale		0.0	0.0	0.5	0.1	–	+ 0.5
Other current liabilities	(21)	**67.3**	**23.0**	**77.1**	**20.5**	**+ 14.6**	**+ 9.8**
Other net working capital	(16)	**– 51.8**	**– 17.7**	**– 58.8**	**– 15.6**	**– 13.5**	**– 7.0**

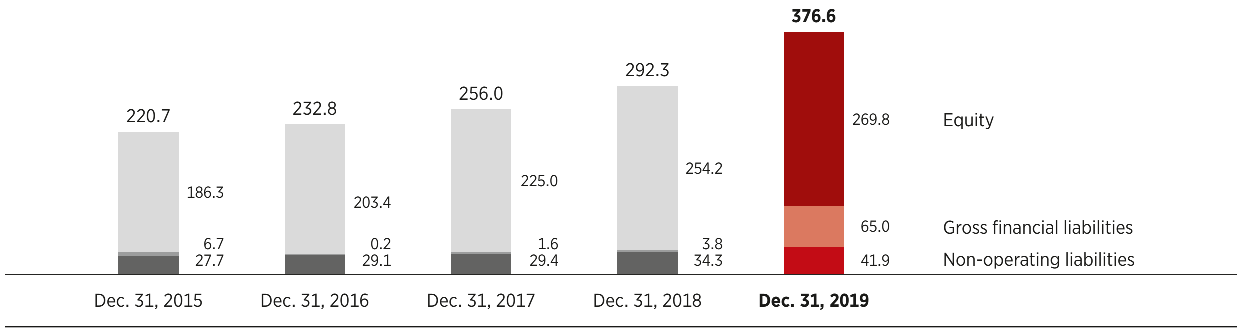
Capital invested: significant rise in equity – moderate increase in Group's debt

On December 31, 2019, the capital invested figure (25) – which, by definition, is identical with the capital employed figure – totalled 376.6 million euros and was thus 84.3 million euros higher than in the previous year. This increase was primarily attributable to the 61.2 million euros rise in gross financial liabilities (26) to 65.0 million euros due to the liabilities from leasing which were recognised without a retrospective adjustment for the first time on January 1, 2019, as well as the 15.6 million euros increase in equity (27) to 269.8 million euros. Non-operating liabilities (28) have increased by just 7.6 million euros to 41.9 million euros, mainly due to the increase in the company's pension accruals (29).

Before balance sheet extension due to new leasing accounting rules: net cash position of 30.4 million euros – even after acquisition

Due to IFRS 16 (leasing accounting) gross financial liabilities (30) have increased by 63.0 million euros. The net cash position of 24.2 million euros has thus undergone a 56.9 million euros change into a net financial liability (31) of 32.6 million euros. Adjusted for this effect, the net cash position would have increased by a further 6.2 million euros to 30.5 million euros, despite the acquisition of WhiteWall which resulted in cash and cash equivalents outflows of 32.8 million euros. Cash and cash equivalents (32) increased by 4.3 million euros (this is discussed in further detail in the comments on the cash flow). This was due to the strong cash flow from operating activities in 2019 (see "Cash flow" section on page 58), which provided virtually all of the funding for the company's acquisition in 2019.

Management balance-sheet figures – Capital invested
in millions of euros (as of December 31)



Capital invested in millions of euros

		Dec. 31, 2018	% of capital invested	Dec. 31, 2019	% of capital invested	Change as %	Change in millions of euros
Equity	(27)	**254.2**	**87.0**	**269.8**	**71.6**	**+6.1**	**+15.6**
Non-current accruals for pensions	(29)	29.2	10.0	35.5	9.4	+21.9	+6.4
+ Non-current deferred tax liabilities		2.9	1.0	3.5	0.9	+18.8	+0.6
+ Non-current other accruals		0.0	0.0	0.5	0.1	–	+0.5
+ Non-current financial liabilities		1.6	0.5	1.9	0.5	+20.2	+0.3
+ Non-current other liabilities		0.6	0.2	0.5	0.1	-28.2	-0.2
Non-operating liabilities	(28)	**34.3**	**11.7**	**41.9**	**11.1**	**+22.1**	**+7.6**
+ Non-current interest-bearing financial liabilities		1.1	0.4	1.1	0.3	-2.9	-0.0
+ Non-current liabilities from leasing		0.0	0.0	52.5	13.9	–	+52.5
+ Current interest-bearing financial liabilities		2.7	0.9	0.8	0.2	-68.8	-1.8
+ Current liabilities from leasing		0.0	0.0	10.6	2.8	–	+10.6
Gross financial liabilities	(26)	**3.8**	**1.3**	**65.0**	**17.3**	**>1,000**	**+61.2**
Capital invested	(25)	**292.3**	**100**	**376.6**	**100**	**+28.8**	**+84.3**

Net cash position in millions of euros

		Dec. 31, 2018	% of capital invested	Dec. 31, 2019	% of capital invested	Change as %	Change in millions of euros
Gross financial liabilities	(30)	**3.8**	**1.3**	**65.0**	**17.3**	**> 1,000**	**+ 61.2**
– Cash and cash equivalents	(32)	28.1	9.6	32.4	8.6	+ 15.3	+ 4.3
Net cash position	(31)	**– 24.2**	**–**	**32.6**	**–**	**+ 235**	**+ 56.9**

Financial flexibility ensures strategic leeway

CEWE's existing credit facilities provide it with additional financial leeway. At the end of the year, the total credit line of the CEWE Group amounted to 180.0 million euros (previous year: 180.0 million euros). After deducting the total loan volume drawn down (1.9 million euros, previous year: 3.8 million euros) and allowing for the company's existing liquidity (32.4 million euros, previous year: 28.1 million euros), its liquidity potential totalled 210.5 million euros (previous year: 204.3 million euros). The Group's financing structure offers major strategic leeway. As well as drawn-down fixed-rate loans (1.9 million euros, previous year: 3.8 million euros), the company has long-term revolving credit lines which have been granted for up to seven years as well as continuously renewed one-year lines whose overall purpose is financing of the company's liquidity requirements which fluctuate strongly in the course of a given year, due to seasonal factors. In addition to this overall volume, additional facilities of up to 120.0 million euros are available for acquisition projects.

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

CASH FLOW

» **EBITDA growth causes cash flow from operating activities to increase to 102.1 million euros**
» **Free cash flow improves by 25.4 million euros, even before new leasing accounting rules**

Free cash flow improves by 25.4 million euros, even before new leasing accounting rules

As in the previous year, the 23.4 million euros increase in cash flow from operating activities to 102.1 million euros financed the net cash used in investing activities, which amounted to -67.2 million euros (previous year: -76.2 million euros) due to the acquisitions in particular. Accordingly, the free cash flow increased significantly by 32.4 million euros to 34.9 million euros (previous year: 2.5 million euros). Due to the new leasing accounting rules (IFRS 16), the leasing payments previously included in the EBITDA figure are now reported as repayments of financial liabilities in the cash flow from financing activities. Due to this effect, which has increased cash flow from operating activities, free cash flow has risen by 9.5 million euros. The free cash flow figure, calculated analogously to the previous year, has thus improved by 22.9 million euros to 25.4 million euros.

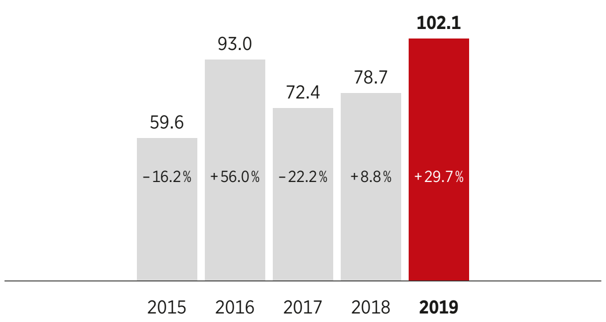
Cash flow from operating activities in millions of euros

			2018	2019	Change as %	Change in millions of euros
	EBITDA	(2)	93.9	114.6	+ 22.0	+ 20.7
+	Non-cash factors		1.2	4.3	257	+ 3.1
+/–	Decrease (+)/increase (–) in operating net working capital	(5)	4.6	0.9	– 80.1	– 3.7
+/–	Decrease (+)/increase (–) in other net working capital	(3)	– 6.8	3.3	–	+ 10.1
–	Taxes paid	(4)	– 14.6	– 21.1	– 44.6	– 6.5
+	Interest received		0.4	0.1	– 83.0	– 0.3
=	**Cash flow from operating activities**	(1)	**78.7**	**102.1**	**+ 29.7**	**+ 23.4**

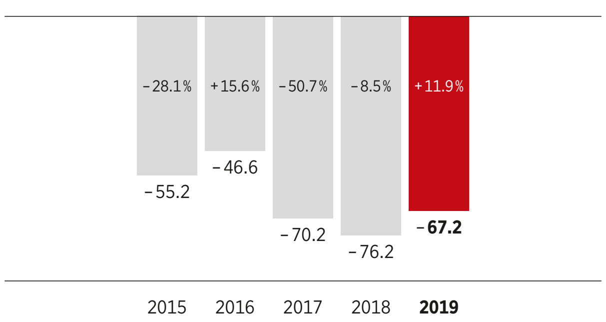
EBITDA growth causes cash flow from operating activities to increase to 102.1 million euros

In the financial year 2019, at 102.1 million euros cash flow from operating activities (1) was 23.4 million euros higher than in the same period in the previous year (78.7 million euros). As already outlined above, some of the EBITDA increase (2) (+ 9.5 million euros) is attributable to the change in the rules for the recognition of leases. The effects outlined below are described in the order of their impact on cash flow from operating activities. In the year under review, at 3.3 million euros other net working capital (3) released 10.1 million euros more in cash than in the previous year (– 6.8 million euros). This mainly resulted due to value added tax liabilities as well as increased wage and salary liabilities. Due to the change in the previous year in the interpretation of the basis in law for the addition of remuneration for activities provided for CEWE Stiftung & Co. KGaA, trade tax calculations were adjusted for previous years, which had an effect on cash in the financial year 2019. This meant that an additional 6.5 million euros was due by way of tax payments (4) by comparison with 2018. Operating net working capital (5) resulted in payment inflows in the amount of 0.9 million euros in the year under review, compared to 4.6 million euros in the previous year. Here, the cash flow from the normal

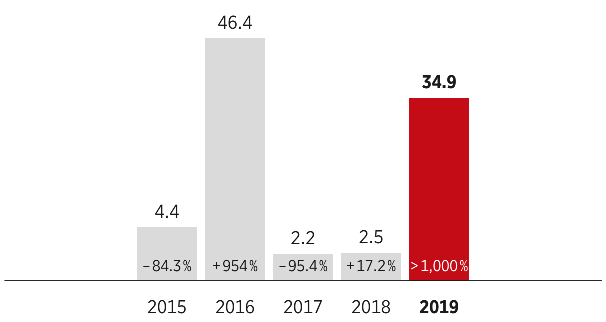
Cash flow from operating activities in millions of euros / change on previous year as %



Net cash used in investing activities in millions of euros / change on previous year as %



Free cash flow in millions of euros / change on previous year as %



Cash flow from investing activities in millions of euros

			2018	2019	Change as %	Change in millions of euros
–	Outflows from investments in fixed assets	(7)	- 45.0	- 35.6	20.9	+ 9.4
–	Outflows from purchases of consolidated interests/acquisitions	(8)	- 38.4	- 32.8	14.6	5.6
+/–	Outflows from investments in financial assets	(9)	4.3	0.3	- 92.1	- 4.0
+/–	Inflows from investments in non-current financial instruments		- 0.9	- 0.2	75.0	0.6
+	Inflows from the sale of property, plant and equipment and intangible assets		3.8	1.1	- 69.9	- 2.7
=	**Cash flow from investing activities**	(6)	**- 76.2**	**- 67.2**	**+ 11.9**	**+ 9.0**

Cash flow from financing activities in millions of euros

			2018	2019	Change as %	Change in millions of euros
–	Dividends paid	(12)	- 13.3	- 14.1	- 6.0	- 0.8
+	Amounts paid in for stock option plans		0.0	- 1.1	—	- 1.1
+	Inflows from change in financial liabilities	(11)	0.9	- 12.7	—	- 13.5
–	Interest paid		- 1.0	- 2.8	- 167	- 1.7
+	Other financial transactions		0.1	0.0	- 91.2	- 0.1
=	**Cash flow from financing activities**	(10)	**- 13.4**	**- 30.7**	**- 128**	**- 17.2**

seasonal decrease in inventories was at + 2.2 million euros slightly lower than in the previous year (+ 3.0 million euros). While the volume of business continued to increase in the fourth quarter, trade receivables released 2.1 million euros in cash (previous year: – 6.9 million euros). The growth business areas (Cheerz and WhiteWall) in particular have customers who use electronic payment methods to settle their orders. Trade payables decreased by 3.4 million euros. On the one hand, this was because the increase in conditions-related liabilities to business partners included in this figure was already implemented in the previous year and, on the other, because trade payables reflect the decreased volume of inventory. The above-mentioned effects resulting from the working capital and the taxes paid more or less offset one another. The EBITDA (2) increase of + 20.7 million euros is thus almost directly reflected in the increase in cash flow from operating activities (+ 23.4 million euros). This cash flow increase is not an accounting effect: it is based on the operating strength of the business.

Cash flow from investing activities has decreased due to operational delays in particular

In 2019, net cash used in investing activities (6) decreased by 9.0 million euros on the previous year and amounted to 67.2 million euros. Various operational delays have reduced the operating outflows from investments in fixed assets (7) by 9.4 million euros. For instance, the installation of CEWE PHOTOSTATIONS on business partners' premises and a real estate conversion suffered delays. Moreover, with a figure of 32.8 million euros 5.6 million euros less was paid for acquisitions (WhiteWall) (8) than in the previous year (Cheerz and LASERLINE). Following the significant sales of financial assets (9) in the previous year, in the past financial year inflows decreased by 4.0 million euros to 0.3 million euros. The above-mentioned effects have partially offset one another. The outlined issues associated with the company's operating activities have thus decreased the volume of net cash used in investing activities by 9.0 million euros.

Acquisitions almost double the cash flows from investing activities in the past few years

Cash outflows from investing activities have been extraordinarily high since the financial year 2017. This is mainly due to the acquisitions and real estate purchases made since then (in each case, with a volume of between 27.6 million euros and 38.4 million euros). Without these effects, the remaining cash flow from investing activities decreased from – 42.7 million euros in 2017 to – 34.4 million euros.

New leasing accounting rules result in –17.2 million euros increase in cash flow from financing activities

In 2019, cash flow from financing activities (10) amounted to 30.7 million euros, a 17.2 million euros cash-out increase on the previous year. This includes the repayments in the amount of 9.5 million euros due to the leasing liabilities (11) reportable as financial liabilities under IFRS 16 (new leasing accounting rules). The dividend payment (12) amounted to 14.1 million euros in the year under review and increased by 0.8 million euros on the previous year. As outlined in the "Balance sheet and financing" section (page 51), with its available financial resources CEWE was able at all times to fulfil its liquidity requirements which arose over the course of the year due to the seasonal nature of its business, as usual, and even more so on account of its acquisitions.

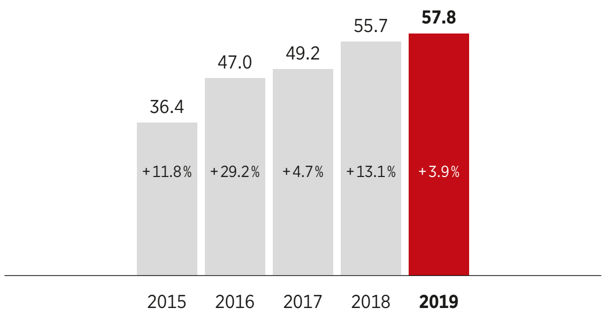
RETURN ON CAPITAL EMPLOYED

- » **Average capital employed increased to 384.7 million euros, due to acquisitions**
- » **Positive earnings trend causes ROCE before IFRS 16 and restructuring to increase to 19.6 %**

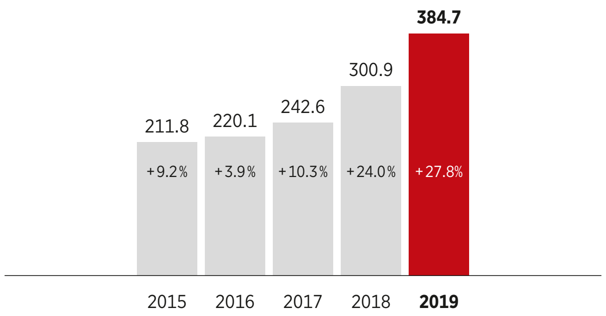
Average capital employed increased to 384.7 million euros, due to new leasing accounting rules (IFRS 16) as well as the acquisition of WhiteWall
As of December 31, 2019, as outlined in the balance sheet chapter see page 56 the capital employed figure was 376.6 million euros and thus 84.3 million euros higher than as of December 31, 2018. This has mainly resulted from the new leasing accounting rules (IFRS 16) as well as the acquisition of WhiteWall. On December 31, 2019, at 384.3 million euros the average volume of capital employed – calculated on the basis of the four quarterly reporting dates within a given twelve-month period – was 83.3 million euros higher than in the previous year.

Positive earnings trend causes ROCE before IFRS 16 and restructuring to increase to 19.6 %
The return on capital employed (ROCE) has decreased from 18.5 % to 15.1 % since December 31, 2018. The value of 15.1 % reflects the twelve-month EBIT figure of 57.8 million euros and the average volume of capital employed of 384.7 million euros. Calculated on the basis of the average volume of capital employed prior to IFRS 16 in the amount of 320.8 million euros and an EBIT volume before restructuring of 62.8 million euros, the ROCE has increased to 19.6 %.
see Consolidated profit and loss account, page 46

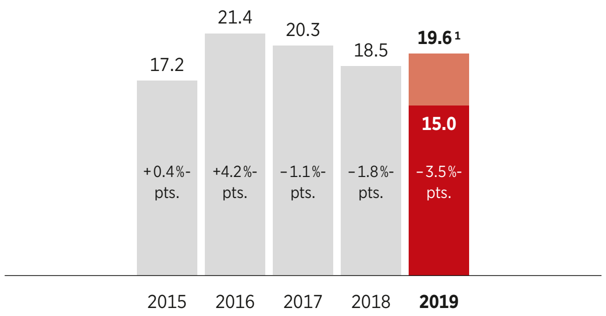
12-month EBIT in millions of euros / change on previous year as %



Average capital employed over the past 4 quarters in millions of euros / change on previous year as %



ROCE as % / change on previous year in percentage points



1 Before IFRS 16 balance sheet extension and LASERLINE restructuring costs

OVERALL STATEMENT ON THE ECONOMIC SITUATION

On the basis of the Group's development in the financial year 2019, the Board of Management considers that its economic situation remains positive.

The "Results" chapter includes a detailed discussion of developments in terms of turnover and earnings in the Group's various business units, its P&L structure, its balance sheet and financing structure and its cash flow and return on capital employed. Its volume, turnover and earnings targets were all achieved or even slightly exceeded. see Results, page 37

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

As outlined in the description of the related business model, Retail plays a key role in this trend, but not primarily in the photographic hardware business. This is increasingly a distribution channel for photofinishing products – here, too, directly to consumers – while also serving many CEWE business partners as an example and model of how to handle contemporary marketing of photo products. It successfully performs these roles, as documented by its increasing turnover volume for photofinishing products, which are sold through the online stores and branches of CEWE's Retail business unit. This photofinishing business of CEWE Retail is reported in the segment report for the Photofinishing business unit. Accordingly, the earnings realised by the Retail business unit through photo hardware alone (cameras, lenses, etc.) only reflect part of Retail's overall performance.

CEWE has developed Commercial Online Printing as its third business unit. This is a growing market segment in the job printing market. CEWE brings to this a number of areas of expertise which it has already developed in Photofinishing: online marketing, online ordering systems and order acceptance, processing of digital orders, digital printing production, mail-order shipping and the full range of support systems such as online payments, customer service through various communication channels, etc. have formed part of CEWE's core competences in the area of Photofinishing for some years now. Through SAXOPRINT's online printing operations, CEWE has added online offset printing to its areas of expertise to enable efficient production of large print runs. The business development of the online printing firm LASERLINE, which was acquired in 2018, proved more difficult than expected in 2019, mainly due to LASERLINE's price positioning in its core market, Berlin/Brandenburg. The announced integration of LASERLINE's production operations at SAXOPRINT's Dresden production site is intended to improve this situation. Thanks to strongly automated and thus highly efficient production at SAXOPRINT in Dresden, CEWE has a good chance of developing successfully in this market. The considerable strength of its Photofinishing business means that CEWE can proceed patiently in taking its next few steps for its Commercial Online Printing business unit.

At the start of 2020, CEWE's business development continued to match the Board of Management's expectations. For some years now, following the seasonal peak during Christmas business the first quarter has also been gaining in significance for the company's core business unit, Photofinishing. All in all, this has strengthened the Board of Management's resolve in terms of the targets which it has indicated for the financial year 2020 in the "Report on expected developments" chapter.
see Report on expected developments, page 66

SUSTAINABILITY

CEWE strives to achieve sustainable success, which it continuously builds upon by means of a strategic approach and a large number of measures which it pursues in relation to economics, ecology and social responsibility.

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

Honest and fair conduct
The declared goal is to safeguard and develop the company's economic success in harmony with an ecologically sustainable approach. CEWE is strongly committed to rigorous ethical principles. Fulfilment of compliance requirements is continuously reviewed.

The Board of Management and the Supervisory Board subscribe to the principles of modern corporate governance. We regularly monitor implementation of the Corporate Governance Code and adjust our related policies. An external ombudsman was already appointed in 2009. Employees and also business partners and third parties can contact this person in confidence if they wish to report suspected cases of corruption, embezzlement or other irregularities. Protection of customer data is another core area of focus.

Economic viability
CEWE continuously generates fresh momentum in the photo industry through innovations relating to the pleasure which photos bring. The success of this focus is demonstrated by trends such as continuously growing brand power and a high level of customer satisfaction.

Environmental and resource conservation
CEWE aims to significantly reduce its CO_2 footprint and thus to actively support the agreement signed by the UN climate conference in Paris as well as the global development agenda. Since September 2016, all CEWE brand products have been manufactured on a climate-neutral basis. The CO_2 emissions which result during the manufacturing process are offset. The company's production and logistics processes have likewise been continuously improving their ecological footprint for some years now.

Responsibility for employees
Qualified personnel management and intensive support for young expert talent help CEWE to succeed as an attractive employer. This involvement in the company's success through the employee share programme and support for every individual employee in accumulating capital for their retirement are core objectives of the company. With a rate of participation in our employee share programme in excess of 74 %, our employees demonstrated the depth of their trust in the company and their desire to actively shape its success.

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

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

As Europe's leading photography service provider, CEWE has long been dedicated to photography as a form of cultural expression. The high level of emotionality which customers bring to their photography and to their design of photo products motivates our company to preserve and support photography as a form of cultural expression. The company's "CEWE Photo Award" was the world's largest photography competition in 2019, with almost 450,000 entries.

Further information in the current sustainability report
CEWE aims to continuously improve its sustainability performance. Since 2010, CEWE has reported annually in its sustainability report on the progress achieved throughout the company. CEWE's current sustainability report has been published at the same time as this annual report and is available online at **https://company.cewe.de/en/sustainability/download.html**. A printed copy in German or English can be ordered by sending an email to **nachhaltigkeit@cewe.de**.

EVENTS AFTER THE BALANCE SHEET DATE

EVENTS OF PARTICULAR SIGNIFICANCE AFTER THE BALANCE SHEET DATE

As the first quarter of 2020 unfolds, the international community is increasingly being shaped by the global spread of the coronavirus. Government measures and restrictions to contain the virus are affecting everyday life in many countries. Due to its responsibility to counter the spread of the virus where possible, CEWE has likewise activated relevant emergency plans so as to avoid the infection of employees and the outage of plants or business units. This development looks likely to have global economic effects and may also have consequences for CEWE: on the turnover side, the closure of outlets may have a negative impact on POS-based turnover, such as Retail hardware business as well as CEWE PHOTOSTATIONS. The number of photos taken by consumers – which serve as the basis for future photo product orders – may likewise be negatively influenced by the duration of quarantine regulations. The decline in demand from business customers, e.g. due to the cancellation of events, trade fairs, concerts, etc., may mean the loss of turnover in the Commercial Online Printing business unit. Border closures and extended quarantine measures may also disrupt supply chains for procurement and sales purposes. The present situation may result in liquidity problems for business partners, due to the interruption in operational finance options.

However, it is conceivable that CEWE may benefit from positive effects in this unusual situation, which might offset the possible negative impacts outlined above. In particular, consumers will be able to order CEWE photo products in the Photofinishing business unit online, directly from home, where customers will also be able to take receipt of the finished products. There is no need to visit a retail outlet, and customers should be able to continue to order and receive these products even during a quarantine phase. Moreover, CEWE photo products are typical products which people enjoy spending time designing at home. This was apparent during the economic crisis back in 2008/2009, which had virtually no adverse impact on CEWE. Even though the current situation is different, this effect may nonetheless reappear to a certain extent.

With the measures which it has taken, CEWE is well prepared in order to provide all of its employees with the best possible protection and to ensure that its products can be ordered and delivered. With 13 Photofinishing production plants, CEWE has a strong presence throughout Europe. Even if one plant were unable to produce or were unable to do so in full, customer orders can be directly rerouted electronically to other production plants, and orders can be produced and sent from there. Even in case of potential restrictions affecting the business partners served by CEWE, customers will still be able to place online orders with these partners or with CEWE directly. CEWE delivers directly to customers' homes through its shipping partners.

Since these events are very recent and are unfolding at a rapid pace, it is currently not possible to quantify the effects on CEWE's business activities. Accordingly, the earnings targets for 2020 which are indicated in the report on expected developments in this annual report do not include potential effects of the corona crisis on CEWE's business development. As things currently stand, we assume that it will not be possible to achieve these targets in 2020.

FORECAST, OPPORTUNITIES AND RISK REPORT

RISK REPORT

Taking opportunities and the ability to identify and analyse risks and to reduce them through suitable strategies are key aspects of corporate activities. The Board of Management is continuously responsible for systematic management of risks and opportunities, which is a management task in each of its areas of responsibility.

Management's overall assessment of risks and opportunities

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

The regular risk assessment as of December 31, 2019 has established that individual risks – or risks arising in conjunction with others – do not point to any impairment of the net assets, financial position and results of operations of the CEWE Group in a manner which would jeopardise its existence.

The following section initially sets out the risk categories listed within the scope of its risk management system:

Strategic risks

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

Within the scope of our core business, the key strategic risks comprise the technology and innovation risk, the risks associated with the Commercial Online Printing business unit, the risks possibly arising due to Brexit, the risks associated with the CEWE brand and the risk associated with investing in core business-related start-ups. In response to the change associated with mobile devices and the key importance of the Internet as an ordering channel, CEWE has reinforced its programming and development capacities in this area. Investments in core business-related start-ups are measures to support core business over the medium and long term. The company's management closely monitors these investments.

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

Operating risks

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

As a rule, the technical infrastructure is safeguarded by means of IT structures standardised throughout the Group, high-availability technologies, back-up data centres as well as back-up connections for the transmission of data. Virus and access protection as well as encryption systems are important technologies which protect against unauthorised external and internal access. Production capacities are likewise safeguarded through redundant processes at various locations. The possibility of central management of capacities also plays a key role. The general risk associated with the supply of materials and procurement is seen as less significant. In all procurement lines, a multiple-supplier strategy and multiple-year contracts are considered to be adequate measures.

In the area of environmental risk, no violations of environmental standards were identified in 2019. This risk is monitored by means of regular internal checks at all of the company's production plants; it is classified as low.

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

Financial risks

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

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

Other receivables apply in relation to the public sector, employees, insurance firms, etc.; the risk of potential loss-related impairment is of minor significance at CEWE. This risk is reduced by means of continuous monitoring of debtors' credit ratings and payment behaviour, in close coordination with all of the company's affected departments. Any individual risks resulting are taken into consideration by means of adequate valuation adjustments, insofar as the realisation of this loss is sufficiently probable.

Legal risks

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

REPORT ON OPPORTUNITIES

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

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

Opportunities whose realisation is probable have been factored into CEWE's corporate planning and outlook for 2020. This report on opportunities therefore relates to events which may potentially give rise to a positive deviation from these planning figures.

Opportunities in the Photofinishing business unit

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

Opportunities in the Commercial Online Printing business unit

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

Opportunities in the Retail business unit

CEWE operates 146 stores through its own Retail operations in Norway, Sweden, Poland, the Czech Republic and Slovakia. In Norway, Sweden and Poland, CEWE has established online stores for photography-related articles. Optimisation of these stores is expected to generate opportunities for further turnover increases and income in the online segment.

REPORT ON EXPECTED DEVELOPMENTS

The effects of the corona crisis on CEWE's business are not yet clear. The report on expected developments has not therefore taken this into consideration.

Three different components of long-term business development:

(1) Strengthening the company's brand and innovation leadership in its Photofinishing core business unit

In its Photofinishing business unit, as an omnichannel provider CEWE continues to focus on expanding its CEWE brands – positioned in the premium segment – in all of the other European countries supplied by CEWE as well as its core markets of Germany, Switzerland and Austria. The goal is to exploit the positive consumer response to CEWE PHOTOBOOK and its strong brand profile, as the no. 1 on the market, for the benefit of these other product groups as well as for CEWE in general. The advantages relating to product differentiation that are associated with the performance and quality standards maintained by the CEWE brand will be progressively exploited with respect to a growing product portfolio. In addition to the CEWE brand, other brands in the corporate group address specific customer groups or offer specific products (e. g. WhiteWall, DeinDesign).

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

(2) Profitable growth in Commercial Online Printing

At CEWE, Commercial Online Printing offers the customer a series of advantages: increased quality and price advantages from state-of-the-art large-scale printing plants, whose consistent quality is generally superior to stationary printing firms, and also time savings thanks to user-friendly Internet ordering, fast production and rapid delivery. CEWE sees a good opportunity here to develop successfully in this market. The considerable strength of its Photofinishing business means that CEWE can proceed patiently in taking its next few steps for its Commercial Online Printing business unit.

(3) Development of business units

Above all, for potential investments CEWE is interested in online business models which – just like CEWE – produce customised, high-quality products with a substantial customer benefit and thus build a strong brand while offering the potential of developing CEWE's business in future. CEWE also gains a good overview of start-ups and potential investments through its interest in the High-Tech Gründerfonds (HTGF) seed investor launched by the German government.
see Research & development, page 33

Continuing focus on Europe

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

World economy: slight recovery in the pace of growth

At the time of publication of the sources used for the following predictions on the economic trend in 2020, the negative economic effects of the coronavirus had not yet been taken into consideration. Following a predicted world economic growth rate of 2.9 % for 2019, prior to the spread of the coronavirus, the International Monetary Fund (IMF) envisaged a moderate increase to 3.3 % in 2020. The IMF attributed this to a slight easing of the global trade conflicts, particularly between the USA and China. In addition, the United Kingdom's resolved withdrawal from the EU removed another source of uncertainty.

In the developed economies, growth is nonetheless expected to be slightly lower than in the previous year. Prior to the spread of the coronavirus, the IMF predicted a growth rate of 1.6 % in both 2020 and 2021 (2019: 1.7 %). With a predicted rate of 1.3 % in 2020 and 1.4 % in 2021, the Eurozone is expected to fare only slightly better than in the previous year (2019: 1.2 %). The emerging markets and the developing countries are expected to provide significantly stronger growth momentum. Here, experts assume a growth rate of 4.4 % for 2019 and, prior to the spread of the coronavirus, 4.6 % for 2020.

The IMF expected Germany to achieve a slight recovery. Following a growth rate of just 0.5 % in 2019, prior to the spread of the coronavirus, a figure of 1.1 % was expected for 2020 and 1.4 % for 2021.[1]

1 IWF – World Economic Outlook, January 2020

Assessment of CEWE's management regarding the overall economic conditions prior to the spread of the coronavirus

The European economies are of key significance to CEWE's business as sales markets. However, in the past it has been demonstrated that the positive underlying trend in the markets for photo products was largely independent of the developments in the economic cycle. The increase in business stationery ordered online in the commercial sector was likewise an underlying trend which was not very strongly correlated with the economic situation, or even negatively correlated, prior to the spread of the coronavirus. Weak economic phases even offered opportunities here. In general, prior to the spread of the coronavirus the ongoing low interest rates and inflation levels were expected to continue to have a positive effect on private households' purchasing power. Nor did the high level of employment and the associated lack of specialist staff have any significant negative impact on the company's recruitment of personnel. This reflected factors such as CEWE's positive brand image as an employer.

On November 1, 2019, the European Central Bank launched a new bond-purchasing programme. Its key interest rate is still 0.0%.[1] For CEWE, this environment provides low-cost debt funding options. Even after taking into consideration the potential negative effects resulting from the spread of the coronavirus, these may serve to safeguard all of CEWE's operational liabilities. In principle, this would also be relevant for the purpose of financing of acquisitions. The organic growth, the investments required for this purpose and an attractive dividend which has been steadily rising for more than a decade now were financed by way of the company's high operating cash flows, prior to the spread of the coronavirus.

1 ECB – Economic Bulletin 8/2019

Further growth expected for Photofinishing

Thanks to CEWE PHOTOBOOK, the European market leader, as well as CEWE's other brand products and its strong Internet expertise, CEWE is in an excellent position to actively promote this process of ongoing change in its product mix, away from simple photo prints to value-added products such as photo books, calendars, wall art, greetings cards and other photo gifts. The upshot of this is that, prior to the spread of the coronavirus, this trend of value-added products was expected to continue to strengthen Photofinishing in 2020 and to offer the prospect of a stable EBIT margin which might register a further slight increase. The acquisition of WhiteWall in early June 2019 has expanded the company's product range for premium, gallery-quality wall art and is expected to provide further positive support for its turnover and earnings in 2020.

Expected further increase in the significance of the fourth quarter, prior to the spread of the coronavirus

Over a calendar year, the share of turnover and earnings accounted for by the second and third quarters generally continued to decline. This was compensated for by the growing significance of the fourth quarter for annual business – sales of higher-margin value-added products increasingly focused on the fourth quarter – and by the first quarter's growing significance for earnings, on the whole. This trend in CEWE's core Photofinishing business unit persisted for a number of years and thus shaped global strategy for the Group as a whole. Commercial Online Printing only moderately offset this trend: Commercial Online Printing business also focused on the fourth quarter, albeit to a lesser degree. This was attributable to the advertising materials for CEWE's printing customers' Christmas business. These orders were mainly placed at the start of the fourth quarter.

Retail is continuing to focus on sales of photofinishing products

In 2019, the Retail business unit once again provided an increasing turnover contribution through sales of CEWE photo products. Turnover and earnings for these photofinishing products – which CEWE distributes through its own retail operations – are reported in the Photofinishing business unit. For a few years now, CEWE has reduced the hardware turnover which is reported in its Retail business unit and which is generated by means of cameras, lenses, photo equipment, etc. The company continues to consistently optimise this in order to increase its earnings margins. CEWE's Retail business unit is responsible for making the necessary adjustments on account of a weak market trend (e.g. due to the decline in the reflex camera market): costs will be further adjusted in line with the turnover trend, while turnover will be supported through targeted measures. In principle, prior to the spread of the coronavirus, the management expected that in 2020 it would be able to improve the profitability of the Retail business unit and to strengthen this marketing channel for CEWE photo products.

Commercial Online Printing expected to achieve profitable growth prior to the spread of the coronavirus

Thanks to the acquisition of the online printing firm LASERLINE at the start of 2018, Commercial Online Printing achieved strong turnover growth and has now reached a level in excess of 100 million euros. LASERLINE's price positioning in its Berlin/Brandenburg main sales territory in particular was increasingly difficult in the past financial year. Turnover and earnings decreases at LASERLINE dominated the earnings situation throughout the Commercial Online Printing business unit in 2019. As a necessary measure, in early 2020 CEWE had announced the transfer of LASERLINE's production operations to SAXOPRINT's larger production plant in Dresden. In 2020, an increase in the profitability of the Commercial Online Printing business unit in overall terms will therefore likely be more important than rapid turnover growth.

EBIT earnings target range in 2020 (prior to the spread of the coronavirus): + 6 million euros

Group turnover is expected to increase in 2020, from 714.9 million euros in the previous year, 2019, to between 725 million euros and 755 million euros. The turnover trend for the core Photofinishing business unit is expected to improve slightly, supplemented by turnover growth resulting from the company's latest acquisitions, Cheerz and WhiteWall. The Retail business unit will likely once again register a slight decline in turnover generated by photo hardware, while Commercial Online Printing is expected to achieve further slight organic turnover growth in most markets.

Group EBIT is expected to fall within a range of between 58 million euros and 64 million euros in 2020, the EBT figure to amount to between 56.5 million euros and 62.5 million euros and earnings after tax to amount to between 38 million euros and 43 million euros. This will likely correspond to an increase of approx. 6 million euros in the scope of the EBIT results by comparison with the goals for the previous year, 2019.

The operational investments planned for 2020 (i. e. excl. investments for acquisitions and other unplanned effects resulting from specific opportunities as well as IFRS 16 lease additions) are expected to amount to approx. 57 million euros.

Goal for 2020 CEWE Group

		2020 Effects of the corona crisis not yet included	Change as %	Effects of the corona crisis
Photos [1]	billion units	2.4 to 2.5	2 to 4	Probably negative
CEWE PHOTOBOOK	million units	6.7 to 6.9	2 to 4	Probably negative
Investments [2]	millions of euros	57		Unclear
Turnover	millions of euros	725 to 755	2 to 6	Probably negative
EBIT	millions of euros	58 to 64	0 to 11	Probably negative
Earnings before taxes (EBT) [3]	millions of euros	56.5 to 62.5	4 to 15	Probably negative
Earnings after taxes (EBT) [4]	millions of euros	38 to 43	21 to 34	Probably negative
Earnings per share	euros/share	5.34 to 5.90	21 to 34	Probably negative

1 The number of photos is the total number of images which have been used to design CEWE photo products and includes all of the images which have been used in value-added products (e. g. CEWE PHOTOBOOK, CEWE CARDS, CEWE CALENDARS, CEWE WALL ART as well as further photo gifts).
2 Operational investments excl. possible investments in expansion of the Group's volume of business (e. g. corporate acquisitions or purchasing of customer bases) and excl. IFRS 16 lease additions
3 Excl. subsequent measurements of equity instruments
4 Based on the normalised Group tax rate for the previous year

After taking the effects of the coronavirus into consideration, the Board of Management considers that these targets will now no longer be achievable.

Minimum goal of dividend continuity

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

In this annual report, CEWE is publishing a combined management report for the CEWE Group and for the individual company CEWE Stiftung & Co. KGaA. This means that a forecast is necessary for the individual company CEWE Stiftung & Co. KGaA in line with the legal requirements: for the financial year 2020, prior to the spread of the coronavirus, CEWE expected that CEWE Stiftung & Co. KGaA would realise turnover of between 360 and 400 million euros. Earnings before interest and taxes of between 45 and 65 million euros were expected.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

CORPORATE GOVERNANCE REPORT

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

The Board of Management and the Supervisory Board have long subscribed to the principles of modern corporate governance.

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

Declaration of conformity in accordance with § 161 AktG for the financial year 2018
The Board of Management of the general partner of CEWE Stiftung & Co. KGaA, Neumüller CEWE Color Stiftung, and the Supervisory Board of CEWE Stiftung & Co. KGaA declare that since they presented their last declaration of conformity in February 2020 they have complied with the recommendations of the German Corporate Governance Code government commission, as notified by the German Federal Ministry of Justice and Consumer Protection in the official section of the German Federal Gazette (Bundesanzeiger), as amended on May 5, 2015 and February 7, 2017, following their publication on April 24, 2017, and will continue to do so, with the following exceptions:

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

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

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

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

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

Management and supervisory bodies
Neumüller CEWE COLOR Stiftung conducts the business of CEWE Stiftung & Co. KGaA as its general partner. It acts through its Board of Management, which decides on the company's business policy in its capacity as the executive body of CEWE Stiftung & Co. KGaA and its subsidiaries. Neumüller CEWE COLOR Stiftung determines the strategic orientation of the company, plans and specifies the company's budget, is responsible for the allocation of financial resources and supervises the company's business development. It also prepares the annual financial statements for CEWE Stiftung & Co. KGaA and

the Group. The rules of procedure approved by the Board of Trustees of Neumüller CEWE COLOR Stiftung for the Board of Management set out the allocation of duties and cooperation on the Board of Management. The company's articles of association and the rules of procedure of the Supervisory Board stipulate the reporting obligations of the Board of Management. The Board of Management regularly, promptly and comprehensively notifies the Supervisory Board of all issues of relevance for the company, particularly planning, business development, the company's strategic orientation, its risk situation and its management of risks.

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

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

In November 2018, the Supervisory Board defined its competence profile and published this on the company's website https://company.cewe.de/en/about-us/cewe-group.html. The current members of the Supervisory Board match this competence profile. Ms Geibel-Conrad, an auditor and financial expert, serves as the chairwoman of the Audit Committee.

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

Shareholders and general meeting

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

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

Remuneration report

In regard to the remuneration received by the Board of Management and the Supervisory Board in the financial year 2018, please see the detailed remuneration report which is included as a component of the combined management report on pages 79 ff.

Disclosures regarding stock option plans

The Stock Option Plan 2014 (SOP 2014) was established on the basis of the resolution passed by the general meeting on June 4, 2014 (Board of Management's resolution of September 1, 2014, Supervisory Board's resolution of September 10, 2014, Board of Trustees' resolution of September 11, 2014); this was followed by the Stock Option Plan 2015 (SOP 2015, Board of Management's resolution of August 17, 2015, Supervisory Board's resolution of September 9, 2015, Board of Trustees' resolution of September 8, 2015); the Stock Option Plan 2016 (SOP 2016, Board of Management's resolution of May 23, 2016, Supervisory Board's resolution of June 1, 2016, Board of Trustees' resolution of June 16, 2016); the Stock Option Plan 2017 (SOP 2017, Board of Management's resolution of June 12, 2017, Supervisory Board's circular resolution of July 2017, Board of Trustees' resolution of June 14, 2017) as well as the Stock Option Plan 2019 (SOP 2019, Board of Management's resolution of August 19, 2019, Supervisory Board's resolution of June 5, 2019, Board of Trustees' resolution of June 18, 2019). All of these plans have the same structure. These options were offered at the Group's senior management levels, in Germany and other countries, at a premium of 0.50 euros per option. Overall, 409,110 options have been issued for all four of these plans. However, their number will be reduced in the event of participants leaving CEWE during their term. Upon expiry of the four-year waiting period, the options may only be exercised if the closing auction prices of the CEWE share in Deutsche Börse AG's Xetra trading system have reached at least 120 % or 125 % of the underlying price (performance target) on ten consecutive stock exchange trading days. This was already the case for the SOP 2014 and SOP 2015 plans. Each stock option plan has a term of five years. The key details of the stock option plans are as follows:

Key details of the Stock Option Plans 2014, 2015, 2016, 2017 and 2019

	Start of term	End of waiting period	End of term	Underlying price in euros	Performance target in euros
SOP 2019	Jan. 1, 2020	Dec. 31, 2023	Dec. 31, 2024	81.00	101.25
SOP 2017	Jan. 1, 2018	Dec. 31, 2021	Dec. 31, 2022	74.00	92.50
SOP 2016	Jan. 1, 2017	Dec. 31, 2020	Dec. 31, 2021	74.00	92.50
SOP 2015	Jan. 1, 2016	Dec. 31, 2019	Dec. 31, 2020	52.00	62.40
SOP 2014	Jan. 1, 2015	Dec. 31, 2018	Dec. 31, 2019	53.00	63.60

Transparent communication

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

Shareholdings of the Board of Management and the Supervisory Board

On December 31, 2019, the shares held by all of the members of the Board of Management and the Supervisory Board in CEWE Stiftung & Co. KGaA amounted to 9,492 of the total shares issued by the company. 8,787 shares are held by members of the Board of Management and 705 shares are held by members of the Supervisory Board.

Disclosures regarding directors' dealings

Under Art. 19 of the Market Abuse Regulation (MAR), persons holding management positions (in particular, members of the Board of Management and the Supervisory Board and certain employees with management responsibilities) and their close associates are required to disclose their dealings for own account in shares or related financial instruments, insofar as the total securities transactions which a person with management responsibilities and his close associates enter into equal or exceed an amount of not less than 5,000.00 euros in a given calendar year. Details of notifiable securities transactions entered into in the year under review, 2019, and up to the present day are provided on the company's website, **company.cewe.de**.

Accounting and auditing

BDO AG, Wirtschaftsprüfungsgesellschaft, Hamburg, has been appointed as the auditor for the annual accounts and for the Semi-Annual Financial Report 2019 of CEWE Stiftung & Co. KGaA for the past financial year, in line with the Audit Committee's recommendation. The auditor will notify the Chairman of the Supervisory Board immediately of any grounds for bias or disqualification arising in the course of the audit. Moreover, the auditor will immediately report on any key incidents and findings resulting during his audit which are of material significance for the tasks of the Supervisory Board. The auditor will also notify the Supervisory Board in the event of discovering in the course of his audit facts which are not compatible with the declaration of conformity submitted by the Board of Management and the Supervisory Board in accordance with § 161 AktG.

COMPLIANCE

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

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

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

RISK MANAGEMENT SYSTEM

Goals and strategy of the risk management system

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

Organisation and structure of the risk management system

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

The risk management system covers the risks and opportunities associated with the individual risk areas, within the scope of an annual, Group-wide risk inventory. The annual report on risks and opportunities has been produced on the basis of the risk inventory. In the course of a year, the company's risk and opportunity assessments are reviewed at least quarterly. The Supervisory Board is notified of these assessments at least quarterly. Following notification of the risk officer, new risks and opportunities are incorporated in the risk management system and assigned to a risk manager. Insofar as individual risk assessments have resulted in the establishment of corresponding accruals, these will no longer be taken into consideration in the risk assessment.

Key features of the internal control system

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

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

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

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

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

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

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

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

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

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

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

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

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

ACQUISITION-RELATED DISCLOSURES

DISCLOSURES IN ACCORDANCE WITH § 315A (1) HGB

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

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

Composition of subscribed capital

Type of share	ISIN	Form of share	Volume of this class of shares	Share of subscribed capital in euros	Share of subscribed capital as %	Rights and obligations
Bearer shares	DE 0005403901	No-par value shares	7,414,939	19,278,841.40	100.0	The shares confer full voting and dividend rights unless mandatory provisions of the German Stock Corporation Act stipulate otherwise (e. g. shares which the company holds as treasury shares)
			7,414,939	**19,278,841.40**	**100.0**	

In the year under review, the share capital was increased by 38,789.40 euros and by 14,919 no-par value shares within the scope of the existing Contingent Capital 2019. This increase was implemented for the purpose of the Employee Share Programme 2019. Shares issued to employees within the scope of employee share programmes are subject to various holding periods. A total of 7,872 shares must be held up to the end of the year following their transfer. A total of 37,730 shares must be held until the employee shareholder has reached the age of 65 or begun to draw his statutory pension. The company is not aware of any more extensive restrictions of voting rights or transfer restrictions within the meaning of § 315a (1) no. 1 HGB.

Direct or indirect equity investments (§ 315a (1) no. 3 HGB)
According to the company's published notices and the available information, the following direct and indirect equity investments held in the company exceed 10 % of the voting rights:

Shareholder subject to reporting requirement

	Type of interest	Notified voting rights as a proportion of the subscribed capital
ACN Vermögensverwaltungsgesellschaft mbH & Co. KG, Oldenburg (heirs of Senator h. c. Heinz Neumüller, Oldenburg)	Direct	27.2

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

Form of control of voting rights in case of employee participation (§ 315a (1) no. 5 HGB)
Insofar as employees of the CEWE Group are shareholders in CEWE Stiftung & Co. KGaA, Oldenburg, as far as the company is aware no specific requirements apply in relation to the possibility of their exercise of voting rights. Employees are not known to have any joint holdings of one or more shares (§ 69 (1) AktG), and nor are any voting trust agreements between employee shareholders known of.

Statutory regulations and provisions in the company's articles of association regarding the appointment and removal from office of members of the Board of Management and amendments of the articles of association (§ 315a (1) no. 6 HGB)
The company's general partner, Neumüller CEWE COLOR Stiftung, Oldenburg, is authorised to manage the affairs of CEWE Stiftung & Co. KGaA, Oldenburg, and to represent it (§ 8 of the articles of association of CEWE Stiftung & Co. KGaA). Unless imperatively stipulated in the articles of association or by law, the legal relationships between the company and its general partner will be regulated in a separate agreement; the company shall be represented by the Supervisory Board in this respect. Article 9 of the articles of association of CEWE Stiftung & Co. KGaA provides for the withdrawal of the company's general partner. Neumüller CEWE COLOR Stiftung thus assumes this role irrespective of any capital contribution; but the imperative statutory grounds for the withdrawal of the general partner remain unaffected (§ 9 (1) of the articles of association). It will not be entitled to any credit balance in case of partition in the event of its withdrawal (§ 9 (2) of the articles of association). In the event of Neumüller CEWE COLOR Stiftung's withdrawal from its position as the company's general partner or if its withdrawal is foreseeable, to prevent the liquidation of CEWE Stiftung & Co. KGaA, § 9 (3) includes the following provision: the Supervisory Board of CEWE Stiftung & Co. KGaA is entitled and obliged immediately/as of this withdrawal to appoint a company limited by shares – which are held in their entirety by CEWE Stiftung & Co. KGaA – as the new general partner of CEWE Stiftung & Co. KGaA with a sole authorisation for management of its business and a sole power of representation (clause 1). Should Neumüller CEWE COLOR Stiftung withdraw from its position as the company's general partner without the simultaneous appointment of a new general partner, CEWE Stiftung & Co. KGaA's limited shareholders will assume the continuing management of the company on a temporary basis (clause 2). In this case, the Supervisory Board shall immediately apply to the competent court for the appointment of a substitute representative to represent the company up to the appointment of a new general partner, particularly in the event that CEWE Stiftung & Co. KGaA need first acquire or establish a company limited by shares to serve as its general partner (clause 3). The Supervisory Board is authorised to adjust the wording of the articles of association in accordance with the replacement of the company's general partner (clause 4).

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

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

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

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

- » the resale of the shares over the stock exchange or by means of an offer submitted to all of the shareholders, with the consent of the Supervisory Board and while complying with the principle of equal treatment (§ 53a AktG);
- » the retirement of the shares, in whole or in part, on one or more occasions, with the consent of the Supervisory Board. The fact or the procedure of these shares' retirement will not require a further resolution to be passed by the general meeting. These shares may therefore be called in through simplified procedures, without any capital reduction, by adjusting the pro rata notional value of the other no-par value shares in the company's share capital;
- » to dispose of the shares, with the consent of the Supervisory Board, in return for a payment in kind; in particular, these shares may be offered or granted to third parties within the scope of company mergers or at the acquisition of companies;
- » to offer the shares for purchase to employees of the company or its affiliates within the meaning of §§ 15 ff. AktG, with the consent of the Supervisory Board, or to promise these shares or transfer them with a lockup period of not less than one year; the treasury shares may also be promised and transferred to eligible persons in fulfilment of dividend claims arising from shares of the company;
- » with the consent of the Supervisory Board, to offer the shares for purchase to employees including the members of the Board of Management and the management of Neumüller CEWE COLOR Stiftung within the scope of a stock option plan. In this case, the waiting period is four years. The Supervisory Board will specify the details of share-based remuneration for the members of the Board of Management;
- » with the consent of the Supervisory Board, to dispose of the shares purchased in accordance with the above authorisation in a form other than via the stock exchange or by means of an offer submitted to all of the shareholders.

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

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

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

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

ANNUAL FINANCIAL STATEMENTS OF CEWE STIFTUNG & CO. KGAA

RESULTS OF OPERATIONS, ASSET AND FINANCIAL POSITION

RESULTS OF OPERATIONS

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

Revenues increased by 20.1 million euros or 6.0% to 358.5 million euros in the financial year 2019. This was mainly due to the growth achieved by the Photofinishing business unit in Germany.

Other operating income decreased by 4.4 million euros, from 11.0 million euros in the previous year to 6.6 million euros. This corresponds to 1.8% of turnover (previous year: 3.2%), due to reduced asset sales.

The material expense ratio has decreased by 0.8% to 26.3% (previous year: 26.1%). In absolute terms, the cost of materials has increased to 90.9 million euros (previous year: 88.2 million euros) due to an increased volume of business.

Accordingly, personnel expenses also increased, by 6.3 million euros to 99.1 million euros (previous year: 92.8 million euros), with a personnel expense ratio of 67.7%, a minimal rise of 0.2% (previous year: 27.4%).

Depreciation is unchanged on the previous year at 20.0 million euros.

Other operating expenses increased slightly, by 3.0 million euros, to 105.0 million euros (previous year: 102.0 million euros). However, in relation to turnover they declined by 0.9% to 29.3%, despite increased advertising costs in 2019.

The financial result improved from 7.9 million euros in the previous year to 9.2 million euros. This is mainly due to the profit and loss transfer agreement with investees, with a financing environment which remains unchanged.

Earnings before income taxes have once again increased, to the current 59.5 million euros (previous year: 54.2 million euros), and amount to 16.6% of turnover (previous year: 16.0%).

Due to the higher earnings before tax figure, tax expenses have increased to 18.9 million euros (previous year: 18.3 million euros), of which income taxes amount to 18.7 million euros (previous year: 18.2 million euros), with an unchanged income tax ratio.

Net income for the year has also once again improved, at 40.7 million euros (2018: 35.9 million euros), with a post-tax profit-to-turnover ratio of 11.3% (previous year: 10.6%).

ASSET POSITION

CEWE KGaA's total assets have increased by 54.5 million euros on the previous year to 526.2 million euros.

The proportion of fixed assets remains unchanged at 52%, with a figure of 275.4 million euros (previous year: 246.4 million euros), despite the acquisition of WhiteWall.

Current assets have increased by 25.2 million euros to 248.0 million euros. This has mainly resulted from the cash pool positions with affiliates. Inventories remain almost unchanged on the previous year at 13 million euros, while cash and cash equivalents have increased by 3.4 million euros to 14.0 million euros.

Equity has increased by 28.1 million euros to 311.9 million euros, due to the unappropriated profits realised less the dividend paid in the financial year 2019 for 2018, with an equity ratio of 59.3% (previous year: 53.9%). Further information is provided in the Notes.

As in the previous year, in 2019 the development of tax accruals (–1.2 million euros) and pension accruals (+2.9 million euros) once again shaped the accruals trend. Total accruals amount to 52.8 million euros as of the reporting date (previous year: 49.6 million euros).

Liabilities have risen by 23.3 million euros to 161.2 million euros, mainly due to the 29.2 million euros rise in cash pool liabilities. This is almost in line with the increase in the cash pool balances in the current assets item.

Investments
Of the investments in property, plant and equipment in the amount of 24.4 million euros throughout the various locations of CEWE Stiftung & Co. KGaA, 18.8 million euros consisted of property, plant and equipment, while 5.6 million euros comprised intangible assets.

As in the previous year, with a figure of 10.0 million euros much of the company's investments in property, plant and equipment were invested in the area of digital printing, followed by 4.0 million euros which was invested in POS activities and 2.4 million euros in IT infrastructure. Further investments were allocated to buildings, the fleet of vehicles and other installations.

Financial assets have increased by 27.4 million euros on the previous year due to loans to affiliates as well as the acquisition of an investment. As of December 31, 2019, commitments amounted to 3.3 million euros. Of this amount, 3.2 million euros consisted of property, plant and equipment (of which 2 million euros for POS printers), while 0.1 million euros comprised intangible assets.

Financing
CEWE's existing credit facilities provide it with additional financial leeway. At the end of the year, the total credit line of the CEWE Group amounted to 180.0 million euros (previous year: 180.0 million euros). After deducting the total loan volume drawn down (1.9 million euros, previous year: 3.8 million euros) and allowing for the company's existing liquidity (32.4 million euros, previous year: 28.1 million euros), its liquidity potential totalled 210.5 million euros (previous year: 204.3 million euros). The Group's financing structure offers major strategic leeway. As well as drawn-down fixed-rate loans (1.9 million euros, previous year: 3.8 million euros), the company has long-term revolving credit lines which have been granted for up to seven years as well as continuously renewed one-year lines whose overall purpose is financing of the company's liquidity requirements which fluctuate strongly in the course of a given year, due to seasonal factors; this ensures that CEWE is able to fulfil its payment obligations at any time, within the scope of its existing credit facilities. In addition to this overall volume, additional facilities of up to 120.0 million euros are available for acquisition projects.

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

For CEWE Stiftung & Co. KGaA, the cash flow from operating activities calculated according to GAS 21 has improved to 67.6 million euros in the financial year 2019 (2018: 24.7 million euros). It thus exceeded the cash flow from investing activities of – 48.9 million euros (previous year: – 26.5 million euros). Cash flow from financing activities amounts to –15.3 million euros (previous year: –14.0 million euros). Cash and cash equivalents have thus improved to 14.0 million euros (previous year: 10.6 million euros).

REMUNERATION REPORT

In accordance with applicable legal requirements (§§ 285 clause 1 no. 9, 289a (2), 314 (1) no. 6 and 315a (2) of the German Commercial Code), the rules laid down in the German Accounting Standards (GAS) 17.10 and 14 ff. and the recommendations of the German Corporate Governance Code (GCGC), as amended on February 17, 2017, the remuneration report sets out the basic features of the remuneration system for the Board of Management of Neumüller CEWE COLOR Stiftung as the general partner of CEWE Stiftung & Co. KGaA and its Supervisory Board. In the year under review and the previous year, no external remuneration expert was consulted for an assessment of the appropriateness of the remuneration received by the Board of Management and the Supervisory Board.

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

REMUNERATION OF THE BOARD OF MANAGEMENT

Remuneration system

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

Elements of the Board of Management's remuneration system

The members of the Board of Management receive fixed remuneration and variable remuneration for their service. Excluding fringe benefits, their variable remuneration may not exceed twice their fixed remuneration. Their fixed remuneration comprises a fixed salary and non-cash remuneration. Their variable remuneration consists of a bonus plus long-term incentive components. Fixed remuneration is paid out regardless of performance as a constant monthly salary. The members of the Board of Management also receive non-cash remuneration, which is reported on the basis of the taxable amounts. This mainly consists of the use of a company car and occupational insurance premiums; the members of the Board of Management are entitled to receive the non-cash remuneration in the same way and pay tax on it. They are also entitled to the reimbursement of entertainment expenses and travel costs at the maximum rates permitted for tax purposes, insofar as such expenses and costs are exclusively incurred in the interests of Neumüller CEWE COLOR Stiftung.

The variable, performance-related remuneration elements are divided up into three different components and consist of a bonus share, payable annually (bonus I), a multi-year bonus share (bonus II) and a long-term, share-based remuneration component. The remuneration elements consist of the following core components.

In terms of its annual and multi-year shares (bonus I and bonus II), the bonus is based on earnings before taxes (EBT) as well as depreciation on property, plant and equipment and amortisation on intangible assets of the CEWE Group for the year under review and the previous year. Overall, it is limited to a maximum of 100 % of the fixed remuneration in a given year. This only includes bonus shares which are relevant for depreciation purposes and which have been earned through earnings before tax (earned depreciation). A multi-year assessment basis for the variable remuneration components is established for most of the employment contracts in that only 80 % of the calculated bonus share is paid out to the member of the Board of Management in the next year following the relevant financial year (bonus I). The 20 % remaining amount (bonus II) is credited to an account held by a personal bonus bank. This bonus bank balance is retained for the multi-year term of the contract of the respective member of the Board of Management. It attracts interest at a rate of 5.0 % per annum and will be paid out at the end of the period, including this credited interest. A new Board of Management agreement was signed with Dr Holzkämper with effect from January 1, 2018 and with Dr Fageth with effect from January 1, 2019, in each case with identical provisions but slightly different bonus arrangements. Bonus I (annual special payment) and bonus II (multi-year special payment) are calculated separately from one another.

The one-year bonus share (bonus I) continues to be based on earnings before taxes (EBT) as well as depreciation and amortisation in the CEWE Group. On the other hand, the multi-year bonus share (bonus II) is directly calculated on the basis of earnings before taxes (EBT), with no interest accumulated. From an economic point of view, there is no significant difference between these two slightly different bonus arrangements.

Negative earnings before tax which exceed the level of annual depreciation will result in a negative bonus amount that will be deducted from the personal bonus bank account of the respective member of the Board of Management. Accordingly, the final balance of the bonus bank account upon expiry of the term of the Board of Management member's contract will only be paid out in case of a positive balance. In the event of the premature retirement of the respective member of the Board of Management, pro rata payment rules apply. Extraordinary developments (such as the disposal of shares in the company and the realisation of hidden reserves) are not included in the calculation of bonus I and bonus II. In the event of a deterioration in the position of CEWE Stiftung & Co. KGaA, Neumüller CEWE COLOR Stiftung may reduce these amounts appropriately, if their continued grant would otherwise be unreasonable.

Stock option plans were established in the period from 2014 to 2017 and in 2019, in which currently active members of the Board of Management were permitted to participate. The purpose of this was to establish a further long-term, performance-related remuneration component. This affected the period under review. All of these stock option plans (SOP 2014, SOP 2015, SOP 2016, SOP 2017 and SOP 2019) had (and have) essentially the same terms. Participation in these plans and the volume of options purchased were subject to the discretion of the members of the Board of Management, up to a maximum total. All of the members of the Board of Management fully participated in the SOP 2014, SOP 2015, SOP 2016, SOP 2017 and SOP 2019 plans, in line with their respective entitlements.

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

		Number of participants	Number of rights issued	Fair value euros/opt.	Fair value in euros	Underlying price euros/opt.	Performance premium as %	Performance target euros/opt.
SOP 2019	Board of Management	7	8,400	12.82	107,688.00	81.00	125	101.25
SOP 2017	Board of Management	7	8,400	20.20	169,680.00	74.00	125	92.50
SOP 2016	Board of Management	8	9,600	18.06	173,376.00	74.00	125	92.50
SOP 2015	Board of Management	9	10,800	9.16	98,928.00	52.00	120	62.40
Total	**Board of Management**		**37,200**		**549,672.00**			

The underlying prices, the performance targets and the fair value of the options within the scope of the currently applicable option programmes are as indicated below; for further details of these programmes, please **see pages 139 ff.**

Upon expiry of the waiting period of four years, the SOP 2014 was wound up in the year under review, 2019.

The company has taken out a Group financial loss liability insurance policy for all of the members of the Board of Management, the managing directors and the executives of the CEWE Group, both in Germany and in other countries. This policy is concluded or extended annually. This insurance covers the personal liability risk in the event of this group of persons being sued for financial losses resulting from their activities (D&O insurance). Cover for the members of the Board of Management and the Supervisory Board of CEWE Stiftung & Co. KGaA complies with the requirements of the German Act on the Appropriateness of Management Board Remuneration. The policyholder thus bears 10 % of a potential loss, up to one-and-a-half times their fixed annual remuneration. The individual member of the Board of Management is free to arrange additional cover privately, on their own account. Insurance cover also applies through D&O insurance as well as insurance covering legal expenses under criminal law for all of the company's employees (total annual expenditure: 62 thousand euros, previous year: 63 thousand euros). The company's statutory representatives and the members of its supervisory body are also jointly insured against any violations which they commit, or are alleged to have committed, in the performance of their duties. The company has also taken out an accident insurance policy (total annual expenditure: 7 thousand euros, previous year: 6 thousand euros) for all of its executives. This includes all of the members of the Board of Management.

Individual remuneration of the Board of Management for 2019

In addition to applicable accounting principles, the following presentation of the remuneration paid out in the financial year 2019 also reflects the recommendations of the German Corporate Governance Code (GCGC). The remuneration granted and received is presented in line with the model tables recommended in the Code. The maximum possible figures are also indicated; except for fixed remuneration, no minimum limits apply. The two tables recommended as models distinguish between potential and prospective payments (remuneration granted) and the payments actually made for the financial year (remuneration received). The indicated fair values of the share-based remuneration granted have been calculated according to applicable accounting principles.

The total remuneration granted for the members of the Board of Management of Neumüller CEWE COLOR Stiftung for the performance of its tasks within the parent company and the subsidiaries, as fixed gross and variable remuneration in the financial year 2019, amounts to a total of 4,855 thousand euros (previous year: 4,322 thousand euros). The breakdown of the payments granted is as follows for the individual members of the Board of Management:

Remuneration granted in euros

	Dr Christian Friege Chairman of the Board of Management and Head of National and International Distribution, Neumüller CEWE COLOR Stiftung			
	2018	**2019**	**Min. 2019**	**Max. 2019**
Fixed gross remuneration				
Fixed remuneration	360,000	360,000	360,000	360,000
Fringe benefits	14,570	14,570	14,570	14,570
Total fixed gross remuneration	**374,570**	**374,570**	**374,570**	**374,570**
Variable remuneration				
One-year variable remuneration	132,641	143,376	0	288,000
Multi-year variable remuneration				
Bonus bank	32,636	35,844	0	72,000
Stock option plan	11,478	11,478	0	11,478
Total variable remuneration	**176,755**	**190,698**	**0**	**371,478**
Pension expenses	**310,015**	**423,660**	**423,660**	**423,660**
Total remuneration (GCGC)	**861,340**	**988,928**	**798,230**	**1,169,708**

	Patrick Berkhouwer Head of Foreign Markets and Expansion, Neumüller CEWE COLOR Stiftung			
	2018	**2019**	**Min. 2019**	**Max. 2019**
Fixed gross remuneration				
Fixed remuneration	240,000	240,000	240,000	240,000
Fringe benefits	20,953	25,323	25,323	25,323
Total fixed gross remuneration	**260,953**	**265,323**	**265,323**	**265,323**
Variable remuneration				
One-year variable remuneration	104,771	112,390	0	192,000
Multi-year variable remuneration				
Bonus bank	25,504	28,097	0	48,000
Stock option plan	16,356	14,226	0	14,226
Total variable remuneration	**146,632**	**154,713**	**0**	**254,226**
Pension expenses	**248,474**	**318,535**	**318,535**	**318,535**
Total remuneration (GCGC)	**656,059**	**738,571**	**583,858**	**838,084**

	Dr Reiner Fageth Head of Technology and R&D, Neumüller CEWE COLOR Stiftung			
	2018	**2019**	**Min. 2019**	**Max. 2019**
Fixed gross remuneration				
Fixed remuneration	240,000	258,000	258,000	258,000
Fringe benefits	16,654	16,654	16,654	16,654
Total fixed gross remuneration	**256,654**	**274,654**	**274,654**	**274,654**
Variable remuneration				
One-year variable remuneration	104,771	97,086	0	206,400
Multi-year variable remuneration				
Bonus bank	25,985	48,532	0	51,600
Stock option plan	16,356	14,226	0	14,226
Total variable remuneration	**147,112**	**159,844**	**0**	**272,226**
Pension expenses	**253,456**	**313,257**	**313,257**	**313,257**
Total remuneration (GCGC)	**657,222**	**747,755**	**587,911**	**860,137**

	Carsten Heitkamp Head of German Plants, Neumüller CEWE COLOR Stiftung			
	2018	**2019**	**Min. 2019**	**Max. 2019**
Fixed gross remuneration				
Fixed remuneration	252,000	252,000	252,000	252,000
Fringe benefits	16,903	16,903	16,903	16,903
Total fixed gross remuneration	**268,903**	**268,903**	**268,903**	**268,903**
Variable remuneration				
One-year variable remuneration	104,771	112,390	0	201,600
Multi-year variable remuneration				
Bonus bank	26,176	28,097	0	50,400
Stock option plan	16,356	14,226	0	14,226
Total variable remuneration	**147,303**	**154,713**	**0**	**266,226**
Pension expenses	**244,248**	**298,731**	**298,731**	**298,731**
Total remuneration (GCGC)	**660,454**	**722,347**	**567,634**	**833,860**

Remuneration granted in euros

	Dr Olaf Holzkämper Head of Finance and Controlling, Neumüller CEWE COLOR Stiftung				**Thomas Mehls** Head of Marketing and Acquisitions, Neumüller CEWE COLOR Stiftung				**Frank Zweigle** Head of Administration, Neumüller CEWE COLOR Stiftung				**Total** Remuneration granted to the Board of Management of Neumüller CEWE COLOR Stiftung			
	2018	**2019**	**Min. 2019**	**Max. 2019**	2018	**2019**	**Min. 2019**	**Max. 2019**	2018	**2019**	**Min. 2019**	**Max. 2019**	2018	**2019**	**Min. 2019**	**Max. 2019**
Fixed gross remuneration																
Fixed remuneration	258,000	258,000	258,000	258,000	252,000	252,000	252,000	252,000	96,000	96,000	96,000	96,000	1,698,000	1,716,000	1,716,000	1,716,000
Fringe benefits	15,512	13,712	13,712	13,712	14,228	15,253	15,253	15,253	11,340	11,425	11,425	11,425	110,161	113,840	113,840	113,840
Total fixed gross remuneration	**273,512**	**271,712**	**271,712**	**271,712**	**266,228**	**267,253**	**267,253**	**267,253**	**107,340**	**107,425**	**107,425**	**107,425**	**1,808,161**	**1,829,840**	**1,829,840**	**1,829,840**
Variable remuneration																
One-year variable remuneration	85,420	97,086	0	206,400	104,771	112,390	0	201,600	0	0	0	0	637,146	674,718	0	1,296,000
Multi-year variable remuneration																
Bonus bank	50,427	48,827	0	51,600	26,176	28,097	0	50,400	0	0	0	0	186,904	217,494	0	324,000
Stock option plan	16,356	14,226	0	14,226	16,356	14,226	0	14,226	16,356	14,226	0	14,226	109,614	96,834	0	96,834
Total variable remuneration	**152,203**	**160,139**	**0**	**272,226**	**147,303**	**154,713**	**0**	**266,226**	**16,356**	**14,226**	**0**	**14,226**	**933,664**	**989,046**	**0**	**1,716,834**
Pension expenses	**253,832**	**328,464**	**328,464**	**328,464**	**270,315**	**353,237**	**353,237**	**353,237**	**0**	**0**	**0**	**0**	**1,580,340**	**2,035,884**	**2,035,884**	**2,035,884**
Total remuneration (GCGC)	**679,548**	**760,315**	**600,176**	**872,402**	**683,846**	**775,203**	**620,490**	**886,716**	**123,696**	**121,651**	**107,425**	**121,651**	**4,322,165**	**4,854,770**	**3,865,724**	**5,211,080**

The fixed remuneration of the serving members of the Board of Management remained unchanged up to December 31, 2019. However, it was adjusted in individual cases (with the exceptions of Dr Friege and Mr Zweigle), so that all of the members of the Board of Management will receive the same amount of remuneration in the following year beginning January 1, 2020. Mr Zweigle is exclusively granted fixed remuneration; he is not a beneficiary of a bonus bank scheme or of a pension commitment as is normally granted for Board of Management members. Fringe benefits include the costs assumed or the benefit in money's worth associated, e. g. with the provision of a company car or the conclusion of insurance policies.

In the year under review, the variable, performance-related remuneration granted for the active members of the Board of Management totalled 989 thousand euros and was thus higher than in the previous year (934 thousand euros). This includes the paid-out bonus shares (bonus I). For the one-off variable remuneration, the amounts granted relate to the financial year in which the preconditions were fulfilled for the actual remuneration entitlements (in this case, earnings before tax and depreciation amounts). The members of the Board of Management will only receive amounts calculated on this basis in the following year. As multi-year variable remuneration, they comprise the share of bonus bank contributions (bonus II) as well as the expenses registered in the waiting period for the stock option plans pursuant to IFRS 2.10 ff., due to initial measurement of share-based remuneration; the fair value as of the grant date is key in this respect. None of the members of the Board of Management has received third-party payments in relation to their service. The remuneration of the members of the Board of Management of Neumüller CEWE COLOR Stiftung for the financial year 2019, which is paid out in 2020 (bonus I), will amount to 675 thousand euros and thus be higher than the figure for 2019 (637 thousand euros).

A total of 217 thousand euros (previous year: 187 thousand euros) has been paid over to the bonus bank accounts/the accounts holding the remuneration comprising bonus II. As of December 31, 2019, the bonus bank accounts of the members of the Board of Management had the following balances, including the pro rata contractually stipulated amount of interest:

Bonus bank in euros

	Opening balance Jan. 1, 2018	Amount added 2018	Amount paid out 2018	End balance Dec. 31, 2018	**Amount added 2019**	**Amount paid out 2019**	**End balance Dec. 31, 2019**
Dr Christian Friege (Chairman)	30,376	32,636	0	63,012	35,844	0	98,856
Patrick Berkhouwer	48,299	25,504	0	73,803	28,097	0	101,900
Dr Reiner Fageth	89,023	25,985	0	115,008	48,532	−114,713	48,826
Carsten Heitkamp	23,928	26,176	0	50,104	28,097	0	78,201
Dr Olaf Holzkämper	87,997	50,427	−87,997	50,427	48,827	0	99,254
Thomas Mehls	23,928	26,176	0	50,104	28,097	0	78,201
Frank Zweigle	0	0	0	0	0	0	0
Total active members of the Board of Management	**303,550**	**186,904**	**−87,997**	**402,457**	**217,494**	**−114,713**	**505,238**

The indicated payout amount for bonus bank balances includes the contractually stipulated amount of interest. Including interest, 115 thousand euros (previous year: 88 thousand euros) was paid in the year under review.

The following table shows the inflow of cash in the financial year 2019 as a result of fixed remuneration, fringe benefits, one-year variable remuneration and multi-year variable remuneration as well as pension expenses. In deviation from the remuneration set out above which was granted for the past financial year, this table indicates the actual remuneration granted in previous years and received in the financial year 2019. The inflows from the Stock Option Plan 2018 include those resulting from options exercised in cash as well as those resulting from the privileged purchase of CEWE shares in the amount of the respective benefits in money's worth.

In the financial year 2019, the overall remuneration which the active members of the Board of Management of Neumüller CEWE COLOR Stiftung received as fixed and variable components totalled 4,826 thousand euros (previous year: 4,064 thousand euros). Of the total fixed gross remuneration, the amounts received match the amounts granted (see above). The breakdown of these payments is as follows for the individual members of the Board of Management:

Remuneration received in euros

	Dr Christian Friege Chairman of the Board of Management and Head of National and International Distribution, Neumüller CEWE COLOR Stiftung		**Patrick Berkhouwer** Head of Foreign Markets and Expansion, Neumüller CEWE COLOR Stiftung		**Dr Reiner Fageth** Head of Technology and R & D, Neumüller CEWE COLOR Stiftung		**Carsten Heitkamp** Head of German Plants, Neumüller CEWE COLOR Stiftung		**Dr Olaf Holzkämper** Head of Finance and Controlling, Neumüller CEWE COLOR Stiftung		**Thomas Mehls** Head of Marketing and Acquisitions, Neumüller CEWE COLOR Stiftung		**Frank Zweigle** Head of Administration, Neumüller CEWE COLOR Stiftung		**Total** Remuneration received by the Board of Management of Neumüller CEWE COLOR Stiftung	
	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**
Fixed gross remuneration																
Fixed remuneration	360,000	360,000	240,000	240,000	240,000	258,000	252,000	252,000	258,000	258,000	252,000	252,000	96,000	96,000	1,698,000	1,716,000
Fringe benefits	14,570	14,570	20,953	25,323	16,654	16,654	16,903	16,903	15,512	13,712	14,228	15,253	11,340	11,425	110,161	113,840
Total fixed gross remuneration	**374,570**	**374,570**	**260,953**	**265,323**	**256,654**	**274,654**	**268,903**	**268,903**	**273,512**	**271,712**	**266,228**	**267,253**	**107,340**	**107,425**	**1,808,161**	**1,829,840**
Variable remuneration																
One-year variable remuneration	118,994	132,641	93,733	104,771	93,733	104,771	93,733	104,771	93,733	85,420	93,733	104,771	0	0	587,656	637,145
Multi-year variable remuneration																
Bonus bank	0	0	0	0	0	114,713	0	0	87,997	0	0	0	0	0	87,997	114,713
Stock option plan	0	0	0	35,160	0	35,996	0	33,720	0	33,525	0	34,500	0	35,130	0	208,031
Other items	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total variable remuneration	**118,994**	**132,641**	**93,733**	**139,931**	**93,733**	**255,480**	**93,733**	**138,491**	**181,729**	**118,945**	**93,733**	**139,271**	**0**	**35,130**	**675,653**	**959,889**
Pension expenses	**310,015**	**423,660**	**248,474**	**318,535**	**253,456**	**313,257**	**244,248**	**298,731**	**253,832**	**328,464**	**270,315**	**353,237**	**0**	**0**	**1,580,340**	**2,035,884**
Total remuneration (GCGC)	**803,579**	**930,871**	**603,160**	**723,789**	**603,842**	**843,391**	**606,883**	**706,125**	**709,074**	**719,121**	**630,275**	**759,761**	**107,340**	**142,555**	**4,064,154**	**4,825,613**

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

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

The members of the Board of Management have vested pension rights. The value of their pension entitlements is calculated on the basis of the last fixed remuneration paid for their service on the Board of Management of Neumüller CEWE COLOR Stiftung.

Overall, after at least 15 years of service on the Board of Management their respective pension entitlements are limited to two-thirds or 60 % of their most recent fixed remuneration. With the exception of Mr Zweigle, the structure of the pension scheme applies equally for all of the members of the Board of Management of Neumüller CEWE COLOR Stiftung.

In principle, the commitments entered into do not include provision for dependants. However, provision has been made for the dependants of Dr Reiner Fageth, Dr Olaf Holzkämper and Patrick Berkhouwer in deviation from the pension arrangement outlined above. This is cost-neutral from an actuarial point of view, through a reduction in retirement benefits by comparison with the arrangements which apply in principle. The service cost for pensions in 2019 is as follows, subject to an actuarial interest rate of 1.8 % (previous year: 1.8 %) and use of the projected unit credit method in accordance with the IFRS.

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

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

Pensions of the Board of Management of Neumüller CEWE COLOR Stiftung in thousands of euros

	2018				2019			
	Vested pension entitlements	Pension entitlements Dec. 31, 2018	Service cost for pensions	Provision for pension liabilities	**Vested pension entitlements**	**Pension entitlements Dec. 31, 2019**	**Service cost for pensions**	**Provision for pension liabilities**
Members of the Board of Management of Neumüller CEWE COLOR Stiftung								
Dr Christian Friege (Chairman)	14	43	289	933	15	58	316	1,700
Patrick Berkhouwer	9	27	237	749	9	36	253	1,279
Dr Reiner Fageth	10	63	253	1,555	24	87	258	2,458
Carsten Heitkamp	11	56	229	1,225	11	67	249	1,799
Dr Olaf Holzkämper	9	54	244	1,443	10	64	258	2,195
Thomas Mehls	5	50	240	1,358	10	60	275	2,129
Frank Zweigle	0	0	0	0	0	0	0	0
Total active members of the Board of Management	**58**	**293**	**1,492**	**7,263**	**79**	**372**	**1,609**	**11,560**
Dr Rolf Hollander (to Jun. 30, 2017)	0	312	0	6,651	0	312	0	7,026
Andreas F. L. Heydemann (to Dec. 31, 2015)	0	97	0	1,984	0	97	0	2,100
Harald H. Pirwitz (to Dec. 31, 2015)	0	110	0	2,060	0	110	0	2,161
Total former members of the Board of Management	**0**	**519**	**0**	**10,695**	**0**	**519**	**0**	**11,287**
Total for CEWE Stiftung & Co. KGaA	**58**	**812**	**1,492**	**17,958**	**79**	**891**	**1,609**	**22,847**

Company pension scheme in thousands of euros

	2018			2019		
	Vested pension entitlements	Pension entitlements Dec. 31, 2018	Service cost for pensions	Vested pension entitlements	Pension entitlements Dec. 31, 2019	Service cost for pensions
Members of the Board of Management of Neumüller CEWE COLOR Stiftung						
Dr Christian Friege (Chairman)	0.0	0.0	0.0	0.0	0.0	0.0
Patrick Berkhouwer	0.0	0.0	0.0	0.0	0.0	0.0
Dr Reiner Fageth	0.0	3.0	2.0	0.0	0.0	0.0
Carsten Heitkamp	0.0	0.0	0.0	0.0	0.0	0.0
Dr Olaf Holzkämper	0.0	0.0	0.0	0.0	0.0	0.0
Thomas Mehls	0.0	0.0	0.0	0.0	0.0	0.0
Frank Zweigle	0.0	0.0	0.0	0.0	0.0	0.0
Total active members of the Board of Management	**0.0**	**3.0**	**2.0**	**0.0**	**0.0**	**0.0**
Andreas F. L. Heydemann (to Dec. 31, 2015)	0.0	3.0	0.0	0.0	3.0	0.0
Total former members of the Board of Management	**0.0**	**3.0**	**0.0**	**0.0**	**3.0**	**0.0**
Total for CEWE Stiftung & Co. KGaA	**0.0**	**6.0**	**2.0**	**0.0**	**3.0**	**0.0**

The following arrangements apply in the event of the premature termination of the contracts of the members of the Board of Management: in case of dismissal for good cause, their contracts will have been terminated as of the date of dismissal. In case of a dismissal which is not made for good cause or which is made on grounds lying outside of the responsibility of the member of the Board of Management, their fixed remuneration will be paid up to the end of the term of their contract. In addition, in this case this member of the Board of Management will receive a settlement in the amount of half of one year's fixed salary in case of a period of at least twelve months before he begins to draw a pension, and otherwise a pro rata compensation amount. Pro rata payment rules apply for the payment of any positive bonus bank balance. The company has not concluded any compensation agreements with the members of the Board of Management to cover the event of a takeover offer (§ 315a (1) no. 9 HGB; see page 74).

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

REMUNERATION OF THE SUPERVISORY BOARD

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

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

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

Supervisory Board remuneration, shareholdings, options in thousands of euros

	2018[1]							2019[2]						
	Fixed remuneration	Attendance fees	Performance-related remuneration	Dividend-linked remuneration	Total remuneration	Shareholdings number	Options number	Fixed remuneration	Attendance fees	Performance-related remuneration	Dividend-linked remuneration	Total remuneration	Shareholdings number	Options number
Supervisory Board of CEWE Stiftung & Co. KGaA														
Otto Korte (Chairman)	12.0	7.0	44.5	32.0	95.5	550	0	12.0	7.0	48.0	34.0	101.0	550	0
Paolo Dell' Antonio	6.0	5.0	19.5	14.0	44.5	0	0	6.0	5.0	24.0	17.0	52.0	0	0
Patricia Geibel-Conrad (since June 6, 2018)	3.5	4.0	0.0	0.0	7.5	0	0	6.0	7.0	14.0	9.9	36.9	0	0
Professor Dr Christiane Hipp	6.0	5.0	22.3	16.0	49.3	0	0	6.0	5.0	24.0	17.0	52.0	0	0
Corinna Linner (to June 6, 2018)	2.5	3.0	22.3	16.0	43.8	0	0	0.0	0.0	10.0	7.1	17.1	–	–
Professor Dr Michael Paetsch (to June 6, 2018)	2.5	2.0	22.3	16.0	42.8	0	0	0.0	0.0	10.0	7.1	17.1	–	–
Dr Birgit Vemmer (since June 6, 2018)	3.5	3.0	0.0	0.0	6.5	0	0	6.0	5.0	14.0	9.9	34.9	0	0
Dr Hans-Henning Wiegmann	6.0	5.0	22.3	16.0	49.3	0	0	6.0	5.0	24.0	17.0	52.0	0	0
Subtotal	**42.0**	**34.0**	**153.0**	**110.0**	**339.0**	**550.0**	**0.0**	**42.0**	**34.0**	**168.0**	**119.0**	**363.0**	**550.0**	**0.0**
Vera Ackermann (to June 6, 2018)	2.5	2.0	22.3	16.0	42.8	0	0	0.0	0.0	10.0	7.1	17.1	–	–
Petra Adolph (since June 6, 2018)	3.5	2.0	0.0	0.0	5.5	0	0	6.0	4.0	14.0	9.9	33.9	0	0
Dr Christina Debus (to June 6, 2018)	2.5	1.0	22.3	16.0	41.8	221	1,200	0.0	0.0	10.0	7.1	17.1	–	–
Angelika Eßer (to June 6, 2018)	2.5	2.0	22.3	16.0	42.8	399	0	0.0	0.0	10.0	7.1	17.1	–	–
Marion Gerdes (since June 6, 2018)	3.5	4.0	0.0	0.0	7.5	29	2,600	6.0	7.0	14.0	9.9	36.9	36	1,850
Insa Lukaßen (since June 6, 2018)	3.5	3.0	0.0	0.0	6.5	21	0	6.0	5.0	14.0	9.9	34.9	28	0
Philipp Martens (to June 6, 2018)	2.5	3.0	22.3	16.0	43.8	0	0	0.0	0.0	10.0	7.1	17.1	–	–
Alexander Oyen (since June 6, 2018)	3.5	3.0	0.0	0.0	6.5	0	0	6.0	5.0	14.0	9.9	34.9	0	0
Markus Schwarz (Deputy Chairman)	7.8	6.0	22.3	16.0	52.0	38	0	9.0	7.0	31.0	22.0	69.0	45	0
Thorsten Sommer (to June 6, 2018)	3.8	3.0	33.4	24.0	64.1	21	1,200	0.0	0.0	15.0	10.6	25.6	–	–
Elwira Wall (since June 6, 2018)	3.5	2.0	0.0	0.0	5.5	38	0	6.0	5.0	14.0	9.9	34.9	45	0
Subtotal	**39.0**	**31.0**	**144.6**	**104.0**	**318.6**	**767**	**5,000**	**39.0**	**33.0**	**156.0**	**110.5**	**338.5**	**155**	**1.850**
Supervisory Board of CEWE Stiftung & Co. KGaA	**81.0**	**65.0**	**297.6**	**214.0**	**657.6**	**1,317**	**5,000**	**81.0**	**67.0**	**324.0**	**229.5**	**701.5**	**705**	**1,850**

1 Fixed remuneration and attendance fees for 2018, payable after the end of the financial year in 2019; performance-related and dividend-linked remuneration for the financial year 2017, payable 10 working days after the general meeting in 2018
2 Fixed remuneration and attendance fees for 2019, payable after the end of the financial year in 2020; performance-related and dividend-linked remuneration for the financial year 2018, payable 10 working days after the general meeting in 2019

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

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

REMUNERATION OF PREVIOUS MEMBERS OF THE BOARD OF MANAGEMENT

Remuneration of retired members of the Board of Management

Andreas F. L. Heydemann and Harald Pirwitz retired from the Board of Management as of December 31, 2015. In accordance with the terms of the stock option plans, Dr Hollander, Mr Heydemann and Mr Pirwitz kept their options under the 2014 and 2015 plans. Their SOP 2014 options have been fully exercised. The granted multi-year variable remuneration is reported in the waiting period for the stock option plans pursuant to IFRS 2.10 ff., in the amount of the expenses registered due to initial measurement of share-based remuneration. Mr Pirwitz will begin to draw pension benefits under the company's direct commitment to him as a member of the Board of Management in the year 2018. For the years 2017 and 2018, Mr Heydemann received monthly non-competition compensation under a post-contractual non-compete clause. Mr Heydemann drew pension benefits under the company's direct commitment to him as a member of the Board of Management in the year 2019. In detail, former members of the Board of Management received the following overall remuneration (excl. pensions):

Remuneration granted former members of the Board of Management in euros

	Dr Rolf Hollander Chairman of the Board of Management, Neumüller CEWE COLOR Stiftung to Jun. 30, 2017				**Andreas F. L. Heydemann** Head of IT and Legal, Neumüller CEWE COLOR Stiftung to Dec. 31, 2015				**Harald H. Pirwitz** Head of Distribution, Neumüller CEWE COLOR Stiftung to Dec. 31, 2015				**Total** Remuneration granted to the Board of Management of Neumüller CEWE COLOR Stiftung			
	2018	**2019**	**Min. 2019**	**Max. 2019**	2018	**2019**	**Min. 2019**	**Max. 2019**	2018	**2019**	**Min. 2019**	**Max. 2019**	2018	**2019**	**Min. 2019**	**Max. 2019**
Fixed gross remuneration																
Fixed remuneration	0	0	0	0	159,726	0	0	0	0	0	0	0	159,726	0	0	0
Fringe benefits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total fixed gross remuneration	**0**	**0**	**0**	**0**	**159,726**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**159,726**	**0**	**0**	**0**
Variable remuneration																
One-year variable remuneration	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Multi-year variable remuneration													0	0	0	0
Bonus bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Stock option plan	10,296	8,166	0		4,878	2,748	0	2,748	4,878	2,748	0	2,748	20,052	13,662	0	5,496
Total variable remuneration	**10,296**	**8,166**	**0**	**0**	**4,878**	**2,748**	**0**	**2,748**	**4,878**	**2,748**	**0**	**2,748**	**20,052**	**13,662**	**0**	**5,496**
Pension expenses	**0**		**0**	**0**	**0**		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total remuneration (GCGC)	**10,296**	**8,166**	**0**	**0**	**164,604**	**2,748**	**0**	**2,748**	**4,878**	**2,748**	**0**	**2,748**	**179,778**	**13,662**	**0**	**5,496**

Remuneration received former members of the Management Board in euros

	Dr Rolf Hollander Chairman of the Board of Management of Neumüller CEWE COLOR Stiftung to Jun. 30, 2017		**Andreas F. L. Heydemann** Head of IT and Legal, Neumüller CEWE COLOR Stiftung to Dec. 31, 2015		**Harald H. Pirwitz** Head of Distribution, Neumüller CEWE COLOR Stiftung to Dec. 31, 2015		**Total** Remuneration granted to the Board of Management of Neumüller CEWE COLOR Stiftung	
	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**
Fixed gross remuneration								
Fixed remuneration	0	0	159,726	0	0	0	159,726	0
Fringe benefits	0	0	0	0	0	0	0	0
Total fixed gross remuneration	**0**	**0**	**159,726**	**0**	**0**	**0**	**159,726**	**0**
Variable remuneration								
One-year variable remuneration	157,140	0	0	0	0	0	157,140	0
Multi-year variable remuneration								0
Bonus bank	39,285	0	0	0	0	0	39,285	0
Stock option plan	0	33,340	0	30,055	0	36,360	0	99,755
Other items	0	0	0	0	61,704	0	61,704	0
Total variable remuneration	**196,425**	**33,340**	**0**	**30,055**	**61,704**	**36,360**	**258,129**	**99,755**
Pension expenses	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total remuneration (GCGC)	**196,425**	**33,340**	**159,726**	**30,055**	**61,704**	**36,360**	**417,855**	**99,755**

The bonus bank (bonus II) due for Dr Hollander (incl. the contractually stipulated interest) was paid out in June 2018 in the total amount of 39 thousand euros. The inflows from stock option plans are indicated in the amount of the respective benefits in money's worth. The other remuneration received by Mr Pirwitz in 2018 exclusively comprises the distribution of a life insurance policy by way of a capital payment within the scope of his company pension scheme. In the year under review, 2019, former members of the Board of Management of Neumüller CEWE COLOR Stiftung no longer have any entitlements arising from their personal bonus bank accounts.

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

For former members of the Board of Management of the old CEWE COLOR Holding AG and Neumüller CEWE COLOR Stiftung, as of December 31, 2019 the company had made pension accruals in the amount of 18,894 thousand euros (previous year: 17,730 thousand euros). Pension payments for the financial year 2019 amounted to 1,019 thousand euros (previous year: 912 thousand euros). With effect as of April 1, 2007, the pension commitments for the former members of the Board of Management who had already retired as of this date were transferred to CEWE COLOR Versorgungskasse e.V., Wiesbaden. They are included in the consolidated financial statements. The company's pension commitments for the other retired members of the Board of Management were maintained in the form of a direct commitment. The company has not granted any loans, advance payments and contingent liabilities for former members of the Supervisory Board and the Board of Management of Neumüller CEWE COLOR Stiftung, the old CEWE COLOR Holding AG or the current CEWE Stiftung & Co. KGaA.

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

MANAGEMENT DECLARATION

MANAGEMENT REPORT

This management declaration under § 289f and § 315d of the German Commercial Code includes the declaration of conformity in accordance with § 161 of the German Stock Corporation Act, relevant details of corporate governance practices beyond the scope of applicable statutory requirements, a description of the procedures of the Board of Management and the Supervisory Board and the makeup and procedures of their committees see declaration of conformity, page 69. This also includes details of the stipulations under § 76 (4) AktG as well as male and female appointments to the Supervisory Board.

Declaration of conformity under § 161 of the German Stock Corporation Act
The German Corporate Governance Code has been drawn up for public limited companies. Since it thus does not cover the legal form of a partnership limited by shares (Kommanditgesellschaft auf Aktien – KGaA), CEWE Stiftung & Co. KGaA has decided to apply the Code so as to reflect the interests of the limited shareholders while remaining true to the spirit of the Code.

For the full text of the company's declaration of conformity under § 161 AktG, please see pages 69 ff. of this annual report or the company's website https://company.cewe.de.

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

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

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

The company's activities are defined by integrity and lawful behaviour
We pursue appropriate business relationships, which are free of any dishonest practices.

The company avoids any conflicts between the interests of the CEWE Group and private interests. The company will not tolerate any abuse of employees' positions for personal advantage, for the benefit of third parties or to the detriment of the CEWE Group.

Further information on our Code of Conduct is publicly available on the following website:
https://company.cewe.de/en/about-us/compliance.html

CEWE Stiftung & Co. KGaA also supports the principles of the compliance initiative of the German Association for Supply Chain Management, Procurement and Logistics. Further information on the principles of the German Association for Supply Chain Management, Procurement and Logistics is available at www.bme.de/Compliance.

Procedures of the management and the Supervisory Board and makeup and procedures of the Supervisory Board's committees
Due to the provisions of the German Stock Corporation Act, the articles of association of CEWE Stiftung & Co. KGaA and the rules of procedure of the company's various committees, rules are in place at CEWE Stiftung & Co. KGaA for its management and for supervision of its management which comply with the requirements of the Code. The company fulfils the Code's requirement of protection for investors bearing entrepreneurial risk.

Management
The general partner Neumüller CEWE COLOR Stiftung ("the management") holds 20,000 no-par value bearer shares in the share capital of CEWE Stiftung & Co. KGaA and thus approx. 0.27 %, while the limited shareholders hold the remainder of the shares. Neumüller CEWE COLOR Stiftung manages the company's business through its Board of Management as well as its managing directors appointed as special representatives pursuant to § 30 of the German Civil Code (Bürgerliches Gesetzbuch – BGB) in accordance with applicable legislation, the articles of association of CEWE Stiftung & Co. KGaA and its own articles of association and also the rules of procedure for its

Board of Management. Due to its unlimited personal liability, Neumüller CEWE COLOR Stiftung has a considerable interest in the orderliness and efficiency of the business activities of CEWE Stiftung & Co. KGaA, which it accordingly encourages. The Board of Management of Neumüller CEWE COLOR Stiftung passes resolutions at its meetings, which are normally held once a week. Each member of the Board of Management of Neumüller CEWE COLOR Stiftung notifies the other members in good time of important events and transactions within his area of business. Specific tasks are assigned to individual members of the Board of Management by means of a schedule of responsibilities.

The tasks handled by the management include preparation of the annual financial statements of CEWE Stiftung & Co. KGaA, the consolidated financial statements as well as the quarterly and semi-annual financial statements. The management also ensures compliance with statutory, official and internal regulations and ensures that all of the companies of the CEWE Group comply with these regulations. The management notifies the Supervisory Board of the course of business and the company's position at least once a quarter. The management also notifies the Supervisory Board at least once per year regarding the annual planning and the company's strategy. Moreover, the management notifies the Supervisory Board regularly, promptly and comprehensively regarding any strategy, planning, business development, risk position, risk management and compliance issues which are relevant for the company and thus comprehensively complies with its reporting obligation. In addition, the management reports regularly, promptly and comprehensively – in writing or orally – on any matters which are of material significance for the company. Further details are stipulated in the rules of procedure for the Board of Management and the Supervisory Board and in the articles of association of Neumüller CEWE COLOR Stiftung.

Supervisory Board

On the basis of the information provided by the company's management, the Supervisory Board considers the course of business and the company's position at least once a quarter. The members of the Board of Management of Neumüller CEWE COLOR Stiftung are invited to attend the meetings of the Supervisory Board, unless the Supervisory Board resolves otherwise in an individual instance. Moreover, at each of its meetings the Supervisory Board systematically discusses the following issues:

» Corporate governance
» Compliance
» The company's risk situation

The Supervisory Board and the Board of Trustees are notified of key decisions of the Board of Management early on. The management and the Supervisory Board also regularly discuss issues of strategy and planning as well as current business developments outside of these meetings. The Supervisory Board maintains regular contact with the management, so as to obtain early notification of the company's current business development as well as significant business transactions. The Supervisory Board regularly assesses whether conflicts of interest may apply for members of the Board of Management or the Board of Trustees of Neumüller CEWE COLOR Stiftung in relation to the work which they perform for CEWE Stiftung & Co. KGaA.

In the period under review, an Audit Committee performed the tasks assigned to it under the rules of procedure approved by the overall Supervisory Board. The Supervisory Board and its committees regularly undergo an efficiency review of their own and incorporate the findings in their future activities.

For further information, please refer to the report of the Supervisory Board (pages 14 ff. of this annual report and online at **https://company.cewe.de/en/about-us/compliance**) and the corporate governance report (pages 69 ff. of this annual report and online at **https://company.cewe.de**).

Board of Trustees of Neumüller CEWE COLOR Stiftung

Some of the tasks which are performed by a public limited company's supervisory board are handled by Neumüller CEWE COLOR Stiftung at CEWE, specifically by the Board of Trustees of Neumüller CEWE COLOR Stiftung. Accordingly, the details of the Board of Trustees are outlined below.

The Board of Trustees has six members. The Board of Trustees advises and supervises the Board of Management. It keeps up-to-date regarding the affairs of Neumüller CEWE COLOR Stiftung and CEWE Stiftung & Co. KGaA and may inspect and audit the commercial books and other documents of the company and also its assets for this purpose. According to § 7 (2) of the articles of association of CEWE Stiftung & Co. KGaA, the management requires the consent of the Supervisory Board for certain transactions beyond the scope of normal business. The articles of association of Neumüller CEWE COLOR Stiftung also stipulate the consent of the Board of Trustees for certain extraordinary measures enacted by the management. The Board of Trustees is convened as required, but meets at least four times a year.

The general meeting of CEWE Stiftung & Co. KGaA

In particular, the annual general meeting passes resolutions regarding the approval of the annual financial statements, appropriation of unappropriated profits, ratification of the actions of the members of the management and the Supervisory Board, and the appointment of the auditor. The general meeting is also entitled to resolve amendments to the articles of association. The limited shareholders of CEWE Stiftung & Co. KGaA exercise their rights at the general meeting.

Target figures pursuant to § 76 (4) and § 111 (5) AktG and minimum proportions for the makeup of the Supervisory Board

Since the company does not have any Board of Management pursuant to § 278 AktG, the provision laid down in § 111 (5) AktG concerning the makeup of the Board of Management does not apply for the company. In accordance with the statutory requirements, no target quota has been specified for the Board of Management.

For the first management level below the top management, the management had resolved a target ratio of 20 % for the period up to June 30, 2017. For the second management level, the management had resolved a target ratio of 35 % for the period up to June 30, 2017. In the period under review, these goals were not yet achieved on account of the existing employment law framework as well as the business group's organisational structure. The management has resolved a further implementation period of five years in order to achieve these goals. This period will thus end on June 30, 2022.

The Supervisory Board has twelve members, of whom half are appointed by the company's shareholders and half by its employees. Up to the general meeting held on June 6, 2018, the shareholders had appointed two female members while the employees had appointed three female members. The shareholders appointed new members at the general meeting, and the employees likewise routinely appointed new members of the Supervisory Board. The current Supervisory Board has three female members appointed by the shareholders and three female members appointed by the employees. The members appointed by the shareholders have resolved to fulfil the prescribed women's quota independently of the employees' representatives, who have made the same commitment themselves. The statutory targets have thus been fulfilled.

Diversity concept in regard to the makeup of the Board of Management, the general partner and the Supervisory Board

Items 4.1.5, 5.1.2 and 5.4.1 of the German Corporate Governance Code, as amended on February 7, 2017, deal with the issue of diversity in terms of appointments to the Supervisory Board, the Board of Management and the company's executives. Within the scope of sound corporate governance, the management and the Supervisory Board of CEWE Stiftung & Co. KGaA have considered this issue in detail:

Makeup of the Board of Management

The current Board of Management of Neumüller CEWE COLOR Stiftung consists of seven male members. All of the members of the Board of Management have international experience.

The company seeks to ensure the adequate representation of women and in general to reflect diversity in its appointments of members of the Board of Management.

Makeup of the Supervisory Board

The Supervisory Board of CEWE Stiftung & Co. KGaA consists of twelve members. In its current makeup, it almost entirely fulfils the requirements stipulated in item 5.4.1 (2) of the German Corporate Governance Code:

- The Supervisory Board of CEWE Stiftung & Co. KGaA traditionally comprises members with international experience.
- None of the members of the current Supervisory Board of CEWE Stiftung & Co. KGaA has any conflicts of interest.
- An age limit is stipulated for the members of the Supervisory Board of CEWE Stiftung & Co. KGaA in § 2.1 of the rules of procedure for the Supervisory Board; however, a standard period of membership is not specified.

The Supervisory Board includes three female representatives of the shareholders and three female representatives of the employees. The company has thus complied with the new statutory requirement of 30 % female representation on its Supervisory Board. While fulfilling applicable statutory requirements, in any future nominations the Supervisory Board will also appropriately consider whether candidates have the necessary skills, competences and technical experience which are required for service on the Supervisory Board.

Appointments to management positions

In compliance with item 4.1.5 of the German Corporate Governance Code, CEWE Stiftung & Co. KGaA has already implemented a large number of measures which are intended to promote diversity – in particular, a greater share of women – in management positions.

For instance, CEWE Stiftung & Co. KGaA has enacted the following specific measures to encourage a better balance between career and family needs:

- Contract with "AWO Eltern- und Seniorenservice" in Oldenburg to provide free consultations for employees needing to arrange placements for their children or for their parents
- Nursery in the immediate vicinity of CEWE Stiftung & Co. KGaA, Oldenburg

The Board of Management of CEWE COLOR Holding AG also resolved the following at its meeting held on January 31, 2011:

The company seeks to ensure the adequate representation of women and in general to reflect diversity in its appointments to management positions. As well as the existing measures enacted in support of this criterion, the following measures are to be implemented in addition:

Drafting and implementation of a programme which considers the issues of "Women in management positions", "Promotion of women as junior executives" and "International approach at the management level".

This resolution remains valid for appointments to management positions.

FINAL DECLARATION BY THE BOARD OF MANAGEMENT

of the general partner on the report on relationships with affiliates

The status of Neumüller CEWE COLOR Stiftung as the general partner of CEWE Stiftung & Co. KGaA means that, in principle, CEWE Stiftung & Co. KGaA is dependent on Neumüller CEWE COLOR Stiftung within the meaning of § 17 AktG. Since no control agreement has been concluded with Neumüller CEWE COLOR Stiftung in accordance with § 291 AktG, as the management body of CEWE Stiftung & Co. KGaA pursuant to § 312 AktG the Board of Management of the general partner Neumüller CEWE COLOR Stiftung has prepared a report on relationships with affiliates. At the end of this report, the Board of Management has presented the following declaration:

"We hereby declare that our company has received an appropriate consideration for each of the legal transactions listed in this report on relationships with affiliates, in accordance with the circumstances known to us as of the execution of these transactions. No measures have been implemented or waived at the instigation or in the interest of the controlling company or an affiliate."

TRANSACTIONS WITH RELATED PARTIES

Neumüller CEWE COLOR Stiftung is the company's managing partner. It does not have any interest in the company's capital. Neumüller CEWE COLOR Stiftung has concluded a contract with CEWE Stiftung & Co. KGaA regulating its management duties as managing partner and the assumption of expenses. Under this contract, Neumüller CEWE COLOR Stiftung is to be reimbursed for any expenses arising in connection with its management activities, particularly those incurred by its Board of Management, its management and its Board of Trustees. Neumüller CEWE COLOR Stiftung is also entitled to receive appropriate annual remuneration, irrespective of any profit or loss, for its management and representational duties and for the assumption of its personal liability risk.

The Group has entered into heritable building right contracts and tenancy agreements for property used for commercial purposes with the community of heirs whose executor is Mr Otto Korte, member of the Supervisory Board.

Oldenburg, March 18, 2020

CEWE Stiftung & Co. KGaA
For the general partner
Neumüller CEWE COLOR Stiftung
– The Board of Management –

Dr Christian Friege
(Chairman of the Board of Management)

Patrick Berkhouwer

Dr Reiner Fageth

Carsten Heitkamp

Dr Olaf Holzkämper

Thomas Mehls

Frank Zweigle

DESCRIPTION OF KEY INDICATORS

Definition of key indicators used in this report

Borrowed capital
The total value reported as non-current and current liabilities under equity and liabilities

Capital employed (CE)
Net working capital plus non-current assets and cash and cash equivalents

Capital invested (CI)
Equity plus non-operating liabilities and gross financial liabilities

Days working capital
Term of net working capital in days, measured in relation to turnover in the past quarter

EBIT
Earnings before interest and taxes

EBITDA
Earnings before interest, taxes, depreciation and amortisation

EBT
Earnings before taxes

Equity
The residual claim to the net assets remaining after deduction of liabilities according to IAS 32

Equity ratio
Equity as a share of total capital; the ratio of equity to the balance sheet total

Fixed assets
Property, plant and equipment plus investment properties, goodwill, intangible assets and financial assets

Free cash flow
Cash flow from operating activities less cash flow from investing activities (both according to the cash flow statement)

Free float
The proportion of the company's freely tradable shares on the market

Gross cash flow
Earnings after taxes plus amortisation on intangible assets and depreciation on property, plant and equipment

Gross financial liabilities
Total of non-current interest-bearing financial liabilities and current interest-bearing financial liabilities; cf. interest-bearing financial liabilities

Gross working capital
Current assets without cash and cash equivalents

Interest-bearing financial liabilities
Non-current and current interest-bearing financial liabilities shown as such, without rights to repayment subject to interest shown in the balance sheet under other credit lines

Liquidity ratio
Ratio of cash and cash equivalents versus the balance sheet total

Net cash flow
Gross cash flow less investments

Net cash position/net financial liabilities
Non-current interest-bearing financial liabilities plus current interest-bearing financial liabilities less cash and cash equivalents; this represents a net cash position in case of a negative difference, and otherwise net financial liabilities

Net working capital
Current assets excl. cash and cash equivalents less current liabilities excl. current special items for investment grants and excl. current interest-bearing financial liabilities

Non-operating liabilities
Current and non-current special items for investment grants, non-current provisions for pensions, non-current deferred tax liabilities, other non-current provisions, non-current financial liabilities and other non-current liabilities

NOPAT
EBIT less income taxes and other taxes

Operating net working capital
Inventories plus current trade receivables less current trade payables

Other current liabilities
Current provisions for taxes, other current provisions, other current financial liabilities and other current liabilities

Other gross working capital
Assets held for sale, current receivables from income tax refunds, other current financial assets and other current receivables and assets

Other net working capital
Other gross working capital less other current liabilities

Other operating cash flows
Changes resulting from taxes paid as well as proceeds from interest received

P&L
Profit and loss account

POS
The points of sale are the retail outlets of the company's business partners and also its own retail branches

Return on capital employed (ROCE)
The ratio of earnings before interest and taxes (EBIT) versus the capital employed; in general, the twelve-month perspective is chosen for the calculation of a rolling annual return on investment

Return on capital employed (ROCE) before restructuring
The ratio of earnings before interest and taxes (EBIT) – adjusted for restructuring expenses – versus the capital employed

Working-capital-induced cash flow
Changes resulting from net working capital

Please note:

Where digital photos are referred to in this financial report, figures include CEWE PHOTOBOOK prints and the images included in photo gifts.

As a rule, all figures are calculated as precisely as possible and are rounded off in the tables in line with applicable commercial procedures. This rounding-off may give rise to discrepancies, e. g. particularly for totals.

Winner CEWE Photo Award 2019
TERESA COMES
Silence

CONSOLIDATED FINANCIAL STATEMENTS

4

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE FINANCIAL YEAR 2019 OF CEWE STIFTUNG & CO. KGAA

in thousands of euros

	Notes	2018	2019	Change as %
Revenues	C26	649,325	714,894	10.1
Increase/decrease in finished and unfinished goods		– 148	181	—
Other own work capitalised		1,091	1,038	– 4.9
Other operating income	C27	25,028	22,078	– 11.8
Cost of materials	C28	– 177,063	– 185,469	– 4.7
Gross profit		**498,233**	**552,722**	**10.9**
Personnel expenses	C29	– 175,841	– 194,838	– 10.8
Other operating expenses	C30	– 226,850	– 243,274	– 7.2
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**95,542**	**114,610**	**20.0**
Amortisation of intangible assets, depreciation of property, plant and equipment	C31	– 39,873	– 56,775	– 42.4
Earnings before interest and taxes (EBIT)		**55,669**	**57,835**	**3.9**
Financial income	C32	683	73	– 89.3
Financial expenses	C32	– 1,082	– 3,656	– 238
Financial result		**– 399**	**– 3,583**	**– 798**
Earnings before taxes (EBT)		**55,270**	**54,252**	**– 1.8**
Income taxes	C33	– 17,025	– 21,553	– 26.6
Earnings after taxes from continiung operations		**38,245**	**32,699**	**– 14.5**
Post-tax profit/loss for discontinued operation		– 1,949	– 881	54.8
Group earnings after taxes		**36,296**	**31,818**	**– 12.3**
Earnings per share from continuing operations (in euros)				
Undiluted	C34	5.34	4.54	– 15.0
Diluted	C34	5.28	4.50	– 14.7
Group earnings per share (in euros)				
Undiluted	C34	5.06	4.41	– 12.8
Diluted	C34	5.01	4.38	– 12.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR 2019 OF CEWE STIFTUNG & CO. KGAA

in thousands of euros

	Notes	2018		2019		Change as %
Group earnings after taxes			**36,296**		**31,818**	**–12.3**
Difference resulting from currency translation	A5	–645		733		–
Amounts which may be reclassified to the profit and loss account in future periods			**–645**		**733**	**–**
Actuarial losses	D53, D54	–857		–4,994		–483
Income taxes on income and expenses not affecting net income		295		1,411		378
Other comprehensive income from equity instruments measured at fair value		1,802		–1,034		–
Other comprehensive income not subsequently reclassified to the profit and loss account			**1,240**		**–4,617**	**–**
Other comprehensive income			**595**		**–3,884**	**–**
Comprehensive income			**36,891**		**27,934**	**–24.3**

CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2019 OF CEWE STIFTUNG & CO. KGAA

in thousands of euros

ASSETS	Notes	Dec. 31, 2018	Dec. 31, 2019	Change as %
Property, plant and equipment	D35	160,242	221,130	38.0
Investment properties	D36	17,643	17,240	−2.3
Goodwill	D37	59,718	77,758	30.2
Intangible assets	D38	28,489	38,992	36.9
Financial assets	D39	6,855	5,579	−18.6
Non-current financial assets	D40	1,253	1,468	17.2
Non-current other receivables and assets	D40	256	655	156
Deferred tax assets	D41	12,289	14,203	15.6
Non-current assets		**286,745**	**377,025**	**31.5**
Inventories	D42	49,027	48,358	−1.4
Current trade receivables	D43	92,883	91,162	−1.9
Current receivables from income tax refunds	D44	2,699	1,520	−43.7
Current financial assets	D45	3,363	5,320	58.2
Other current receivables and assets	D46	9,457	8,565	−9.4
Cash and cash equivalents	D47	28,061	32,357	15.3
		185,490	**187,282**	**1.0**
Assets classified as held for sale	A3	0	2,951	—
Current assets		**185,490**	**190,233**	**2.6**
Assets		**472,235**	**567,258**	**20.1**

in thousands of euros

EQUITY AND LIABILITIES	Notes	Dec. 31, 2018	Dec. 31, 2019	Change as %
Subscribed capital	D48, D49	19,240	19,279	–
Capital reserve	D50, D51	75,334	76,491	1.5
Treasury shares at acquisition cost	D52	–7,176	–6,655	7.3
Retained earnings and unappropriated profits	D53	166,802	180,646	8.3
Equity		**254,200**	**269,761**	**6.1**
Non-current accruals for pensions	D54	29,150	35,546	21.9
Non-current deferred tax liabilities	D55	2,945	3,500	18.8
Non-current other accruals	A2	0	501	–
Non-current interest-bearing financial liabilities	D56	1,148	1,115	–2.9
Non-current lease liabilities	D57	0	52,453	–
Non-current financial liabilities	D58	1,552	1,865	20.2
Non-current other liabilities	D59	628	451	–28.2
Non-current liabilities		**35,423**	**95,431**	**169**
Current tax liabilities	D60	8,221	7,456	–9.3
Current other accruals	D61	3,473	6,329	82.2
Current interest-bearing financial liabilities	D62	2,665	832	–68.8
Current lease liabilities	D57	0	10,576	–
Current trade payables	D63	112,664	113,552	0.8
Current financial liabilities	D64	10,158	11,198	10.2
Current other liabilities	D65	45,431	51,618	13.6
		182,612	201,561	10.4
Liabilities classified as held for sale		0	505	–
Current liabilities		**182,612**	**202,066**	**10.7**
Equity and liabilities		**472,235**	**567,258**	**20.1**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

OF CEWE STIFTUNG & CO. KGAA

in thousands of euros

	Subscribed capital	**Capital reserve**	Generated Group equity	Special item for stock option plans	Compensating item from currency translation	Income taxes not affecting net income	**Retained earnings and unappropriated profits**	**Total**	**Treasury shares at acquisition cost**	**Group equity**
As of Jan. 1, 2018	**19,240**	**73,071**	**154,535**	**-10,332**	**-4,575**	**3,572**	**143,200**	**235,511**	**-7,940**	**227,571**
Comprehensive income	**—**	**—**	**38,098**	**-857**	**-645**	**295**	**36,891**	**36,891**	**—**	**36,891**
Dividend paid out	—	—	-13,289	—	—	—	-13,289	-13,289	—	-13,289
Sale of treasury shares	—	879	—	—	—	—	—	879	764	1,643
Stock option plans	—	1,384	—	—	—	—	—	1,384	—	1,384
Owner-related equity changes	**—**	**2,263**	**-13,289**	**—**	**—**	**—**	**-13,289**	**-11,026**	**764**	**-10,262**
As of Dec. 31, 2018	**19,240**	**75,334**	**179,344**	**-11,189**	**-5,220**	**3,867**	**166,802**	**261,376**	**-7,176**	**254,200**
Comprehensive income	**—**	**—**	**30,784**	**-4,994**	**733**	**1,411**	**27,934**	**27,934**	**—**	**27,934**
Dividend paid out	—	—	-14,090	—	—	—	-14,090	-14,090	—	-14,090
Sale of treasury shares	—	862	—	—	—	—	—	862	521	1,383
Stock option plans	39	295	—	—	—	—	—	334	—	334
Owner-related equity changes	**39**	**1,157**	**-14,090**	**—**	**—**	**—**	**-14,090**	**-12,894**	**521**	**-12,373**
As of Dec. 31, 2019	**19,279**	**76,491**	**196,038**	**-16,183**	**-4,487**	**5,278**	**180,646**	**276,416**	**-6,655**	**269,761**

See D 48 – D 53 for details

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR 2019 OF CEWE STIFTUNG & CO. KGAA

in thousands of euros

		2018		2019		Change as %
EBITDA			**93,936**		**114,610**	**22.0**
+	Non-cash factors		1,208		4,318	257
+	Decrease in operating net working capital		4,594		913	−80.1
+/−	Decrease (+)/increase (−) in other net working capital (excl. income tax items)		−6,783		3,296	–
−	Taxes paid		−14,579		−21,086	−44.6
+	Interest received		358		61	−83.0
=	**Cash flow from operating activities**		**78,734**		**102,112**	**29.7**
−	Outflows from investments in property, plant and equipment and intangible assets		−45,046		−35,618	20.9
−	Outflows from purchases of consolidated interests/acquisitions		−38,432		−32,824	14.6
+	Inflows from investments in financial assets		4,336		344	92.1
−	Outflows (−) from investments in non-current financial instruments		−859		−215	75.0
+	Inflows from the sale of property, plant and equipment and intangible assets		3,791		1,140	−69.9
=	**Cash flow from investing activities**		**−76,210**		**−67,173**	**11.9**
=	**Free cash flow**		**2,524**		**34,939**	**−1,000**
−	Dividends paid	−13,289		−14,090		−6.0
−	Amounts paid out for stock option plans	0		−1,135		–
=	**Outflows to shareholder**		**−13,289**		**−15,225**	**−14.6**
+/−	Inflows (+)/outflows (−) from change in financial liabilities		850		−12,656	–
−	Interest paid		−1,046		−2,793	−167
+	Other financial transactions		57		5	−91.2
=	**Cash flow from financing activities**		**−13,428**		**−30,669**	**−128**
Cash and cash equivalents at the start of the reporting period			**38,772**		**28,061**	**−27.6**
+	Exchange-rate-related changes in cash and cash equivalents		193		26	−86.5
+	Cash flow from operating activities		78,734		102,112	29.7
−	Cash flow from investing activities		−76,210		−67,173	11.9
−	Cash flow from financing activities		−13,428		−30,669	−128
=	**Cash and cash equivalents at the end of the reporting period**		**28,061**		**32,357**	**15.3**

See D 69 for details

SEGMENT REPORTING BY BUSINESS UNIT [1]

FOR THE FINANCIAL YEAR 2019 OF CEWE STIFTUNG & CO. KGAA

in thousands of euros

		Photofinishing	Retail	Commercial Online Printing	Other Activities	**CEWE Group**
External revenues	**2019**	**567,991**	**43,673**	**103,230**	**5,504**	**720,397**
	2018	499,027	48,669	101,629	3,967	653,292
External revenues, adjusted for currency effects	**2019**	**568,136**	**44,387**	**103,065**	**5,504**	**721,091**
	2018	499,027	48,669	101,629	3,967	653,292
EBIT prior to restructuring	**2019**	**66,914**	**35**	**– 2,746**	**– 2,250**	**61,954**
	2018	57,845	55	– 1,553	– 2,627	53,720
Restructuring	**2019**	**—**	**—**	**– 5,000**	**—**	**– 5,000**
	2018	—	—	—	—	—
EBIT	**2019**	**66,914**	**35**	**– 7,746**	**– 2,250**	**56,954**
	2018	57,845	55	– 1,553	– 2,627	53,720
Scheduled depreciation	**2019**	**38,290**	**5,978**	**9,826**	**460**	**54,554**
	2018	29,860	1,415	7,936	461	39,672
Non-scheduled depreciation	**2019**	**50**	**—**	**2,171**	**—**	**2,221**
	2018	169	—	32	—	201

1 Segment reporting by business unit is an integral part of the notes, see D 71.

Comments on the segments
» Photofinishing includes turnover and earnings from CEWE photo products from own retail activities.
» Retail only consists of merchandise business, excl. CEWE's photography products.
» Other Activities comprises holding/structural costs (mainly Supervisory Board and IR costs), real estate, futalis.

NOTES

A. GENERAL DISCLOSURES

1 CORPORATE INFORMATION

CEWE Stiftung & Co. KGaA (hereinafter: CEWE KGaA), is a stock-market-listed partnership limited by shares (Kommanditgesellschaft auf Aktien – KGaA) under German law and is seated in Germany (Meerweg 30 – 32, 26133 Oldenburg).

CEWE KGaA is the parent company of the CEWE Group (hereinafter: CEWE). CEWE is an internationally active group which focuses on photofinishing, commercial online printing and photo retail business as a technology and market leader.

These consolidated financial statements and the combined management report for the financial year 2019 have been prepared by the Board of Management of CEWE KGaA and submitted to and duly published in the German Federal Gazette (Bundesanzeiger).

2 PRINCIPLES FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of CEWE KGaA for the year under review from January 1, 2019 to December 31, 2019 have been prepared in compliance with the International Financial Reporting Standards (IFRS) effective as of the reporting date and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as applied in the EU, as well as the supplementary rules prescribed by § 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB).

The following standards, revisions and interpretations were applicable for the first time in the year under review:

Amendment/standard

	Date of publication	Date of endorsement within the scope of EU law	Date of adoption (EU)
Annual improvements to the IFRS (AIP) cycle 2015 – 2017 – IAS 12: Clarification of the income tax consequences of dividends	Oct. 12, 2017	Mar. 14, 2019	Jan. 1, 2019
Annual improvements to the IFRS (AIP) cycle 2015 – 2017 – IAS 23: Treatment of an asset as part of general borrowed funds	Oct. 12, 2017	Mar. 14, 2019	Jan. 1, 2019
Annual improvements to the IFRS (AIP) cycle 2015 – 2017 – IAS 3/IFRS 11: Remeasurement of previously held interests	Oct. 12, 2017	Mar. 14, 2019	Jan. 1, 2019
IAS 19: Plan amendment, curtailment or settlement (measurement of service cost)	Feb. 7, 2018	Mar. 13, 2019	Jan. 1, 2019
IAS 28: Noncurrent interests in associates (clarification of the scope of IFRS 9)	Oct. 12, 2017	Feb. 8,2019	Jan. 1, 2019
IFRIC 23: Uncertainty over income tax treatments (clarification of balance sheet recognition of contingent income tax items)	Jun. 7, 2017	Oct. 23, 2019	Jan. 1, 2019
IFRS 9: Prepayment features with negative compensation (amendment of the rules on rights of termination)	Oct. 12, 2017	Mar. 22, 2018	Jan. 1, 2019
IFRS 16: Leases: in principle, all leases and the related contractual rights and obligations must be reported in the lessee's balance sheet. IFRS 16 also includes a series of new rules on the definition of a lease, on presentation and notes as well as sale and leaseback transactions.	Jan. 13, 2016	Oct. 31, 2017	Jan. 1, 2019

In January 2016, the IASB published its new leasing accounting standard, IFRS 16 (Leases), which replaces IAS 17 (Leases) as well as the related interpretations.[1] The new standard is applicable for financial years beginning on or after January 1, 2019. This introduces a uniform leasing accounting model for lessees, which requires the reporting of assets for granted rights of use as well as corresponding lease liabilities. A distinction between operating leases – where assets and liabilities are not reported – and finance leases no longer applies for the lessee. For lessors, as with the previous standard IAS 17, the distinction between operating leases and finance leases continues to apply. According to IFRS 16, subleases must be classified on the basis of the right of use resulting from the sublease vis-à-vis the head lease.

CEWE has applied IFRS 16 for the first time according to the modified retrospective changeover method as of January 1, 2019, i. e. without restating the previous-year figures. CEWE is mainly a lessee within the scope of leases relating to merchandise and office buildings. In this regard, CEWE has made use of various options or simplifications as of the changeover date for leases where a CEWE company is a lessee.

Options:

» Rights of use are shown in the relevant asset category for the underlying leasing asset.

» Liabilities are shown separately in the balance sheet.

» For leases of low-value assets and for short-term leases with a term of less than twelve months, the practical expedient detailed in IFRS 16.5 has been exercised and expense is recognised on a systematic basis over the term of the lease.

» Rights of use for intangible assets which have not already been explicitly excluded from the applicable scope under IFRS 16.3(e) are not accounted for according to the right of use model, on the basis of the option provided for in IFRS 16.4 as a lessee.

» Where an agreement stipulates payments for leasing components and non-leasing components, in accordance with the option in IFRS 16.15 these have not been separated.

Simplifications:

» As of the date of initial application, no new assessment has been made as to whether an agreement constitutes or includes a lease.

» No impairment testing has been implemented for individual rights of use. Instead, the amount registered as of December 31, 2019 as an accrual for onerous leases has been deducted from the right of use as of the date of initial application.

» Leases ending on December 31, 2019 at the latest are accounted for as short-term leases or as long-term leases, depending on their original contractual term.

» The current state of knowledge as of the date of initial application is taken into consideration when determining the term of agreements with extension or termination options.

On the basis of the financial obligations for operating leases as of December 31, 2018, the following reconciliation has resulted in respect of the opening balance for the lease liabilities as of January 1, 2019:

Reconciliation with the opening balance for the lease liabilities as of January 1, 2019
in thousands of euros

		Jan. 1, 2019
	Financial obligation resulting from operating lease as of December 31, 2018	61,888
	Practical expedients for short-term leases and for leases of low-value assets	– 4,145
+/–	Changes due to redefinition of leases	10,206
+/–	Miscellaneous	407
=	**Lease liabilities as of Jan. 1, 2019**	**68,356**
–	Effects resulting from discounting	– 3,049
=	**Lease liabilities as of Jan. 1, 2019**	**65,307**

1 See B 9, C 32, D 35, D 57 and E 70 for details

Lease liabilities have been discounted by means of the weighted average incremental borrowing rate of interest of 0.9 % as of January 1, 2019.

The restated opening balance sheet, the book values shown in the consolidated balance sheet and the expenses shown in the consolidated profit and loss account as of December 31, 2019 are presented below.

Restated opening balance sheet as of January 1, 2019 in thousands of euros

	Dec. 31, 2018	Restatement IFRS 16	Jan. 1, 2019
Assets			
Property, plant and equipment	160,242	65,307	225,549
Equity and liabilities			
Non-current other accruals	0	407	407
Non-current interest-bearing financial liabilities	1,148	-65	1,083
Non-current liabilities from leasing	0	55,449	55,449
Current interest-bearing financial liabilities	2,665	-21	2,644
Current liabilities from leasing	0	9,537	9,537

IFRS 16 book values included in the consolidated balance sheet as of December 31, 2019 in thousands of euros

	Book values IFRS 16	Dec. 31, 2019
Assets		
Property, plant and equipment	62,652	221,130
Equity and liabilities		
Retained earnings and unappropriated profits	-878	180,646
Non-current other accruals	501	501
Non-current interest-bearing financial liabilities	0	1,115
Non-current liabilities from leasing	52,453	52,453
Current interest-bearing financial liabilities	0	832
Current liabilities from leasing	10,576	10,576

IFRS 16 expense included in consolidated profit and loss account in the financial year 2019 in thousands of euros

	Expense IFRS 16	2019
Amortisation of intangible assets, depreciation of property, plant and equipment	-11,745	-56,775
Financial expenses	-863	-3,656

The following IFRS endorsed in EU law had been issued up to the balance sheet date but are only mandatorily applicable in subsequent reporting periods. They will become applicable following their adoption within the scope of the EU's endorsement of the IFRS.

Amendment/standard

	Date of publication	Date of endorsement within the scope of EU law	Date of adoption (EU)
IFRS 17: Insurance contracts	May 18, 2017	open	Jan. 1, 2021
IFRS 3: Amendment of the rules for business combinations – definition of a business	Oct. 22, 2018	Q1/2020	Jan. 1, 2020

The new standards and amendments of existing standards are not expected to have any significant impact on the Group's net assets, financial position and results of operations.

The following standards and interpretations and amendments of existing standards which have also been issued by the IASB as of the balance sheet date are not yet mandatorily applicable in the consolidated financial statements as of December 31, 2019.

Amendment/standard

	Date of publication	Date of endorsement within the scope of EU law	Date of adoption (EU)
Amendments to references to the conceptual framework in IFRS standards	Mar. 28, 2018	Nov. 29, 2019	Jan. 1, 2020
Amendments to IAS 1 and IAS 8: Definition of material	Oct. 31, 2018	Nov. 29, 2019	Jan. 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform	Sep. 26, 2019	Jan. 16, 2020	Jan. 1, 2020

Insofar as any further new standards which are not yet valid for 2019 may be adopted voluntarily, the Group has not made use of this option. The future effects on the Group's net assets, financial position and results of operations resulting from implementation of the standards issued as of the reporting date but not yet mandatorily applicable are still being reviewed. Several standards may necessitate additional notes. The new standards will be adopted in the EU upon completion of the endorsement procedure.

Determination of fair values

As far as possible, CEWE uses data observable on the market in order to determine the fair value of an asset or a liability. On the basis of the input factors used within the scope of the valuation techniques, the fair values have been assigned to the different levels of the fair value hierarchy:

» Level 1: Quoted prices (unadjusted) on active markets for identical assets or liabilities

» Level 2: Valuation parameters which do not involve the quoted prices included in Level 1 but which are observable for the asset or the liability either directly (i. e. as a price) or indirectly (i. e. derived from prices)

» Level 3: Valuation parameters for assets or liabilities which are not based on observable market data

With the exception of the derivatives carried in the balance sheet at fair value, in these annual financial statements all assets and liabilities are measured at amortised cost. For assets and liabilities carried at amortised cost, the book values of the financial assets and liabilities in the balance sheet represent a reasonable approximation of the fair value.

Derivatives reported in the balance sheet are carried at fair value. The market values determined by credit institutions are arrived at by discounting the expected future cash flows throughout the remaining term of the contracts on the basis of individual, non-observable input parameters (Level 3 according to IFRS 7). The effects are of minor significance.

The profit and loss account has been prepared in accordance with the nature of expense method. Unless otherwise indicated, all figures refer to thousands of euros.

3 SCOPE OF CONSOLIDATION

Apart from CEWE Stiftung & Co. KGaA, the consolidated financial statements as of December 31, 2019 include domestic and foreign companies over which CEWE Stiftung & Co. KGaA has a direct or indirect controlling interest. The Group has control over a company if it is exposed to risk in relation to fluctuating yields, or is entitled to receive these yields, from its holdings in the company in question, and if the Group also has the ability to use its power of control over the investee so as to affect the value of the yield granted by this investee. The financial statements of subsidiaries are incorporated into the consolidated financial statements as of the point in time at which the relationship of control begins, and remain so until the relationship of control ends.

As of December 31, 2019, apart from CEWE Stiftung & Co. KGaA, Oldenburg, as the parent company, the scope of consolidation includes 11 German and 20 foreign companies (cf. E 67, page 158). The pension commitments transferred to the pension fund CEWE COLOR Versorgungskasse e.V., Wiesbaden, according to IAS 19 are also included in the scope of consolidation. No contractual trust arrangement (CTA) is applicable, since the pension commitments remain attributable to CEWE KGaA from a legal point of view. Insofar as this pension fund is unable to meet its obligations on the basis of its own resources, resources are provided by CEWE KGaA.

Bilderplanet.de GmbH, Cologne, is not operationally active. As in the previous year, it has not been included in the scope of consolidation due to its economic insignificance.

On June 1, 2019, CEWE acquired a majority stake (100 %) in WhiteWall Media GmbH, which is based in Berlin as well as Frechen near Cologne. WhiteWall's core business field is upscale, gallery-quality wall art. WhiteWall has an outstanding reputation among professional and hobby photographers due to the excellent quality of its products. The brand is experiencing dynamic growth. As well as in Germany, it is also active in many other European countries as well as the USA. CEWE plans to further develop the brand and its business. Even as a member of the CEWE Group, WhiteWall will remain an independent brand with its own production operations. WhiteWall's customers will therefore not notice any changes. CEWE expects that this equity investment will provide a positive long-term contribution to its market position as well as the value of the company as a whole. This purchase has the status of an acquisition of a business in accordance with IFRS 3. A purchase price of 32.8 million euros was agreed and was settled in full in the financial year 2019. The purchase price allocation was completed on December 31, 2019. The intangible assets will thus increase by 11.9 million euros, which will in turn result in a 1.2 million euros increase in scheduled depreciation. A figure of 18.0 million euros has been recognised as goodwill, which has been assigned to the Photofinishing business unit. The fair values of the acquired assets and liabilities applicable as of the date of acquisition and the entire consideration transferred are presented below.

Acquired assets and liabilities in thousands of euros

	WhiteWall
Goodwill	18,040
Non-current assets	16,057
Current assets	1,647
Non-current liabilities	– 1,162
Current liabilities	– 1,758
Net assets	**32,824**
Purchase price	**32,824**
Assumed cash and cash equivalents	203
Net outflow for acquisitions	**32,621**

Since this company's initial consolidation, WhiteWall's assumed activities have contributed 19.3 million euros to the Group's turnover and 0.9 million euros to earnings after taxes. If the acquisitions had already been included in the scope of consolidation as of January 1, 2019, the Group's turnover would have increased by a further 8.3 million euros and earnings after taxes would have decreased by 0.3 million euros.

Discontinued operations

The subsidiary futalis GmbH has been classified as held for sale for the first time as of June 30, 2019, on the basis of a concrete intention to sell as well as approval from the relevant bodies. The previous-year figures in the consolidated profit and loss account have been restated accordingly, so as to present this discontinued operation separately from continuing operations. futalis GmbH is presented in the "Other Activities" business unit, page 46.

The earnings generated by futalis GmbH are shown in the consolidated profit and loss account as a post-tax loss for the discontinued operation:

Post-tax loss for discontinued operation in thousands of euros

	2018	2019
Revenues	3,967	5,504
Expenses	– 5,916	– 6,385
Loss after tax of the discontinued operation	**– 1,949**	**– 881**

Assets and liabilities classified as held for sale include net cash flows from operating activities in the amount of – 947 thousand euros, from investing activities in the amount of – 208 thousand euros and from financing activities in the amount of 1,380 thousand euros.

As of December 31, 2019, 2,951 thousand euros has been shown as held for sale. Of this amount, 1,621 thousand euros comprises non-current assets, while 1,330 thousand euros comprises current assets. Related liabilities amount to 505 thousand euros as of December 31, 2019 and comprise non-current liabilities in the amount of 16 thousand euros and current liabilities in the amount of 489 thousand euros.

4 CONSOLIDATION PRINCIPLES

The consolidated financial statements have been prepared on the basis of the incorporated German and foreign financial statements of the subsidiaries, on the basis of uniform accounting and measurement methods. For all of the companies included in the consolidated financial statements, the reporting date for the separate financial statements is the same as the reporting date for the consolidated financial statements, i. e. December 31, 2019.

Acquired subsidiaries are accounted for using the acquisition method. The acquisition costs correspond to the fair value of the assets provided, the equity instruments issued and the liabilities arising or assumed as of the transaction date. They also include the fair values of any recognised assets or liabilities resulting from a contingent consideration agreement. Assets, liabilities and contingent liabilities which are identifiable within the scope of a company merger are measured at their fair values as of the date of their acquisition when first included in the scope of consolidation.

Any costs associated with their acquisition are recognised as expenses as of their date of their accrual.

Any contingent considerations are measured at fair value as of the date of their acquisition. Subsequent adjustments to the fair value of an asset or a contingent consideration classified as a liability are measured within the scope of IFRS 9 and any resulting profit or loss is recognised either in profit or loss or in other comprehensive income.

Goodwill is the value resulting from the surplus of the acquisition costs plus the value of the non-controlling interests in the acquired company and the fair value of any equity interests previously held as of the date of acquisition divided by the Group's interest in the net assets measured at fair value.

In case of the additional purchase of interests in companies already fully included in the scope of consolidation, this does not affect net income. This does not lead to any changes in the recognition of assets, liabilities and goodwill of the company already included in the scope of consolidation. The annual goodwill impairment tests are performed using the discounted cash flow method. This is calculated on the basis of future expected cash flows from the latest management planning, updated with long-term turnover growth rates as well as assumptions regarding margin and earnings trends and discounted in the value of the capital costs for the corporate unit. Testing is carried out at the level of the cash-generating unit. In the course of the year, an impairment test is also performed in case of events suggesting a permanent fall in value.

Intragroup turnover, expenses and income and also loans, receivables and liabilities between the consolidated companies are eliminated. Interim profits from intragroup deliveries are consolidated insofar as they are significant for presentation of the actual net assets, financial position and results of operations. Intragroup deliveries and services are calculated on the basis of market prices and also on the basis of transfer prices determined according to the arm's length principle. Where necessary, deferred taxes are calculated for consolidation entries affecting earnings.

Stock option plans have been measured at fair value as issued equity instruments for future work, in accordance with IFRS 2. The resulting effects have been apportioned as expense throughout the period, recognised in personnel expenses and entered against equity. Insofar as the terms of options are not fulfilled, this item is reversed directly within equity.

Companies which are no longer classifiable as companies to be included in the scope of consolidation have been excluded accordingly. The relevant date is determined on the basis of the date of this company's withdrawal, i. e. the date of loss of control over its financial and business policy. Expenses and income resulting for the consolidated company up to its disposal are included in the consolidated profit and loss account. All of the assets and liabilities representing the consolidated company immediately prior to its withdrawal from the scope of consolidation will be considered as the disposal value. The effect on income of removal from the scope of consolidation is calculated by comparing the disposal or liquidation proceeds and the disposal value. The same consolidation methods have been used as in the previous year.

5 CURRENCY TRANSLATION

The annual financial statements of the foreign Group companies have been translated into euros according to the functional currency concept. Since the subsidiaries conduct their business independently in financial, economic and organisational terms, in principle the respective functional currency is identical with the national currency of the company in question. The reporting currency and functional currency of the Group is the euro.

Assets and liabilities of foreign companies included in the scope of consolidation are translated at the mean rates of exchange on the balance sheet date (balance sheet exchange rate), while income and expenses are translated at the average annual mean rates of exchange (profit and loss account exchange rate).

Goodwill resulting for foreign subsidiaries as a result of capital consolidation is carried at historical cost.

Equity is also translated at historical exchange rates. Any resulting translation differences are not shown in the profit and loss account and are instead presented in a separate equity item. Currency differences resulting from the translation of non-current loans to Group companies are likewise recognised directly in equity.

The following key exchange rates apply for currency translation:

Currency translation

		2018		**2019**	
		Balance sheet exchange rate	Profit and loss account exchange rate	**Balance sheet exchange rate**	**Profit and loss account exchange rate**
CHF	Swiss franc	1.12690	1.15496	1.08540	1.11245
CZK	Czech crown	25.72500	25.64615	25.41000	25.67001
DKK	Danish krone	7.46730	7.45317	7.47150	7.46606
GBP	British pound sterling	0.89453	0.88471	0.85080	0.87777
HUF	Hungarian forint	321.51000	318.86365	330.52000	325.37106
NOK	Norwegian krone	9.94830	9.59749	9.86380	9.85109
PLN	Polish zloty	4.29690	4.26181	4.25880	4.29912
SEK	Swedish krona	10.25480	10.25826	10.44680	10.58908
USD	US dollar	1.14500	1.18095	1.12340	1.11947

B. ACCOUNTING AND MEASUREMENT PRINCIPLES

6 GENERAL DISCLOSURES

In principle, as in the previous year the annual financial statements of the companies included in the scope of consolidation are prepared on the basis of uniform accounting and measurement methods. Accounting and measurement options are exercised in the consolidated financial statements in the same way as in the separate financial statements.

For preparation of the consolidated financial statements, the Board of Management requires a series of assessments and estimates and makes assumptions affecting the application of accounting principles within the Group and also recognition of assets and liabilities as well as income and expenses. The actual amounts may deviate from these estimates. Estimates and underlying assumptions are continuously reviewed. The following estimates and associated assumptions may affect the consolidated financial statements.

If items of property, plant and equipment and intangible assets are acquired within the scope of company mergers, the fair value of these assets as of the date of acquisition and the expected useful life are estimated. Fair values and useful lives are calculated on the basis of the management's assessments.

Impairments of property, plant and equipment, intangible assets and goodwill are determined on the basis of estimates regarding the cause, the date and the value of these impairments and, where permissible, revaluations. Indications of impairments, estimates of future cash flows and fair values of assets are evaluated on the basis of assessments regarding expected cash flows, useful lives, discount rates and residual values. The development of future cash flows is mainly determined by the future demand trend for products. If the actual demand trend falls short of expectations, this would negatively affect turnover and cash flows. Further expenses for valuation adjustments might thus result which would negatively affect future results of operations.

To deal with the default risk for receivables, as well as provisioning for credit risk (expected credit loss) valuation adjustments are established for doubtful accounts. Provisioning for credit risk is determined on the basis of the maturity structure, the current market situation and past experience. In the event of a deterioration in customers' financial situation, the actual bad debts may exceed the expected bad debts.

The CEWE Group is obliged to pay income taxes in various countries (chiefly in Europe). Material assumptions are therefore necessary for calculation of Group-wide income tax liabilities. Income taxes are determined by calculating for each taxable entity the expected actual amount of income tax and the deferred taxes resulting from temporary differences between the balance sheet items in the consolidated financial statements and the accounts prepared for tax purposes. This requires assumptions for interpretation of applicable tax regulations in Germany and other countries. This also requires an assessment of the possibility of realising a sufficiently high level of taxable income for each type of tax and in each tax jurisdiction. For some transactions and calculations, the final level of taxation cannot be conclusively determined. The Group assesses the value of accruals for expected tax audits on the basis of estimates of whether additional income taxes may fall due and the respective amount. Insofar as the final level of taxation for these transactions deviates from the initially assumed level of taxation, this will affect the actual and deferred taxes in the period in which the level of taxation is conclusively determined. If the final values (in the areas affected by estimates) were to deviate from the management's estimates by 10 %, the Group would be required to increase its tax liabilities by 746 thousand euros and its deferred tax liability by 350 thousand euros, in case of a negative deviation, or reduce its tax liabilities by 746 thousand euros and its deferred tax liability by 350 thousand euros in case of a positive deviation. Pensions and similar obligations are measured on the basis of actuarial procedures. These measurements are mainly based on assumptions regarding discount factors, salary and pension trends and life expectancies. Pensions and similar obligations may be subject to significant changes if these assumptions significantly deviate from actual trends due to changes in the market and economic environment.

The recognition and measurement of other accruals and contingent liabilities are highly dependent on the complexity of the underlying transaction as well as estimates. This requires assumptions regarding the probability of realisation and the value of the claim. This in turn depends on past experience, assessments of cost trends and the assessment of other information. Changes in these estimates may have a significant effect on results of operations.

Individual items have been summarised in the profit and loss account and the balance sheet. They are reported separately in the notes. The Group classifies assets and liabilities as current if they are expected to be realised or settled within twelve months of the balance sheet date.

7 RECOGNITION OF INCOME AND EXPENSES

The ordinary activities of the CEWE Group comprise photofinishing and other printing services and trading of photographic hardware as well as photofinishing products and services. CEWE mainly realises revenues from the sale of goods and does so only marginally from the provision of services. Any income associated with the Group's ordinary activities is presented as revenue in the profit and loss account. All other income is presented as other operating income (cf. C 27, page 121). Revenues are recognised on the basis of a five-step model. Amounts which are expected as consideration for the transfer of goods to or for the provision of services for a customer must thus be recognised as revenues. Turnover will be realised where (or once) the power of disposal over goods or services has been transferred to a customer, either over a period of time or at a point in time. Operating expenses are recognised in profit or loss upon use of the service or as of the time at which they are incurred. In principle, turnover-related expenses or accruals are measured as of the date of realisation of the corresponding revenues; this includes estimated amounts for rebates and discounts and other sales deductions. Interest income and expenses are recognised on an accrual basis.

8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised at cost and, in case of wear and tear, less scheduled straight-line depreciation. Production costs comprise all directly attributable costs as well as appropriate portions of the production-related overheads. Financing costs are capitalised. The profits or losses resulting from the write-off of the asset are calculated as the difference between the net disposal proceeds and the book value and are recognised in profit or loss as other operating income or expenses in the period in which this item is written off.

9 LEASE ACCOUNTING

For leases, as of initial recognition CEWE recognises a liability in the amount of the present value of the existing payment obligation, restated for lease payments reported as assets or liabilities. Variable lease payments only arise to a minor extent. The effective interest method is applied for subsequent accounting. For the present value calculation, discounting is implemented by means of a risk- and term-equivalent incremental borrowing rate of interest if it is not possible to determine the implicit interest rate. The short-term portion of the lease liability which is shown separately in the balance sheet is calculated by means of the repayment portion of the lease payments over the next twelve months.

CEWE measures all rights of use resulting from leases at amortised cost. Straight-line depreciation is recognised over the shorter of the lease term and the useful life of the identified asset. If events or changed circumstances point to the possibility of impairment, impairment testing will be implemented according to IAS 36.

Lease accounting is mainly influenced by the assessment of the term. All facts and circumstances which provide an economic incentive for the exercise of existing options are taken into consideration in order to determine the term of the lease. The assumed term therefore includes periods covered by extension options if the exercise of options can be assumed to be reasonably probable.

10 INVESTMENT PROPERTIES

Investment properties comprise land and buildings which are held in order to generate rental income or for capital appreciation and are not used for separate production, for delivery of goods or provision of services, for administrative purposes or for sale within the scope of ordinary activities.

As of their first-time measurement these assets are measured at amortised cost, including incidental costs. Within the scope of subsequent measurement, investment properties are recognised at amortised cost.

Investment properties are written off if they are sold or permanently no longer used and if no future economic benefit is expected as of their disposal. Profits or losses resulting from the shutdown or disposal of investment properties are recognised in the year of this shutdown or disposal.

Items of real estate are assigned to the portfolio of investment properties in case of a change of use involving the end of the Group's own use or the beginning of an operating lease as a landlord with another party.

11 GOODWILL

Goodwill does not undergo scheduled amortisation and is tested for impairment once a year. It is also tested whenever events occur which indicate potential impairment.

12 INTANGIBLE ASSETS

Intangible assets comprise industrial property rights and similar rights, software acquired for consideration, proprietary software, customer bases and lists, trademark rights and advance payments made on such assets. Acquired and proprietary intangible assets are capitalised subject to the conditions laid down in IAS 38 "Intangible Assets".

Intangible assets acquired for consideration are capitalised at cost, as are proprietary intangible assets which are expected to provide a future benefit for the Group and which can be reliably determined and measured. Both types of intangible assets undergo scheduled straight-line depreciation over their expected useful life. Production costs comprise all directly attributable costs as well as appropriate portions of the production-related overheads. Financing costs are not capitalised, since the Group does not have any assets which involve a protracted production/manufacturing phase. Other development costs are likewise not capitalised, since the conditions for capitalisation are not generally fulfilled. Intangible assets undergo impairment if the recoverable amount – the higher of the fair value less disposal costs and the asset's value in use – is less than the book value. Proprietary intangible assets mainly comprise new developments in the field of distribution- and production-specific software systems which can be used throughout the Group.

13 IMPAIRMENT

Average useful life in years

	Dec. 31, 2018	Dec. 31, 2019
Asset		
Customer base and customer lists	5	5
Software and other intangible assets	3 to 8	3 to 8
ERP software	5	5
Buildings	25 to 50	25 to 50
Machinery		
Adhesive binding equipment and machinery	8	8
Offset printing machines	8 to 10	8 to 10
Digital printing machines	4 to 6	4 to 7
Sorting systems	5 to 8	5 to 8
IT equipment	3 to 7	3 to 7
Motor vehicles	5	5
Office furniture	13	13

Average useful lives are determined on the basis of past experience of use of this asset, current and envisaged possibilities for its use and related technical development.

The book values of property, plant and equipment and intangible assets are tested for impairment on each balance sheet date. In case of any such indications, the recoverable amount of the asset is estimated in order to determine the scope of any impairment loss. The recoverable amount is determined for each individual asset, unless an asset results in cash inflows which are not largely independent of those of other assets or other groups of assets (cash-generating units). In this case, the calculation will be performed at the level of the cash-generating unit to which the respective asset has been assigned. The respective value will be assigned to the individual cash-generating units or to the smallest group of cash-generating units on an appropriate and consistent basis.

In case of intangible assets with indefinite useful lives or intangible assets which cannot be used yet, an impairment test is performed at least annually and in case of any indication of impairment. The recoverable amount is the higher of the fair value less disposal costs and the value in use.

For calculation of the value in use, the future cash flows resulting from continued use of the cash-generating units are discounted by a risk-adjusted interest rate. The cash flows are determined on the basis of the planning which has been approved by the Board of Management and is valid at the time of the impairment test. This planning is based on expectations of future market shares, growth on the respective markets and products' profitability. Cash flow forecasts beyond the detailed planning period are calculated on the basis of suitable growth rates. This includes both the current market assessment regarding the fair value of the money and the risks to which the respective asset is exposed, if these factors have not already been reflected in the estimate of the cash flows. Before taxes, the risk-adjusted interest rates used for discounting of cash flows amount to between 7.6 % and 13.3 % in the Photofinishing business unit, to between 8.2 % and 10.4 % in the Retail business unit and to 5.26 % in the Commercial Online Printing business unit. The risk-adjusted interest rate for the cash-generating units is based on the weighted average cost of capital (WACC). This is determined on the basis of the capital asset pricing model (CAPM), with due consideration of current market expectations. Specific peer group information for beta factors, capital structure data and the cost of borrowing are used to calculate the risk-adjusted interest rate for the purpose of the impairment test. Periods not included in the planning are reflected by means of a terminal value. Various sensitivity analyses are also performed. If the recoverable amount of an asset or a cash-generating unit falls below its book value, impairment is recognised in the amount of the difference. If the value in use is less than the book value, for the calculation of the recoverable amount the fair value less the disposal costs will also be determined. The impairment loss is immediately recognised in profit or loss. In the event of a recovery of the impairment loss, the book value of the asset or the cash-generating unit will be increased to the newly determined recoverable amount. However, the increased book value may not exceed the book value which would have been determined (less scheduled depreciation) if no impairment loss had been recognised in previous years. A recovery in value is immediately recognised in profit or loss.

Goodwill does not undergo any scheduled amortisation and is tested for impairment on the basis of the recoverable amount for the cash-generating unit to which it has been assigned. For this purpose, the goodwill acquired through a merger will be assigned to each individual cash-generating unit which is expected to realise synergies as a result of the merger. The maximum size of the respective cash-generating unit corresponds to the operating business unit which is included in internal reporting submitted to the main decision-making entity and thus reflects the internal reporting structure. The impairment test is performed at least once a year and also in case of any indication of impairment of the cash-generating unit.

In the event that the book value of the cash-generating unit to which this goodwill has been assigned exceeds its recoverable amount, amortisation will be recognised on this assigned goodwill in the value of the difference determined. Goodwill amortisation already recognised may not be reversed. If the difference determined for the cash-generating unit exceeds the book value of the assigned goodwill, the book values of the assets assigned to the cash-generating unit will undergo pro rata impairment in the value of the remaining impairment loss.

14 FINANCIAL ASSETS

Financial assets have been measured at fair value. CEWE reviews whether objective indications of impairment are applicable on each balance sheet date. Reinsurance policies included in financial assets are recognised at their actuarial present value. This does not involve plan assets.

15 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale comprise assets or groups of assets whose book values within the next twelve months are expected to be mainly realised through their disposal and not through their operational use. They are measured at the lower of their book value and their fair value less disposal costs. In the event of a subsequent increase in their fair value, a revaluation will be made in the value of the impairment recognised.

16 INVENTORIES

Inventories are recognised at cost. Manufacturing costs include individual material and production costs as well as pro rata material and production overheads. Administrative costs are included where attributable to production. Acquired inventory items are measured on the basis of the average value method, at the weighted average value. If the net disposal value is lower on the balance sheet date, this will be recognised. Inventories rarely used due to obsoleteness or technical progress are subject to marketability discounts. The Group does not have any long-term production orders.

17 PRIMARY FINANCIAL INSTRUMENTS

Primary financial instruments comprise financial assets (receivables, other assets, loans extended and cash and cash equivalents) as well as financial liabilities (interest-bearing financial liabilities, trade payables and other liabilities). They are accounted for and measured in accordance with the provisions of IFRS 9. A financial instrument is thus recognised if a consideration is provided in the form of cash and cash equivalents or financial assets. In principle, it will be recognised and written off at fair value, allowing for the transaction costs. Non-interest-bearing receivables and other assets are discounted if they are non-current. In accordance with IFRS 9, subsequent measurement will depend on the following categorisation of the financial instruments.

Financial assets
Financial interests recognised as financial assets are measured at fair value, with changes in value recognised in other comprehensive income.

In principle, loans and receivables not quoted on an active market are measured at amortised cost. This includes non-current financial receivables, trade receivables and other current financial receivables and assets. In case of any doubt regarding the collectability of individual receivables, they will be recognised at the lower realisable amount. Objective defaults will result in a write-off of the relevant receivable. Otherwise, receivables are measured according to the expected loss method. Foreign-currency receivables are translated at the exchange rate as of the reporting date.

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

Financial liabilities
Financial liabilities regularly establish an obligation for delivery in the form of cash and cash equivalents or another financial asset. This includes, in particular, trade payables, amounts owed to credit institutions, derivative financial liabilities and other financial liabilities.

Financial liabilities are measured at amortised cost.

18 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments such as interest rate and foreign currency options, interest rate swaps, combined interest rate and foreign currency swaps and commodities futures transactions for hedging of exchange rate, interest rate and commodity price risks are used within narrowly defined limits. In accordance with the Group's risk management principles, no derivative financial instruments are held for trading purposes. Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently at their market value. Profit and loss are recognised on the basis of the type of position to be hedged. Recognised measurement models are used in order to determine the market value. Derivatives for which no hedge accounting is applied are recognised at fair value.

19 DEFERRED TAXES

In accordance with IAS 12, deferred tax assets and liabilities are established for any temporary discrepancies in terms of assets and liabilities in the tax and IFRS balance sheets, for tax credits and loss carry-forwards and for consolidation measures recognised in profit or loss. The national tax rates applicable as of the balance sheet date or applicable in future will be used for calculation purposes. The effect of changes in tax rates on deferred taxes is recognised as of the respective change in the law coming into effect. Deferred tax assets resulting from loss carry-forwards are only included insofar as their realisation is sufficiently concrete and probable. In principle, changes in deferred taxes recognised in the balance sheet will result in deferred tax expenses or income. Insofar as items resulting in changes to deferred taxes are directly entered against equity, the change in deferred taxes will also be directly recognised in equity.

Deferred tax liabilities are shown within the scope of accruals. They are calculated on the basis of the standard international balance sheet-based liability method and show the tax effects resulting from the valuation differences between the tax balance sheets of the individual companies and the consolidated financial statements. Neither deferred tax assets nor deferred tax liabilities are discounted.

The deferral amounts are calculated at the tax rates which may currently be expected in case of a reversal of the temporary differences.

Deferred tax receivables and liabilities will be netted if they apply in relation to the same tax authority.

Average tax rates for calculation of deferred taxes in %

	2018	2019
Belgium	29.58	29.00
Czech Republic	19.00	19.00
Denmark	22.00	22.00
France	28.00	28.00
Germany	30.88	30.88
Hungary	9.00	9.00
Netherlands	25.00	25.00
Norway	23.00	22.00
Poland	19.00	19.00
Slovak Republic	21.00	21.00
Sweden	22.00	21.40
Switzerland	25.00	25.00
United Kingdom	17.00	17.00
USA	21.00	21.00

20 EQUITY

Subscribed capital is recognised within equity at its nominal value. The premium resulting from the first-time share issue is measured as a capital reserve on the basis of the difference between the nominal value of the ordinary bearer shares issued and the realised issue amount.

The subscribed capital and the capital reserve relate to CEWE Stiftung & Co. KGaA, Oldenburg, and are recognised as if held by this company. Through the treasury shares item deducted from equity on the face of the balance sheet, treasury shares are reported as a deduction at the value of their full, original acquisition costs and incidental acquisition costs at the time of their buyback (see item D 52, page 142). Retained earnings and unappropriated profits are determined by law and in accordance with the articles of association of CEWE Stiftung & Co. KGaA, Oldenburg, and are reported at nominal value. As well as earnings calculated according to provisions of commercial law, these items include the discrepancies in relation to IFRS accounting standards. Effects resulting from fair value measurement of equity instruments, fair value measurement of hedging transactions and stock option plans (see item D 50, page 139) are also shown, as are the currency translation differences recognised directly in equity and actuarial gains and losses. The change in hidden reserves recognised within the scope of successive share purchases is apportioned to retained earnings.

21 PENSION COMMITMENTS

Pension accruals are calculated in accordance with the actuarial projected unit credit method prescribed in IAS 19 rev. 2011 for defined-benefit pension obligations. The future obligation is discounted to its present value on the basis of the vested rights acquired up to the balance sheet date, while allowing for additional parameters. Discrepancies between estimates made and actual trends and changes in actuarial assumptions will result in actuarial gains and losses. These will be directly recognised in equity in the year of their occurrence. The current service cost and the interest expenses included in pension expenses are recognised in personnel expenses.

These figures only refer to the group of employees entitled to pensions for which a pension liability must be carried.

The biometric probabilities are calculated according to the current “Heubeck reference tables 2018 G” or similar foreign mortality tables. Reinsurance policies have been concluded to a minor extent for some of the reported pension commitments. Pension commitments in France are covered by plan assets which may be used to settle the Group’s pension obligations in that country.

22 ACCRUALS

Accruals are established insofar as a legal or constructive obligation has resulted from a past event. This is subject to the requirement that this obligation is expected to lead to a future outflow of assets which can be reliably estimated. In case of a level of probability which is greater than 50 %, the respective item will be recognised on the basis of the settlement amount with the highest possible probability of realisation. Accruals for obligations which are not expected to already result in an outflow in the following year are recognised in the amount of the present value of the expected outflow, if such accruals are significant. The discount rates correspond to the normal capital market rates. The value of the accruals is reviewed on each balance sheet date.

23 SHARE-BASED PAYMENT

IFRS 2 is complied with in respect of the balance-sheet treatment of stock option plans. The fair value of the options as of the grant date is determined upon the basis of market prices (prices of Deutsche Börse AG, Frankfurt) with consideration of the terms of issue as well as generally recognised valuation techniques for financial instruments. The exercise price, the respective term, the current market value of the option instrument (the CEWE share), the expected level of volatility for the market price, the expected dividends on the shares and the risk-free interest rate for the terms of the options are included for the purpose of this valuation. Moreover, as specific requirements for the exercise of the option the beneficiaries comply with the necessary waiting period (lockup period) and, where applicable, exercise the option as early as possible. In the following financial reporting, the determined value of the stock options is apportioned to the term as expense, with consideration of the assumed service period and the level of fluctuation in the beneficiaries. Option premiums received within the scope of the options issued are recognised in retained earnings.

24 RESEARCH AND NON-CAPITALISABLE DEVELOPMENT COSTS

Research and non-capitalisable development costs are recognised in profit or loss at the time of their occurrence.

25 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities are liabilities resulting from a possible obligation on account of a past event and whose existence depends on the occurrence or non-occurrence of one or more uncertain future events over which the company lacks complete control. Contingent liabilities may also result from a present obligation which is attributable to past events but has not been recognised in the balance sheet because

- the outflow of resources providing an economic benefit upon fulfilment of this obligation is not probable or
- the value of this obligation cannot be estimated sufficiently reliably.

If the outflow of resources providing an economic benefit for the company is not probable, no contingent liability will be disclosed.

Contingent assets are not shown in the balance sheet and will only be indicated if the accrual of an economic benefit is probable. They include possible assets which result from past events and whose existence on account of the occurrence or non-occurrence of uncertain future events – over which the company lacks complete control – is yet to be confirmed.

C. COMMENTS ON THE PROFIT AND LOSS ACCOUNT

26 REVENUES

Revenues by business unit in thousands of euros

	2018	Share	2019	Share
Revenues Photofinishing	499,027	76.9	567,991	79.5
Change on previous year (as %)	*8,6*		*13,8*	
Revenues Retail	48,669	7.5	43,673	6.1
Change on previous year (as %)	*–8,2*		*–10,3*	
Revenues Commercial Online Printing	101,629	15.6	103,230	14.4
Change on previous year (as %)	*0,0*		*1,6*	
Total revenues	**649,325**	**100.0**	**714,894**	**100.0**

Turnover largely results from sales of CEWE products and is therefore shown by business unit in the above table and includes the turnover from the Other Activities business unit (excl. futalis).

The breakdown of turnover by geographical region is as follows. Turnover realised with external customers has been allocated on the basis of the geographical location of the customer's business activities.

Turnover by geographical region in thousands of euros

	2018	2019
Germany	343,109	380,592
Other countries	306,216	334,302
Total	**649,325**	**714,894**

Turnover with business partners is shown net of any sales deductions. Retrospectively applicable discounts are frequently agreed here which are based upon the overall turnover within a given period. The proceeds from these sales are recognised at the price stated in the contract, less the agreed discounts. A reimbursement liability (reported under trade payables) is recognised for discounts which are expected to be payable to the customer for sales completed up to the end of the reporting period. Sales via mail-order shipping are recognised in Photofinishing and Commercial Online Printing, mainly on the basis of prepayment. The retail stores operated by CEWE sell photographic hardware as well as photofinishing products. Payment of the transaction price is due immediately upon the customer's purchase of the product and acceptance of delivery in the retail store. Other revenues which have not resulted from the delivery or provision of typical goods, merchandise and services (the ordinary activities of the CEWE Group) are shown as other operating income. As of the reporting date, there are no contracts where the period between the transfer of the promised asset or services to the customer and the payments made by the customer is greater than one year. Accordingly, the promised consideration has not been restated on the basis of the time value of money.

27 OTHER OPERATING INCOME

Other operating income in thousands of euros

	2018	2019
Other revenues from sales to third parties	5,304	4,292
Income from pass-through expenses	4,646	3,477
Rental income	2,387	2,393
Income from the reversal of accruals	3,018	2,369
Income from currency translation	1,234	1,452
Reimbursement of costs own personnel	1,173	1,139
Income from the receipt of impaired receivables	402	916
Income from default charges	654	577
Income from insurance indemnification	97	268
Additional other operating income	6,113	5,195
Total other operating income	**25,028**	**22,078**

Other revenues from sales to third parties comprise revenues from sales of aluminium from the resale of the printing plates used in offset printing and revenue from the sale of property, plant and equipment.

In particular, income from pass-through expenses includes passed-on charges for sales aids, advertising services and logistics and other transport services.

Income from the release of accruals comprises various individual items within the scope of ordinary activities. Accruals are reversed if, in view of the circumstances prevailing as of the balance sheet date, they are no longer expected to be used or are only expected to be used to a marginal degree.

Income from currency translation mainly comprises profits resulting from exchange rate changes between the time of accrual and the time of payment or from measurement of monetary items at the exchange rate as of the reporting date. Exchange rate losses resulting from such transactions are shown under other operating expenses (see item C 30, page 123).

The additional other operating income includes non-period income as well as additional positions not allocable to other items referred to in the notes.

28 COST OF MATERIALS

Cost of materials in thousands of euros

	2018	2019
Expenses for raw materials and supplies and for purchased merchandise	– 150,762	– 157,200
Expenses for purchased services	– 26,301	– 28,269
Total cost of materials	**– 177,063**	**– 185,469**

Expenses for raw materials and supplies and for purchased merchandise comprise, in particular, supplies of photographic paper, photo bags, chemicals and other packaging in the Photofinishing business unit, while in the Commercial Online Printing business unit expenses are mainly reported for printing plates, paper and freight costs. For the Retail business unit, this item comprises supplies of merchandise.

Expenses for purchased services include third-party work in the Photofinishing and Commercial Online Printing business units.

29 PERSONNEL EXPENSES

Personnel expenses in thousands of euros

	2018[1]	2019
Wages and salaries	– 144,687	– 160,613
Social security contributions	– 28,439	– 31,018
Expenses for pensions and support	– 2,715	– 3,207
Total personnel expenses	**– 175,841**	**– 194,838**

1 The reference figures have been restated (cf. comments in section A).

Employees number of

	2018	2019
Non-manual employees	2,325	2,440
Manual employees	1,424	1,497
Total employees	**3,749**	**3,937**

Employees by business unit number of

	2018	2019
Photofinishing	2,468	2,677
Retail	512	509
Commercial Online Printing	706	692
Other Activities	63	59
Total employees	**3,749**	**3,937**

The above figures are annual averages. As of December 31, 2019, the Group had a total of 4,198 employees (December 31, 2018: 4,030 employees).

Wages paid to manual workers amount to 56,590 thousand euros (previous year: 52,028 thousand euros), while salaries of non-manual employees amount to 104,023 thousand euros (previous year: 92,658 thousand euros).

The personnel expenses include restructuring costs in the amount of 2,589 thousand euros for the transfer of LASERLINE's location.

Expenses for pensions and support mainly comprise allocations to pension accruals; pension accruals for members of the executive bodies of the general and managing partner Neumüller CEWE COLOR Stiftung, Oldenburg, have increased/decreased by 4,298 thousand euros (previous year: increase of 1,996 thousand euros). Please also see the comments regarding non-current accruals for pensions (see item D 54, pages 144 ff.).

Initial measurement of the stock option plans is on the basis of the parameters outlined in the following table:

Parameters for stock option plans

		2015	2016	2017	2019
Fair value	in thousands of euros	948	1,924	1,856	357
Other personnel expenses p. a.	in thousands of euros	237	481	464	89
End of lockup period		Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2023
Performance target	as % of underlying price	120	125	125	125
Exit rate	in %	3.00	3.00	3.00	3.00
Risk-free interest rate	in %	– 0.04	– 0.52	– 0.20	– 0.70
Historical volatility	in %	28.42	27.99	28.17	27.90

The fair values resulting from the initial measurement of the stock option plans (IFRS 2.10 ff.) are accrued pro rata temporis up to the end of the relevant lockup period and recognised as "other personnel expenses". Reserves are entered for them in equity. On the structure of the stock option plans, we refer to the comments regarding the Group's equity (see item D 50, page 139). A Monte Carlo simulation has been used for these measurements. A log-normal distribution-based process has been simulated for the price of the CEWE share so as to map the performance target in the form of an increase in the average closing price on the underlying price on ten consecutive trading days.

The simulations also included the possibility of early exercise – with due consideration of the respective exercise windows – and also the beneficiaries' early exercise behaviour, in line with a modified version of the approach proposed by Hull and White. The simulation assumed that, upon expiry of the lockup period, every year through a percentage exit rate stock options are exercised immediately upon this becoming possible due to the beneficiary leaving the company. A risk-free interest rate was assumed for the period up to the key date of December 30 of the relevant year. The calculation used discrete dividends; publicly available estimates were used as the basis for calculation. Finally, the historical level of volatility was considered and recognised for December 30 of the current year. The Group did not make any direct support payments.

30 OTHER OPERATING EXPENSES

Other operating expenses in thousands of euros

	2018	2019
Selling expenses	– 139,550	– 158,817
Administrative expenses	– 31,101	– 35,228
Costs of premises	– 20,028	– 12,254
Operating costs	– 10,761	– 10,505
Motor vehicle costs	– 3,623	– 2,280
Depreciation and valuation adjustments for current assets	– 2,584	– 2,375
Currency translation expenses	– 1,541	– 2,127
Additional operating expenses	– 17,662	– 19,688
Total other operating expenses	**– 226,850**	**– 243,274**

Selling expenses comprise, in particular, transport service expenses, shipping costs for branch and mail-order business in the Photofinishing business unit and marketing expenses. Valuation adjustments on current assets mainly comprise individual valuation adjustments on receivables (2019: 1,360 thousand euros, 2018: 1,886 thousand euros), which have resulted from an assessment of the loss of future returns.

The indicated exchange rate losses mainly comprise currency losses resulting from exchange rate changes between the time of accrual and the time of payment and from measurement at the exchange rate as of the reporting date. Exchange rate gains resulting from such transactions are shown under other operating income (see item C 27, page 121).

In the year under review, as well as the costs of external services and personnel in the amount of 4,001 thousand euros (previous year: 3,837 thousand euros), other operating expenses include losses from the disposal of fixed assets in the amount of 634 thousand euros (previous year: 1,077 thousand euros) and restructuring costs in the amount of 240 thousand euros (previous year: 0 thousand euros).

Auditor's fees in thousands of euros

	2018	2019
Audit services for financial statements	272	309
Other confirmation services	71	103
Other services	3	0
Total	**346**	**412**

The fees for auditing of financial statements mainly comprise payments for the audit of the consolidated financial statements and the separate financial statements of CEWE Stiftung & Co. KGaA, Oldenburg, and its German subsidiaries. The fees for other confirmation services relate to the auditor's review of the quarterly financial statements and of the summarised non-financial declaration.

31 AMORTISATION OF INTANGIBLE ASSETS, DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

The breakdown of depreciation and amortisation and non-scheduled depreciation and amortisation is shown in the analysis of fixed assets. No non-scheduled goodwill amortisation was recognised in the financial year 2019 or in the previous year.

32 FINANCIAL INCOME AND FINANCIAL EXPENSES

Financial income/financial expenses in thousands of euros

	2018	2019
Income from equity investments	57	5
Other interest and similar income	626	68
Financial income	**683**	**73**
Interest and similar expenses	–1,082	–2,793
Interest expenses resulting from lease liabilities	0	–863
Financial expenses	**–1,082**	**–3,656**

Other interest and income include income recognisable in profit or loss from the fair value measurement of derivatives in the amount of 0 thousand euros (previous year: 18 thousand euros). Interest and similar expenses include expenses recognisable in profit or loss from the fair value measurement of put options in the amount of 2,433 thousand euros (previous year: 0 thousand euros).

33 INCOME TAXES

Current and deferred expenses for income taxes in thousands of euros

	2018	2019
Current German taxes [1]	–18,465	–20,943
Current foreign taxes [2]	–1,723	–2,096
Current total taxes	**–20,188**	**–23,039**
Deferred German taxes	–49	989
Deferred foreign taxes	3,212	497
Deferred total taxes	**3,163**	**1,486**
Total income taxes	**–17,025**	**–21,553**
[1] of which not relating to the period – Germany	236	298
[2] of which not relating to the period – other countries	141	–236

In Germany, income taxes include corporate income tax plus the solidarity surcharge and trade tax. In other countries, this item comprises similar income taxes of the subsidiaries.

No significant effects have resulted from tax rate changes or from the introduction of new German or foreign taxes.

The volume of income tax expenses shown can be calculated on the basis of the expected income tax expenses as follows:

Reconciliation of income tax expenses in thousands of euros

	2018	2019
Earnings before taxes	55,270	54,252
Theoretical tax rate (as %)	30,0	30,0
Expected income tax expenses	16,581	16,276
Increase/reduction of income tax burden due to:		
Deviation resulting from application of local tax rate	- 449	72
Deviation resulting from different assessment bases		
– Tax-free income (–)	- 494	- 184
– Other tax additions and deductions	565	854
– Non-deductible expenses (+)	868	980
– Depreciation of items not deductible for tax purposes	1,058	216
Recognition and measurement of deferred taxes		
– Non-recognition of deferred tax assets on loss carry-forwards	1,547	4,376
– Revaluation/subsequent recognition of deferred taxes	- 2,244	- 729
Non-period effects		
– Use of loss carry-forwards not reported in the balance sheet (–)	- 580	- 534
– Other non-period effects	363	- 267
Other effects	- 190	493
Income tax expenses shown	**17,025**	**21,553**

For the overall income tax burden, a theoretical tax rate of 30.0 % (previous year: 30.0 %) is assumed. This comprises a tax rate of 15.0 % for corporate income tax (previous year: 15.0 %), 5.5 % for the solidarity surcharge levied on the corporate income tax liability (previous year: 5.5 %) and a lump-sum average of approx. 14.0 % for trade tax (previous year: 14.0 %) plus marginal rounding-off.

Deferred tax assets and liabilities shown in the balance sheet resulted for discrepancies in value for the following balance sheet positions and for loss carry-forwards:

Classification of deferred taxes items in thousands of euros

	Dec. 31, 2018		**Dec. 31, 2019**	
	Deferred tax assets	Deferred tax liabilities	**Deferred tax assets**	**Deferred tax liabilities**
Loss carry-forwards and tax credits	5,489	—	6,889	
Property, plant and equipment	1,344	- 1,336	533	- 6,844
Intangible assets	720	- 4,008	685	- 4,950
Inventories	393	- 2	373	- 2
Receivables and other assets	447	- 200	421	- 266
Special item for investment grants (investment subsidies)	89	- 58	88	- 120
Pension accruals	5,772		7,519	
Other accruals	459	- 303	594	- 315
Financial liabilities			4,153	
Other liabilities	604	—	1,993	
Deferred income and accrued expenses	—	- 66		- 48
Deferred taxes on temporary differences	**15,317**	**- 5,973**	**23,248**	**- 12,545**
Netting	**- 3,028**	**3,028**	**- 9,045**	**9,045**
Balance sheet item	**12,289**	**- 2,945**	**14,203**	**- 3,500**

In the past financial year and the previous year, with the exception of a portion of the deferred tax assets any changes in deferred tax assets and liabilities were measured in profit and loss in the pension accruals item. In the past financial year, the change in deferred tax assets not affecting net income amounted to –1,411 thousand euros (previous year: – 295 thousand euros) for the pension accruals.

The total amount carried forward for tax losses not yet used is 67,649 thousand euros (previous year: 56,207 thousand euros) and mainly relates to CEWE's subsidiary in France. Deferred tax assets have been reported in the balance sheet for tax loss carry-forwards in the total amount of 27,338 thousand euros (previous year: 20,777 thousand euros). For the capitalisation of deferred taxes on loss carry-forwards, future realisability is key. This mainly depends on future taxable profits in periods in which tax loss carry-forwards can be claimed. For the purpose of capitalisation, profit expectations are assumed which are considered to be probable. On the basis of the approved budgets and business plans, CEWE assumes that the deferred tax assets are realisable while applying the estimated future taxable income. Of these loss carryforwards, 67,511 thousand euros (previous year: 56,069 thousand euros) may be carried forward without any limit. The remaining loss carry-forwards may be carried forward until 2023 at the latest.

Total income tax expense recognised in equity in thousands of euros

	2018	2019
Income tax expense recognised in profit and loss account	– 17,025	– 21,553
Tax expense directly recognised in equity	295	1,411
Total income tax expense recognised in equity	**– 16,730**	**– 20,142**

34 EARNINGS PER SHARE

Earnings per share from continuing operations

		2018	2019
Earnings after taxes	in thousands of euros	38,245	32,699
Weighted average number of shares, undiluted	in units	7,166,540	7,208,133
Undiluted earnings per share	**in euros**	**5.34**	**4.54**
Consolidated profits after minority interests	in thousands of euros	38,245	32,699
Weighted average number of shares, diluted	in units	7,166,540	7,208,133
Diluting effect of stock options issued	in thousands of euros	81,175	58,785
Diluted earnings per share	**in euros**	**5.28**	**4.50**

Earnings per share from discontinued operations

		2018	2019
Earnings from discontinued operations	in thousands of euros	– 1,949	– 881
Weighted average number of shares, undiluted	in units	7,166,540	7,208,133
Undiluted earnings per share	**in euros**	**– 0.27**	**– 0.12**
Consolidated profits after minority interests	in thousands of euros	– 1,949	– 881
Weighted average number of shares, diluted	in units	7,166,540	7,208,133
Diluting effect of stock options issued	in thousands of euros	81,175	58,785
Diluted earnings per share	**in euros**	**– 0.27**	**– 0.12**

Group earnings per share

		2018	2019
Earnings after taxes	in thousands of euros	36,296	31,818
Weighted average number of shares, undiluted	in units	7,166,540	7,208,133
Undiluted earnings per share	**in euros**	**5.06**	**4.41**
Consolidated profits after minority interests	in thousands of euros	36,296	31,818
Weighted average number of shares, diluted	in units	7,166,540	7,208,133
Diluting effect of stock options issued	in thousands of euros	81,175	58,785
Diluted earnings per share	**in euros**	**5.01**	**4.38**

Undiluted earnings per share are calculated as the ratio of earnings after taxes and the weighted average number of shares outstanding during the financial year less treasury shares.

For purposes of comparison, diluted earnings per share as of December 31, 2019 have been indicated. Treasury shares are not included in the calculation of diluted earnings per share.

D. COMMENTS ON THE BALANCE SHEET

TOTAL FIXED ASSETS OF CEWE STIFTUNG & CO. KGAA

Development in 2019 in thousands of euros

	Property, plant and equipment	Investment properties	Goodwill	Intangible assets	Non-current financial assets	Total
Acquisition and production costs						
As of Jan. 1	**416,395**	**32,344**	**102,106**	**132,996**	**7,412**	**691,253**
Correction of amount carried forward	70,093	–	–	–	–	70,093
Changes to the scope of consolidation	1,334	–	18,040	14,739	–	34,113
Currency translation adjustments	771	–	–	74	–	845
Additions	39,960	56	–	7,409	1,756	49,181
Disposals	–11,871	–	–	–893	–3,032	–15,796
Transfers	–1,810	–	–	–5,402	–	–7,212
As of Dec. 31	**514,872**	**32,400**	**120,146**	**148,923**	**6,136**	**822,477**
Depreciation						
As of Jan. 1	**256,153**	**14,701**	**42,388**	**104,507**	**557**	**418,306**
Correction of amount carried forward	453	–	–	–	–	453
Changes to the scope of consolidation	60	–	–	–	–	60
Currency translation adjustments	608	–	–	90	–	698
Scheduled additions	44,368	459	–	9,919	–	54,746
Non-scheduled additions	686	–	–	1,535	–	2,221
Disposals	–8,233	–	–	–880	–	–9,113
Transfers	–353	–	–	–5,240	–	–5,593
As of Dec. 31	**293,742**	**15,160**	**42,388**	**109,931**	**557**	**461,778**
Book value on Dec. 31	**221,130**	**17,240**	**77,758**	**38,992**	**5,579**	**360,699**

Development in 2018 in thousands of euros

	Property, plant and equipment	Investment properties	Goodwill	Intangible assets	Non-current financial assets	**Total**
Acquisition and production costs						
As of Jan. 1	**390,685**	**32,103**	**68,227**	**112,216**	**7,386**	**610,617**
Changes to the scope of consolidation	3,248	–	33,879	17,176	1	54,304
Currency translation adjustments	-680	–	–	-183	–	-863
Additions	43,366	319	–	5,873	1,519	51,077
Disposals	-20,456	–	–	-2,119	-1,494	-24,069
Transfers	232	-78	–	33	–	187
As of Dec. 31	**416,395**	**32,344**	**102,106**	**132,996**	**7,412**	**691,253**
Depreciation						
As of Jan. 1	**242,572**	**14,243**	**42,388**	**98,129**	**557**	**397,889**
Changes to the scope of consolidation	–	–	–	–	–	–
Currency translation adjustments	-474	–	–	-157	–	-631
Scheduled additions	30,980	461	–	8,550	–	39,991
Non-scheduled additions	169	–	–	56	–	225
Disposals	-17,097	–	–	-2,071	–	-19,168
As of Dec. 31	**256,153**	**14,701**	**42,388**	**104,507**	**557**	**418,306**
Book value on Dec. 31	**160,242**	**17,643**	**59,718**	**28,489**	**6,855**	**272,947**

35 PROPERTY, PLANT AND EQUIPMENT

On the development of the fixed assets, please see the attached analysis of fixed assets. The scheduled depreciations indicated here and the non-scheduled depreciations of fixed assets are shown in the profit and loss account under amortisation of intangible assets and depreciation of property, plant and equipment. On the basis of impairment tests, non-scheduled depreciation on equipment with limited usability for technical reasons has been recognised in the amount of 520 thousand euros (previous year: 169 thousand euros). Depreciation in the amount of 686 thousand euros has been recognised in connection with the restructuring of LASERLINE. This includes non-scheduled depreciation due to scrapping as well as increased depreciation on account of reductions in the remaining useful lives in the amount of 686 thousand euros.

The book value of property, plant and equipment used only temporarily is of lesser importance. The same applies for property, plant and equipment which is definitively no longer used. It is assumed that the fair value of property, plant and equipment does not significantly deviate from its book value. The Group does not have any pledged property, plant and equipment. Obligations for the purchase of property, plant and equipment (commitments) amount to 3,309 thousand euros (previous year: 643 thousand euros).

Development of property, plant and equipment in 2019 in thousands of euros

	Land, leasehold rights and buildings, incl. buildings on third-party land	Technical equipment and machinery	Other equipment, furniture and fixtures	Advance payments and assets under construction	**Total**
Acquisition and production costs					
As of Jan. 1	**85,539**	**241,188**	**83,213**	**6,455**	**416,395**
Correction of amount carried forward	65,919	1,643	2,531	–	70,093
Changes to the scope of consolidation	18	1,121	195	–	1,334
Currency translation adjustments	160	348	262	1	771
Additions	9,084	17,929	10,384	2,563	39,960
Disposals	-3,427	-6,731	-1,710	-3	-11,871
Transfers	-143	4,550	27	-6,244	-1,810
As of Dec. 31	**157,150**	**260,048**	**94,902**	**2,772**	**514,872**
Depreciation					
As of Jan. 1	**28,803**	**163,232**	**64,118**	**–**	**256,153**
Correction of amount carried forward	–	299	154	–	453
Changes to the scope of consolidation	–	45	15	–	60
Currency translation adjustments	84	304	220	–	608
Scheduled additions	11,681	22,360	10,327	–	44,368
Non-scheduled additions	105	520	61	–	686
Disposals	-221	-6,431	-1,581	–	-8,233
Transfers	-96	-153	-104	–	-353
As of Dec. 31	**40,356**	**180,176**	**73,210**	**–**	**293,742**
Book value on Dec. 31	**116,794**	**79,872**	**21,692**	**2,772**	**221,130**

Development of property, plant and equipment in 2018 in thousands of euros

	Land, leasehold rights and buildings, incl. buildings on third-party land	Technical equipment and machinery	Other equipment, furniture and fixtures	Advance payments and assets under construction	**Total**
Acquisition and production costs					
As of Jan. 1	**76,817**	**225,944**	**81,322**	**6,602**	**390,685**
Changes to the scope of consolidation	171	2,568	509	–	3,248
Currency translation adjustments	-185	-239	-253	-3	-680
Additions	6,236	22,919	7,873	6,338	43,366
Disposals	-368	-13,413	-6,675	–	-20,456
Transfers	2,868	3,409	437	-6,482	232
As of Dec. 31	**85,539**	**241,188**	**83,213**	**6,455**	**416,395**
Depreciation					
As of Jan. 1	**26,472**	**153,898**	**62,202**	**–**	**242,572**
Currency translation adjustments	-75	-205	-194	–	-474
Scheduled additions	2,429	20,248	8,303	–	30,980
Non-scheduled additions	–	61	108	–	169
Disposals	-26	-10,770	-6,301	–	-17,097
Transfers	3	–	–	–	3
As of Dec. 31	**28,803**	**163,232**	**64,118**	**–**	**256,153**
Book value on Dec. 31	**56,736**	**77,956**	**19,095**	**6,455**	**160,242**

As of December 31, 2019, property, plant and equipment include the following amounts where the Group was a lessee according to IFRS 16:

Additions, depreciation and other changes to leased property, plant and equipment 2019 in thousands of euros

	Land, leasehold rights and buildings, incl. buildings on third-party land	Technical equipment and machinery	Other equipment, furniture and fixtures	Advance payments and assets under construction	Total
Acquisition costs					
As of Jan. 1	**65,919**	**1,413**	**2,393**	**–**	**69,725**
Currency translation adjustments	–	12	–	–	12
Additions	5,300	266	2,564	–	8,130
Disposals	-3,425	-22	-423	–	-3,870
Transfers	-184	–	–	–	-184
As of Dec. 31	**67,610**	**1,669**	**4,534**	**–**	**73,813**
Depreciation					
As of Jan. 1	**–**	**–**	**–**	**–**	**–**
Currency translation adjustments	22	12	-1	–	33
Scheduled additions	9,183	450	2,204	–	11,837
Disposals	-220	-22	-375	–	-617
Transfers	-92	–	–	–	-92
As of Dec. 31	**8,893**	**440**	**1,828**	**–**	**11,161**
Book value on Dec. 31	**58,717**	**1,229**	**2,706**	**–**	**62,653**

Breakdown of property, plant and equipment owned and leased in 2019
in thousands of euros

	Land, leasehold rights and buildings, incl. buildings on third-party land	Technical equipment and machinery	Other equipment, furniture and fixtures	Advance payments and assets under construction	Total
Owned property, plant and equipment	58,077	78,643	18,986	2,772	158,478
Leased property, plant and equipment	58,717	1,229	2,706	–	62,652
Book value on Dec. 31, 2019	**116,794**	**79,872**	**21,692**	**2,772**	**221,130**

The following amounts have arisen for leasing activities during the reporting period:

in thousands of euros

	Amount
Expenses for current lease liabilities	1,006
Expenses for lease liabilities relating to low-value assets	151
Expenses for variable lease payments not included in the measurement of lease liabilities	150
Cash and cash equivalents outflows for leases as part of cash flow from operating activities	1,307
Cash and cash equivalents outflows for repayments of lease liabilities	9,537
Cash and cash equivalents outflows for interest in connection with lease liabilities	863

Borrowing costs capitalised in the period amount to 0 thousand euros (previous year: 8 thousand euros).

Intragroup deliveries and services (e.g. digital printing machines, CEWE PHOTOSTATIONS, etc.) are calculated on the basis of market prices and also on the basis of transfer prices determined according to the arm's length principle. Fixed assets resulting from intragroup deliveries are adjusted for interim results. For consolidation measures recognised in profit or loss, the income tax effects are considered and deferred taxes are recognised accordingly.

Reclassification of fixed assets to "Assets classified as held for sale" in thousands of euros

	Acquisition and production costs reconciliation	Depreciation reclassification	Dec. 31, 2019
I. Property, plant and equipmen			
1. Land, leasehold rights and buildings, incl. buildings on third-party land	−193	96	−97
2. Technical equipment and machinery	−1,493	162	−1,331
3. Other equipment, furniture and fixtures	−210	95	−115
4. Advance payments and assets under construction	38	0	38
II. Intangible assets			
1. Purchased software	−2,819	2,753	−66
2. Proprietary intangible assets	−124	76	−48
3. Customer base and trademark rights	−2,411	2,411	0
	−7,212	**5,593**	**−1,619**

36 INVESTMENT PROPERTIES

Investment properties comprise commercial properties in Bad Schwartau and Berlin as well as the parts of the Dresden production plant site which are leased to third parties and are no longer used by the Group. In accordance with IAS 40, these buildings no longer used by the Group are measured at amortised cost. The underlying expected useful lives for scheduled straight-line depreciation are between 25 and 50 years. Additions in the financial year consist of subsequent acquisition costs in the amount of 55 thousand euros (previous year: 231 thousand euros) and the leased part of the Dresden production plant site in the amount of 1 thousand euros (previous year: 89 thousand euros). In the financial year, rent income amounted to 1,875 thousand euros (previous year: 1,850 thousand euros). Including depreciation, maintenance and incidental costs, expenses for the leased properties amounted to 1,680 thousand euros (previous year: 1,663 thousand euros).

The fair value of these investment properties is 20,021 thousand euros (previous year: 19,785 thousand euros). In principle, the fair value is calculated at Level 3 (of the fair value hierarchy levels according to IFRS 13). The fair value as of the balance sheet date has been calculated on the basis of an opinion prepared by external, independent real estate experts in 2017. The expert who provided this assessment has relevant professional qualifications and current experience in relation to the location and type of the assessed real estate. For calculation of the fair value as of the balance sheet date, the calculation provided in this opinion has been internally restated in line with the current circumstances.

Development of investment properties in thousands of euros

	2018	2019
Acquisition and production costs		
As of Jan. 1	**32,103**	**32,344**
Additions	319	56
Transfers	−78	–
As of Dec. 31	**32,344**	**32,400**
Depreciation		
As of Jan. 1	**14,243**	**14,701**
Scheduled additions	461	459
Transfers	−3	–
As of Dec. 31	**14,701**	**15,160**
Book value on Dec. 31	**17,643**	**17,240**

37 GOODWILL

Goodwill results from the acquisition of businesses. The figures for each business unit have developed as follows:

Development of goodwill in 2019 in thousands of euros

	Photofinishing	Retail	Commercial Online Printing	Total
Acquisition and production costs				
As of Jan. 1	**37,194**	**366**	**22,158**	**59,718**
Additions	18,040	–	–	18,040
As of Dec. 31	**55,234**	**366**	**22,158**	**77,758**

Development of goodwill in 2018 in thousands of euros

	Photofinishing	Retail	Commercial Online Printing	Total
Acquisition and production costs				
As of Jan. 1	**5,996**	**366**	**19,477**	**25,839**
Changes to the scope of consolidation	31,198	–	2,681	33,879
As of Dec. 31	**37,194**	**366**	**22,158**	**59,718**

For the CEWE Group, key items of goodwill have been assigned to the following business units as of the balance sheet date:

Business unit and cash-generating unit in thousands of euros

	Dec. 31, 2018	Dec. 31, 2019
Commercial Online Printing SAXOPRINT	17,809	17,809
Commercial Online Printing LASERLINE	2,680	2,680
Commercial Online Printing viaprinto	1,668	1,668
Photofinishing Cheerz	31,198	31,198
Photofinishing WhiteWall	0	18,040
Photofinishing Diginet	2,874	2,874
Photofinishing DeinDesign	2,515	2,515

Within the scope of the impairment test, the recoverable amount is determined by calculating the value in use. Cash flow forecasts are used for this purpose which are based on the approved business planning figures. Cash flows are extrapolated beyond a period of five years on the basis of the growth rates indicated below.

In the following, the long-term growth rate and discount rate is indicated for the value-in-use calculation for each cash-generating unit with significant goodwill. The recoverable amount in case of valuation adjustments is also indicated.

2019 as %

	SAXOPRINT	LASERLINE	viaprinto	Cheerz	WhiteWall	Diginet	DeinDesign
Long-term growth rate	1.0	1.0	1.0	0.75	0.75	0.75	0.75
Pre-tax interest rate	5.3	5.3	5.3	8.6	8.1	8.1	8.1

2018 as %

	SAXOPRINT	LASERLINE	viaprinto	Cheerz	WhiteWall	Diginet	DeinDesign
Long-term growth rate	1.0	1.0	1.0	0.75	0.0	0.75	0.75
Pre-tax interest rate	8.4	8.4	8.4	10.2	0.0	8.9	8.9

The range of discount rates before taxes in the respective business units is as follows:

Business units 2019

	Goodwill in thousands of euros	Range of discount rate as %
Photofinishing	55,234	7.5 to 13.3
Retail	366	8.2 to 10.4
Commercial Online Printing	22,158	5.6
Total	**77,758**	**5.3 to 13.3**

Business units 2018

	Goodwill in thousands of euros	Range of discount rate as %
Photofinishing	37,194	9.0 to 13.2
Retail	366	9.7 to 11.3
Commercial Online Printing	22,158	8.4
Total	**59,718**	**8.4 to 13.2**

The estimates made are considered appropriate in relation to the expected useful life of specific assets, assumptions regarding the macroeconomic environment and developments in the industries in which CEWE is active and the estimated present values of future cash flows. Nonetheless, revised assumptions or changed circumstances may necessitate corrections which may lead to additional valuation adjustments or, in case of a reversal in the envisaged trends, reversals in value if this does not involve goodwill.

Within the scope of a sensitivity analysis for cash-generating units or groups of cash-generating units to which goodwill has been assigned, a 10 % reduction in EBIT margins for the perpetual annuity and a 1 percentage point increase in the discount rate have been assumed. For the cash-generating unit LASERLINE, a reduction in the EBIT margins for the perpetual annuity would have resulted in a 1,000 thousand euros impairment of the book value for goodwill and a 2,680 thousand euros impairment in case of an increase in the discount rate. On this basis, no impairment requirement applies for the other cash-generating units or for the group of cash-generating units.

38 INTANGIBLE ASSETS

Software and similar industrial property rights comprise purchased ERP software, various office products for workstations and newly and subsequently capitalised items for proprietary intangible assets, for internal use and to support the market in the areas of production, distribution and Commercial Online Printing. Within the scope of the Group's proprietary software, own work has been capitalised at a value of 607 thousand euros (previous year: 695 thousand euros).

On the basis of impairment tests, non-scheduled amortisation in the amount of 1,535 thousand euros has been recognised on intangible assets (previous year: 56 thousand euros). This includes amortisation which has been recognised on intangible assets (e. g. software programmes) which have become obsolete in connection with the restructuring of LASERLINE.

For intangible assets, the Group had commitments in the amount of 143 thousand euros (previous year: 367 thousand euros).

CEWE currently has customer bases, customer lists and trademark rights in its three business units Photofinishing, Retail and Commercial Online Printing. The other customer bases, customer lists and trademark rights derive from previous purchases of smaller competitors. In CEWE's opinion, while these items are important for the development of the company's business they are not decisive in any single instance.

Non-capitalised research & development expenses for intangible assets amount to 15,408 thousand euros (previous year: 14,937 thousand euros). They mainly comprise personnel expenses and other operating expenses.

Development of intangible assets in 2019 in thousands of euros

	Purchased software	Proprietary intangible assets	Customer base, customer lists and trademark rights	Advance payments made	Total
Acquisition and production costs					
As of Jan. 1	**64,117**	**23,488**	**43,823**	**1,568**	**132,996**
Changes to the scope of consolidation	3,414	–	11,325	–	14,739
Currency translation adjustments	34	–	40	–	74
Additions	5,844	607	7	951	7,409
Disposals	- 851	- 42	–	–	- 893
Transfers	- 2,554	948	- 2,411	- 1,385	- 5,402
As of Dec. 31	**70,004**	**25,001**	**52,784**	**1,134**	**148,923**
Depreciation					
As of Jan. 1	**53,662**	**21,519**	**29,326**	**–**	**104,507**
Currency translation adjustments	32	–	58	–	90
Scheduled additions	5,128	747	4,044	–	9,919
Non-scheduled additions	1,188	297	50	–	1,535
Disposals	- 845	- 35	–	–	- 880
Transfers	- 3,231	402	- 2,411	–	- 5,240
As of Dec. 31	**55,934**	**22,930**	**31,067**	**–**	**109,931**
Book value on Dec. 31	**14,070**	**2,071**	**21,717**	**1,134**	**38,992**

Development of intangible assets in 2018 in thousands of euros

	Purchased software	Proprietary intangible assets	Customer base, customer lists and trademark rights	Advance payments made	Total
Acquisition and production costs					
As of Jan. 1	**58,530**	**22,678**	**30,024**	**984**	**112,216**
Changes to the scope of consolidation	1,691	38	15,249	198	17,176
Currency translation adjustments	- 81	–	- 102	–	- 183
Additions	3,676	695	134	1,368	5,873
Disposals	- 475	- 120	- 1,482	- 42	- 2,119
Transfers	776	197	–	- 940	33
As of Dec. 31	**64,117**	**23,488**	**43,823**	**1,568**	**132,996**
Depreciation					
As of Jan. 1	**49,463**	**21,002**	**27,664**	–	**98,129**
Currency translation adjustments	- 75	–	- 82	–	- 157
Scheduled additions	4,743	581	3,226	–	8,550
Non-scheduled additions	–	56	–	–	56
Disposals	- 469	- 120	- 1,482	–	- 2,071
As of Dec. 31	**53,662**	**21,519**	**29,326**	**–**	**104,507**
Book value on Dec. 31	**10,455**	**1,969**	**14,497**	**1,568**	**28,489**

39 FINANCIAL ASSETS

The Group's financial assets include interests in other equity investments in the amount of 5,249 thousand euros (previous year: 6,568 thousand euros). This includes the equity investments in the funds Capnamic United Venture Fund I GmbH & Co. KG and High-Tech Gründerfonds II GmbH & Co.KG. Other loans in the amount of 331 thousand euros (previous year: 287 thousand euros) mainly comprise the repurchase value of the company's reinsurance policy.

Development of non-current financial assets in 2019 in thousands of euros

	Non-current interests in affiliates	Non-current equity investments	Non-current other loans	**Total**
Acquisition and production costs				
As of Jan. 1	**43**	**7,082**	**287**	**7,412**
Additions	–	1,713	43	1,756
Disposals	–	– 3,032	–	– 3,032
As of Dec. 31	**43**	**5,763**	**330**	**6,136**
Depreciation				
As of Jan. 1.	**18**	**539**	**–**	**557**
As of Dec. 31	**18**	**539**	**–**	**557**
Book value on Dec. 31	**25**	**5,224**	**330**	**5,579**

Development of non-current financial assets in 2018 in thousands of euros

	Non-current interests in affiliates	Non-current equity investments	Non-current other loans	**Total**
Acquisition and production costs				
As of Jan. 1	**43**	**7,005**	**338**	**7,386**
Changes to the scope of consolidation	–	1	–	1
Additions	–	1,570	– 51	1,519
Disposals	–	– 1,494	–	– 1,494
As of Dec. 31	**43**	**7,082**	**287**	**7,412**
Depreciation				
As of Jan. 1.	**18**	**539**	–	**557**
As of Dec. 31	**18**	**539**	–	**557**
Book value on Dec. 31	**25**	**6,543**	**287**	**6,855**

40 NON-CURRENT RECEIVABLES AND ASSETS

Non-current financial assets comprise, in particular, deposits and collateral. Non-current other receivables and assets exclusively relate to prepaid expenses and accrued income.

41 DEFERRED TAX ASSETS

Deferred tax assets in 2019 – composition and development in thousands of euros

	From temporary differences	From tax loss carry-forwards	Total
As of Jan. 1	**6,764**	**5,525**	**12,289**
Amount added	720	1,743	2,463
Reversals	– 170	– 379	– 549
As of Dec. 31	**7,314**	**6,889**	**14,203**

Deferred tax assets in 2018 – composition and development in thousands of euros

	From temporary differences	From tax loss carry-forwards	Total
As of Jan. 1	**6,449**	**1,393**	**7,842**
Amount added	520	4,515	5,035
Reversals	– 205	– 383	– 588
As of Dec. 31	**6,764**	**5,525**	**12,289**

Capitalised tax assets mainly comprise valuation differences for pensions and other accruals as well as effects on earnings resulting from consolidation. Deferred taxes resulting from existing tax loss carry-forwards are only capitalised where the earnings expectations of the respective Group company enable the use of a loss with a sufficient degree of probability and within a sufficiently close period of time. In the year under review, deferred taxes in the amount of 6,889 thousand euros (previous year: 5,489 thousand euros) have been capitalised on loss carry-forwards. Please see the comments on income taxes for further details (see item C 33, page 124).

42 INVENTORIES

Inventories in thousands of euros

	Dec. 31, 2018	Dec. 31, 2019
Raw materials and supplies	22,489	23,742
Unfinished goods, work in progress	1,024	1,134
Finished goods and merchandise	25,505	23,453
Advance payments made	9	29
Total	**49,027**	**48,358**

The revaluation on inventories amounts to – 82 thousand euros (previous year: revaluation of – 8 thousand euros).

Depreciation of finished and unfinished goods and merchandise is included in the cost of materials item of the profit and loss account. In the past financial year, inventories of CEWE Norge AS, Oppegård, Norway, with a book value of 274 thousand euros (previous year: 271 thousand euros) were pledged as collateral for rent deposits.

43 CURRENT TRADE RECEIVABLES

Current trade receivables in thousands of euros

	Dec. 31, 2018	Dec. 31, 2019
Trade receivables not impaired	89,448	86,183
Thereof amount covered by insurance	43,565	42,509
Gross amount of impaired receivables	6,611	7,615
Valuation adjustments	3,176	2,636
Total	**92,883**	**91,162**

Directly trade-related receivables are all current in nature and are due from external third parties. Trade receivables underwent the following valuation adjustments in the course of the year:

Valuation adjustment on trade receivables in thousands of euros

	Dec. 31, 2018	Dec. 31, 2019
As of Jan. 1	**3,460**	**3,176**
Currency translation adjustments	2	1
Amount added	1,912	1,617
Reversals	-932	-804
Use	-1,266	-1,264
Transfer to “Assets held for sale”	0	-90
As of Dec. 31	**3,176**	**2,636**

Additions to valuation adjustments are shown in the profit and loss account under the other operating expenses item, while reversals are shown within the scope of other operating income. Direct losses on trade receivables are also shown in the other operating expenses item; in the past financial year, they amounted to 1,015 thousand euros (previous year: 698 thousand euros).

CEWE applies the simplified approach according to IFRS 9 in order to measure the expected credit losses; accordingly, the credit losses envisaged over the course of the period are taken into consideration for all trade receivables. In order to measure the expected credit losses, trade receivables are aggregated on the basis of common credit risk characteristics and the number of days overdue. The expected loss rates are based on the payment profiles for turnover over a period of 36 months prior to December 31, 2019 and the related historical losses in this period. The historical loss rates are restated in order to reflect current and prospective information which affects customers’ capacity to settle claims. In the past financial year, customer receivables of CEWE Norge AS, Oppegård, Norway, with a book value of 101 thousand euros (previous year: 101 thousand euros) were pledged. They will be finally written off once the write-off rules under IFRS 9 are fulfilled.

44 CURRENT RECEIVABLES FROM INCOME TAX REFUNDS

This mainly comprises refund claims for tax prepayments made in the current year for the year under review.

45 CURRENT FINANCIAL ASSETS

Current financial assets include the following items:

Current financial assets in thousands of euros

	Dec. 31, 2018	Dec. 31, 2019
Creditors with debit accounts	925	1,149
Loans to customers	1	–
Receivables from employees	157	269
Other current financial receivables and assets	2,280	3,902
Total	**3,363**	**5,320**

46 OTHER CURRENT RECEIVABLES AND ASSETS

Other current receivables and assets in thousands of euros

	Dec. 31, 2018	Dec. 31, 2019
Current prepaid expenses	3,999	4,462
Tax refund claims	5,450	4,102
Current receivables from insurance firms	8	1
Total	**9,457**	**8,565**

47 CASH AND CASH EQUIVALENTS

This item comprises bank balances – all of which are due in the short term – and cash on hand. Euro balances held by various credit institutes attracted interest at a rate of 0.0 % (previous year: 0.0 %). Foreign-currency balances (2019: 12,902 thousand euros, previous year: 9,737 thousand euros) attracted interest at the specifically agreed rates; they have been measured at the exchange rate as of the balance sheet date.

48 SUBSCRIBED CAPITAL

The CEWE Group's subscribed capital and capital reserve relate to CEWE Stiftung & Co. KGaA, Oldenburg, and are recognised as if held by this company.

The company's share capital continues to amount to 19,278,841.40 euros and has been divided up into 7,414,939 bearer shares.

Each bearer share of CEWE Stiftung & Co. KGaA confers one vote. The total number of voting rights is 7,414,939.

Current shares in units

	Development in the financial year 2018	Development in the financial year 2019
As of Jan. 1	**7,159,980**	**7,183,324**
Sales of treasury shares	23,344	15,897
Capital increase	–	14,919
As of Dec. 31	**7,183,324**	**7,214,140**

49 AUTHORISED CAPITAL

With the consent of the Supervisory Board, in the period to May 30, 2022 the general partner is authorised to increase the company's share capital one or more times by issuing new no-par value bearer shares in return for cash and/or non-cash contributions, by a total amount not exceeding 3,848,010.00 euros (Authorised Capital 2017). In principle, the shareholders must be granted a subscription right. The new shares may be purchased by one or more credit institutions, subject to an obligation to offer them to their shareholders for purchase. With the consent of the Supervisory Board, the general partner will decide on the rights embodied in the share certificates and the terms for issuance of shares. This includes an authorisation to issue ordinary shares and/or non-voting preferred shares, the details of which will be determined by the general partner with the consent of the Supervisory Board, particularly the amount of the advance dividend in case of preferred shares. Even if the capital increase is implemented in several steps, preferred shares may be issued in a later step which have priority over, or equal status with, those issued during a previous step. The Supervisory Board is entitled to adjust the wording of the company's articles of association in accordance with the volume of the capital increase through authorised capital or upon expiry of the authorisation period.

In addition, the share capital has undergone a conditional increase of up to 130,000 euros, through the issue of up to 50,000 new no-par-value bearer shares (Contingent Capital 2019). A total of 14,919 new no-par-value bearer shares were issued out of this contingent capital in 2019.

50 STOCK OPTION PLANS

Stock option plans since 2014

The Board of Management has launched stock option plans since 2014 (SOP 2015, SOP 2016, SOP 2017, SOP 2019). These plans are based on the resolution passed by the general meeting on June 4, 2014 and have complied with the terms indicated in this resolution. The company's Supervisory Board has passed resolutions granting the necessary consent.

All of these plans have the same structure. Each of these stock option plans has a term of five years. Upon expiry of a four-term waiting period (lockup period), the options may be exercised in the fifth year of the term. Their exercise is contingent upon achievement of the performance target, i. e. if the closing auction prices of the CEWE share in Deutsche Börse AG's Xetra trading system have at least reached (if not exceeded) the underlying price plus the applicable performance premium on ten consecutive stock exchange trading days.

The options are only exercisable and shares resulting from the option deal are only subsequently saleable within six four-week exercise periods. These exercise periods will begin as of publication of the earnings for the past financial year, as of the balance sheet press conference, as of the annual general meeting and as of the date of publication of the quarterly figures. The CEWE Group's Compliance Officer monitors compliance with these time limits.

These options were offered to a defined group of top-level managers and experts within CEWE Stiftung & Co. KGaA as well as other Group companies in Germany and other countries, at a premium of 0.50 euros per option. The number of options offered is limited. A maximum of 1,200 options are available for a member of the Board of Management, while for other executives and experts a lower number of options are available, depending on their management level and their proximity to the company's success.

The terms of the current stock option plans are as follows:

Structure of stock option plans

		Number of participants	Number of rights issued	Start of waiting period	End of waiting period	End of exercise period	Underlying price euros/option	Performance premium in %	Performance target euros/option
SOP 2019	Board of Management [1]	7	8,400	Jan. 1, 2020	Dec. 31, 2023	Dec. 31, 2024			
	Other executives	26	19,500						
	Total	**33**	**27,900**				**81.00**	**125**	**101.25**
SOP 2017	Board of Management [1]	7	8,400	Jan. 1, 2018	Dec. 31, 2021	Dec. 31, 2022			
	Other executives	178	83,600						
	Total	**185**	**92,000**				**74.00**	**125**	**92.50**
SOP 2016	Board of Management [1]	8	9,600	Jan. 1, .2017	Dec. 31, 2021	Dec. 31, 2021			
	Other executives	208	97,100						
	Total	**216**	**106,700**				**74.00**	**125**	**92.50**
SOP 2015	Board of Management [1]	9	10,800	Jan. 1, 2016	Dec. 31, 2019	Dec. 31, 2020			
	Other executives	188	92,920						
	Total	**197**	**103,720**				**52.00**	**120**	**62.40**

1 Board of Management of Neumüller CEWE COLOR Stiftung

The stock option plans must be assessed in accordance with IFRS 2.10 ff. The fair value must be accrued during the waiting period (lockup period) pro rata temporis as other personnel expenses and reserves must be entered for this in equity. The values for the current plans are as follows:

Stock option plans – fair value and accrued expenses

		Fair value euros/option	Options awarded	Fair value in euros	Income premium (0.50 euros/option)	Accrued personnel expenses 2016 (in euros)	Accrued personnel expenses 2017 (in euros)	Accrued personnel expenses 2018 (in euros)	Accrued personnel expenses 2019 (in euros)	Accrued personnel expenses 2020 (in euros)
SOP 2019	Board of Management	12.82	8,400	107,688	4,200					
	Other executives	12.79	19,500	249,405	9,750					
	Total		**27,900**	**357,093**	**13,950**	**0**	**0**	**0**	**0**	**89,000**
SOP 2017	Board of Management	20.20	8,400	169,680	4,200					
	Other executives	20.17	83,600	1,686,212	41,800					
	Total		**92,000**	**1,855,892**	**46,000**	**0**	**0**	**463,968**	**463,968**	**463,968**
SOP 2016	Board of Management	18.06	9,600	173,376	4,800					
	Other executives	18.03	97,100	1,750,713	48,550					
	Total		**106,700**	**1,924,089**	**53,350**	**0**	**481,020**	**481,020**	**481,020**	**481,020**
SOP 2015	Board of Management	9.16	10,800	98,928	5,400					
	Other executives	9.14	92,920	849,289	46,460					
	Total		**103,720**	**948,217**	**51,860**	**237,060**	**237,060**	**237,060**	**237,060**	**0**
Total					**165,160**	**237,060**	**718,080**	**1,182,048**	**1,182,048**	**1,033,988**

Supervisory Board members or members of other executive bodies of CEWE Stiftung & Co. KGaA tasked with the company's supervision were awarded stock options as of the issue dates as follows:

Stock option plans

	Number of stock options in units
2019	0
2017	600
2016	600
2015	600

The number of stock options issued within the scope of the current plans is as follows:

Stock options issued number

	2018	2019
Outstanding as of Jan. 1	**408,320**	**386,650**
Expired over the course of the year	21,670	5,350
Exercised over the course of the year	0	95,550
Confirmed over the course of the year	0	27,900
Outstanding as of Dec. 31	**386,650**	**313,650**

51 CAPITAL RESERVE

This shows the premium which resulted from the issuance of the 600,002 bearer shares (following the 1:10 share split implemented in 1999 for 6,000,020 bearer shares) in excess of the nominal value of the shares (29,175 thousand euros), the amount allocated from the capital reduction (1,560 thousand euros), the allocation within the scope of the conversion of the atypical silent partner shares (27,868 thousand euros) which were reduced by 2,375 thousand euros through the final statement for this conversion during the financial year 2007, the premium which resulted from the exercise of the share purchase right of CEWE Stiftung & Co. KGaA (415 thousand euros) and the profit from the sale of treasury shares (12,689 thousand euros). Please see the consolidated statement of changes in equity for further details.

The capital reserve includes the fair value of the stock options issued for the stock plans which have been added to the capital reserve pro rata between the issue date and the maturity of the stock option plans, plus the withheld premiums. It also includes the effects of the issuance of staff shares.

52 TREASURY SHARES AT ACQUISITION COST

Treasury shares

		Total	Sale	Total	Sale	Total	Sale	Total
Buyback period		Reporting date Dec. 31, 2016	Jan. 1, 2017 to Dec. 31, 2017	Reporting date Dec. 31, 2017	Jan. 1, 2018 to Dec. 31, 2018	Reporting date Dec. 31, 2018	Jan. 1, 2019 to Dec. 31, 2019	Reporting date Dec. 31, 2019
Treasury shares held	number	256,588	- 16,548	240,040	- 23,344	216,696	- 15,897	200,799
Interest in share capital on reporting date	in thousands of euros	673	- 49	624	- 61	564	- 42	521
Interest in share capital on reporting date	in %	3.50	- 0.26	3.2	- 0.32	2.93	- 0.22	2.71
Average purchase price per share	in euros	33.06	32.75	33.08	32.74	33.11	32.74	33.14
Total value of shares bought back	in thousands of euros	8,482	- 542	7,940	- 764	7,176	- 520	6,655

Treasury shares are shown in a separate line within equity as a "contra equity position". They are measured at their original acquisition costs and incidental acquisition costs and thus reduce the company's equity (cost method).

On the basis of the authorisation resolution passed by the general meeting on May 28, 2008, CEWE KGaA launched a share buyback programme on June 16, 2008.

The authorisation to purchase treasury shares was renewed by the resolution passed by the general meeting on May 31, 2017 and is now valid until May 30, 2022. The authorisation to purchase treasury shares which was resolved by the general meeting on June 4, 2014 expired once this new authorisation became effective.

In the financial year 2011, within the scope of the company's employee share programme a total of 10,890 no-par value shares were sold to employees and a further 248,787 no-par value shares were bought back in the period to October 28, 2011, pursuant to the general meeting's authorisation resolution of June 2, 2010. This means that the company gained a total of 237,897 new treasury shares in 2011.

In the financial year 2012, a total of 15,489 no-par value shares were sold to employees as part of the company's employee share programme. The necessary shares were provided out of the portfolio of CEWE KGaA.

In the financial year 2013, a total of 16,796 no-par value shares were sold to employees as part of the company's employee share programme. The necessary shares were provided out of the portfolio of CEWE KGaA.

In the financial year 2014, a total of 10,654 no-par value shares were sold to employees as part of the company's employee programme. The necessary shares were provided out of the portfolio of CEWE KGaA. A total of 26,065 treasury shares were required in 2014 to exercise the stock option plan.

In the financial year 2015, a total of 11,087 no-par value shares were sold to employees as part of the company's employee programme. The necessary shares were provided out of the portfolio of CEWE KGaA. A total of 3,800 treasury shares were required in 2014 for the exercise of the stock option plan.

Moreover, in 2016 the Board of Management resolved to offer the employees of the German subsidiaries of CEWE KGaA shares in the company at a reduced price, as staff shares. A total of 8,410 shares were required for this purpose. The necessary shares were provided out of the portfolio of CEWE KGaA. A total of 21,500 treasury shares were repurchased in 2016 within the scope of the share buyback programme.

In the financial year 2017, a total of 16,548 no-par value shares were sold to employees as part of the company's employee share programme. The necessary shares were provided out of the portfolio of CEWE KGaA.

In the financial year 2018, 5,586 no-par value shares were used for the acquisition of Cheerz (see section A 3, page 110) and a total of 17,758 no-par value shares were sold to employees as part of the company's employee share programme. The necessary shares were provided out of the portfolio of CEWE KGaA.

In 2019, a total of 17,100 no-par value shares were issued free-of-charge to employees as part of the company's employee share programme. These shares were provided by means of a capital increase in return for a cash contribution as well as the issue of treasury shares out of the portfolio of CEWE KGaA.

CEWE KGaA's key portfolio of treasury shares under German company law as of December 31, 2019 amounted to 88,047 shares (previous year: 103,944 shares). The 112,752 shares held by CEWE COLOR Versorgungskasse e.V., Wiesbaden, are not considered treasury shares under German company law. In accordance with IAS 19, they must be included in the consolidated financial statements. The deduction for treasury shares under IAS 32 thus comprises 200,799 no-par value shares – at a total value of 6,655 thousand euros (previous year: 7,176 thousand euros).

CEWE's treasury shares developed as follows:

Development of treasury shares in units

	CEWE Stiftung & Co. KGaA		CEWE COLOR Versorgungskasse e.V.		CEWE Group	
	2018	2019	2018	2019	2018	2019
As of Jan. 1	**127,288**	**103,944**	**112,752**	**112,752**	**240,040**	**216,696**
Sales of treasury shares	–23,344	–15,897	–	–	–23,344	–15,897
As of Dec. 31	**103,944**	**88,047**	**112,752**	**112,752**	**216,696**	**200,799**

53 RETAINED EARNINGS AND UNAPPROPRIATED PROFITS

Unappropriated profits correspond to the item "Generated Group equity" and comprise the respective earnings after taxes net of the dividend paid for 2018. The unappropriated profits of CEWE KGaA under commercial law are key for determination of the distribution. As of December 31, 2019, following the allocation to the retained earnings under § 58 (2) of the German Stock Corporation Act the unappropriated profits of CEWE KGaA amount to 40,758 thousand euros (previous year: 36,054 thousand euros). Payout freezes apply for the company's treasury shares (2019: 88,047 no-par value shares; previous year: 103,944 no-par value shares). In 2019, dividends were paid for a total amount of 14,090 thousand euros (previous year: 13,289 thousand euros). This corresponds to a distribution of 1.95 euros (previous year: 1.85 euros) per no-par value share conferring a dividend entitlement.

For the components of other retained earnings, please see the consolidated statement of changes in equity. The compensating item from currency translation relates to all of the foreign-currency differences resulting from translation of the financial statements of the Group's foreign enterprises. In the past financial year and in the previous year, income taxes not affecting net income exclusively related to the currency differences recognised without affecting net income that resulted from non-current loans between Group companies – which are included in the compensating item from currency translation – and also deferred taxes in relation to the actuarial result.

54 NON-CURRENT ACCRUALS FOR PENSIONS

Non-current pension accruals in thousands of euros

	Development in the financial year 2018	Development in the financial year 2019
As of Jan. 1	**27,163**	**29,150**
Use	– 1,028	– 1,138
Amount added	3,033	7,534
Reversals	– 18	–
As of Dec. 31	**29,150**	**35,546**

CEWE has various types of company pension scheme commitments to its current and former employees and to their surviving dependants in Germany and France. The company's pension scheme is based on a defined-benefit system and also, to a marginal extent, on a defined-contribution system. Employees are also able to participate in schemes for the conversion of salary entitlements into pension entitlements. Accruals are measured on the basis of the projected unit credit method.

In the case of the defined-benefit scheme, the company or an external pension provider grants the beneficiaries a defined-benefit commitment; unlike in the case of defined contributions, the expenses incurred by the company are not determined in advance. In Germany, the company's commitments to the Board of Management are structured as final salary plans; in addition, several executives have been granted fixed-benefit commitments. In France, capital commitments in accordance with the employee's period of service are granted which are covered by reinsurance policies. Expenses for these commitments are apportioned across the service period of the employees, on the basis of actuarial calculations, and must be broken down into the current service cost and interest expense (the balance of interest on the obligation and income from the cover funds) in accordance with IAS 19 rev. 2011. On the respective balance sheet date (December 31 of each year), the interest rate is determined on the basis of current capital market data as well as assumptions regarding long-term trends, in accordance with the principle of the best possible estimate. CEWE has several defined-benefit plans. As a rule, it has provided aggregated details for these plans, since there are no significant deviations in terms of their respective risk exposure. Through its plans in Germany and France, the Group is generally exposed to the following actuarial risks: investment risk, interest rate risk, longevity risk and salary risk.

Investment risk: the present value of the defined-benefit obligation under the plan is calculated by means of a discount rate which is determined on the basis of the yields provided by high-quality, fixed-interest corporate bonds. If the income from the plan assets is less than this interest rate, this will result in shortage of cover for the plan.

Interest rate risk: a decrease in the discount rate will result in an increase in the Group's liability under the plan.

Longevity risk: the present value of the defined-benefit obligation under the plan is determined on the basis of the best possible estimate of the probability of death of the beneficiary employees, both during the employment relationship and thereafter. An increase in the life expectancy of beneficiary employees will result in an increase in the liability under the plan.

Salary risk: the present value of the defined-benefit obligation under the plan is determined on the basis of the future salaries of beneficiary employees. An increase in the salaries of beneficiary employees will thus result in an increase in the liability under the plan.

No other benefits for these employees are envisaged upon termination of their employment relationships.

In Germany, the company does not have any plan assets within the meaning of IAS 19 rev. 2011 to cover these benefits. In France, the realisable pension benefit is partly covered through reinsurance policies (the risks in terms of assets and liabilities are thus directly linked).

On the other hand, in case of defined contributions firmly defined contributions (e. g. in relation to the applicable level of income) are confirmed and paid. The employer does not have any other constructive obligation beyond payment of the contributions. In case of defined contributions, it is not necessary to establish accruals in the balance sheet. Only the contribution payable by the company is shown in the profit and loss account as expense.

The key parameters for defined-benefit pensions are presented below:

Development of obligations in thousands of euros

	2018	2019
Present value of vested pension entitlements at start of financial year	27,311	29,284
Current service cost	1,684	1,804
Interest expense	477	514
Actuarial losses (+)	857	4,994
Payment of benefits	-1,045	-1,181
Past service cost	–	226
Present value of vested pension entitlements at end of financial year	**29,284**	**35,641**
Of which directly confirmed (excl. plan assets)	27,707	33,730
Of which funded with plan assets	1,576	1,911

In summary, these assets developed as follows:

Development of plan assets in thousands of euros

	2018	2019
Fair value of plan assets at start of financial year	148	134
Expected income from plan assets	2	2
Actuarial profits (+)	2	1
Payment of benefits	-18	-42
Fair value of plan assets at end of financial year	**134**	**95**

Overall, the Group's financing status is as follows:

Financing status in thousands of euros

	2018	2019
Present value of vested pension entitlements at end of financial year	29,284	35,641
Fair value of plan assets at end of financial year	-134	-95
Balance sheet value at end of financial year	**29,150**	**35,546**
Restatement of present value of vested pension entitlements (DBO) on basis of past experience	113	445
Restatement of fair value of plan assets on basis of past experience	-2	-1

The total expenses recognised in the profit and loss account for defined-benefit pension plans (expenses less income) are as follows:

Net pension expense in thousands of euros

	2018	2019
Current service cost	1,684	1,804
Interest expense	477	514
Expected income from plan assets	-2	-2
Past service cost	0	226
Total	**2,159**	**2,542**

In the financial year 2019, actuarial losses in the amount of 4,994 thousand euros resulted (previous year: actuarial losses in the amount of 857 thousand euros), which have been apportioned to other comprehensive income. The actuarial losses in 2019 are largely (with a share of 4,547 thousand euros) attributable to the significant reduction in the IAS 19 interest rate. The assumptions for actuarial measurement of the present value of the vested pension entitlements and the net pension expenses reflect circumstances in the country in which the pension plan has been established.

The calculations are based on current, actuarially determined biometric probabilities. Assumptions regarding future fluctuations on the basis of age and years of service are also included, as are probabilities within the Group of employees reaching retirement and salary and pension trends.

The following weighted measurement assumptions have resulted in relation to the present value of the vested pension entitlements:

Weighted assumptions for calculation of the present value of vested pension entitlements in %

	Dec. 31, 2018	Dec. 31, 2019
Interest rate	1.80	1.00
Salary trend/development of vested rights	2.50	2.50
Pension trend	2.00	2.00
Fluctuation	1.50	1.50

The valid probabilities within the respective countries have been assumed as the level of biometric probability. The date of the earliest possible receipt of benefits has been assumed as the date of retirement.

The plan assets for the Group's French obligations consist of reinsurance contracts. The Group's investment strategy and the probable level of income thus reflect the stipulations in these contracts as well as statutory provisions. In 2020, contributions to the French plan are expected to amount to 0 thousand euros. The actual income from the plan assets totalled 3 thousand euros (previous year: 4 thousand euros).

Present value of obligations and fair value of plan assets in thousands of euros

	2016	2017	2018	2019
Present value of obligations	25,686	27,311	29,284	35,641
Fair value of plan assets [1]	222	148	134	95
Shortfall	**25,464**	**27,163**	**29,150**	**35,546**

1 Excl. the financial instruments of CEWE COLOR Versorgungskasse e. V., Wiesbaden

Restatements made on basis of past experience in thousands of euros

	2016	2017	2018	2019
Plan liabilities	-458	918	113	445
Plan assets	-3	-3	-2	-1

Sensitivity analysis

Assuming that the other assumptions remain constant, changes in one of the key actuarial assumptions of which there was a reasonable possibility as of the reporting date would have influenced the defined-benefit obligation in terms of the following amounts.

The following tables provide information on the levels of sensitivity regarding the key measurement parameters (effects on the scope of the commitment) and the expected pension benefits over the next ten financial years.

Sensitivity analysis in %

	Changes	Increase	Decrease
Discount rate	1.0	-15.3	20.0
Future salary increases	0.5	2.0	-1.9
Future pension increases	0.5	6.1	-5.6

Over the next ten financial years, the following payments of pension benefits are expected:

Payment of pension benefits in %

	Amount
2020	1,218
2021	1,138
2022	1,237
2023	1,170
2024	1,121
2025 to 2029	6,243

In the financial year 2019, the company incurred expenses for defined contributions in the amount of 3,041 thousand euros (previous year: 3,460 thousand euros). Contributions were paid to statutory or government defined-contribution plans in the amount of 13,169 thousand euros (previous year: 11,787 thousand euros). CEWE does not have any legal or constructive obligation for payment of these future benefits.

A similar volume of expenses is expected in 2020.

55 NON-CURRENT DEFERRED TAX LIABILITIES

Non-current deferred tax liabilities in thousands of euros

	Development in the financial year 2018	**Development in the financial year 2019**
As of Jan. 1	**1,540**	**2,945**
Changes to the scope of consolidation	–	1,162
Use	–906	–285
Amount added	2,332	202
Reversals	–21	–524
As of Dec. 31	**2,945**	**3,500**

The changes in deferred taxes mainly relate to the change in temporary differences. Deferred taxes have largely been deferred for periods of between one and five years.

56 NON-CURRENT INTEREST-BEARING FINANCIAL LIABILITIES

The credit facilities negotiated in the financial year 2019 were agreed with a total of ten private banks and publicly owned banks. The loans taken up have a term of between one and seven years (previous year: between one and four years). At the end of the year, the total credit line of the CEWE Group amounted to 180.0 million euros (previous year: 180.0 million euros). After deducting the total loan volume drawn down (1.9 million euros, previous year: 3.8 million euros) and allowing for the company's existing liquidity (32.4 million euros, previous year: 28.1 million euros), its liquidity potential totalled 210.5 million euros (previous year: 204.3 million euros). As well as drawn-down fixed-rate loans (1.9 million euros, previous year: 3.8 million euros), the company has long-term revolving credit lines which have been granted for up to seven years as well as continuously renewed one-year lines whose overall purpose is financing of the company's liquidity requirements, which fluctuate strongly over the course of a given year due to seasonal factors. In principle, no restrictions apply in relation to the use of credit lines. This ensures that CEWE will be able to fulfil its payment obligations.

All long-term credit commitments are subject to normal bank agreements. No financial covenants have been agreed. No significant collateral was provided. The interest terms for current account loans are based on EONIA as the base interest rate plus a normal margin in Germany; the interest terms for almost all of the other financing arrangements are based on the one- to three-month EURIBOR as the base interest rate plus a normal margin in Germany. For further details, please see the comments on current interest-bearing financial liabilities (item D 62, page 150) and the comments in the combined management report (page 56).

57 NON-CURRENT LIABILITIES FROM LEASING

As of the balance sheet date December 31, 2019, the rights of use in the amount of 62,652 thousand euros contrast with lease liabilities with a present value of 63,029 thousand euros. The non-current portion of the lease liabilities amounts to 52,453 thousand euros. The current portion of the lease liability amounts to 10,576 thousand euros. The payment obligations have the following maturity structure:

Discounted lease liabilities in thousands of euros

	Dec. 31, 2019
Total future lease payments IFRS 16	
Due within a period of one year	10,576
Due within a period of between two and five years	30,455
Due after more than five years	21,998

58 NON-CURRENT FINANCIAL LIABILITIES

Non-current financial liabilities comprise liabilities to affiliates' residual old shareholders.

59 NON-CURRENT OTHER LIABILITIES

Non-current other liabilities mainly comprise accruals and deferrals resulting from investments.

60 CURRENT TAX LIABILITIES

This position includes provision for income tax obligations. This item developed as follows:

Current tax liabilities in 2019 in thousands of euros

	Income taxes
As of Jan. 1	**8,221**
Changes to the scope of consolidation	178
Currency translation adjustments	15
Use	– 5,555
Amount added	4,907
Reversals	– 310
As of Dec. 31	**7,456**

Current tax liabilities in 2018 in thousands of euros

	Income taxes
As of Jan. 1	**5,944**
Currency translation adjustments	5
Use	– 1,135
Amount added	3,440
Reversals	– 33
As of Dec. 31	**8,221**

61 CURRENT OTHER ACCRUALS

Provision for additional other liabilities relates to current legal disputes and other obligations.

Current other accruals in 2019 in thousands of euros

	Supervisory Board remuneration	Auditing of annual financial statements incl. internal expenses for annual financial statements	Guarantee and ex gratia payments	Archiving costs	Liabilities in relation to employees	Expenses for members of the Board of Trustees	Provisions for contingent losses	Tax returns	Legal expenses	Additional other liabilities	**Total**
Balance as of Jan. 1, after restatements	**583**	**550**	**39**	**212**	**361**	**322**	**—**	**83**	**11**	**1,312**	**3,473**
Changes to the scope of consolidation	—	147	4	—	—	—	—	—	—	—	151
Currency translation adjustments	—	3	—	—	—	—	—	—	—	2	5
Use	-553	-426	-27	—	-97	-307	—	-37	—	-645	-2,092
Amount added	638	652	37	8	206	355	2,829	36	29	687	5,477
Transfers	—	-6	—	-2	—	—	—	—	—	-10	-18
Reversals	-30	-68	-4	-1	-22	-15	—	-19	-11	-497	-667
As of Dec. 31	**638**	**852**	**49**	**217**	**448**	**355**	**2,829**	**63**	**29**	**849**	**6,329**

Current other accruals in 2018 in thousands of euros

	Supervisory Board remuneration	Auditing of annual financial statements incl. internal expenses for annual financial statements	Guarantee and ex gratia payments	Archiving costs	Demography agreement	Expenses for members of the Board of Trustees	Provisions for contingent losses	Tax returns	Legal expenses	Additional other liabilities	**Total**
Balance as of Jan. 1, after restatements	**543**	**511**	**370**	**314**	**76**	**302**	**15**	**80**	**22**	**1,297**	**3,530**
Changes to the scope of consolidation	—	—	—	—	—	—	—	—	—	55	55
Currency translation adjustments	—	3	—	—	—	—	—	—	—	-2	1
Use	-512	-378	-67	—	-35	-287	-5	-20	-5	-678	-1,987
Amount added	584	497	36	—	361	322	—	23	4	858	2,685
Reversals	-32	-83	-300	-102	-41	-15	-10	—	-10	-218	-811
As of Dec. 31	**583**	**550**	**39**	**212**	**361**	**322**	**—**	**83**	**11**	**1,312**	**3,473**

62 CURRENT INTEREST-BEARING FINANCIAL LIABILITIES

Current interest-bearing financial liabilities in thousands of euros

	Dec. 31, 2018	Dec. 31, 2019
Loans from banks	0	0
Bank current accounts	2,665	832
Total	**2,665**	**832**

Reconciliation acc. to IAS 7 in 2019 in thousands of euros

	As of Jan. 1	Cash flow	Non-cash	As of Dec. 31
			As of acquisition	
Non-current liabilities	1,148	−465	432	1,115
Current liabilities	12,823	−1,833	832	11,822
Lease liabilities	64,986	−9,537	7,580	63,029
Total liabilities from financing activities	**78,957**	**−11,835**	**8,844**	**75,966**

Reconciliation acc. to IAS 7 in 2018 in thousands of euros

	As of Jan. 1	Cash flow	Non-cash	As of Dec. 31
			As of acquisition	
Non-current liabilities	0	62	1,086	1,148
Current liabilities	2,927	256	9,640	12,823
Total liabilities from financing activities	**2,927**	**318**	**10,726**	**13,971**

63 CURRENT TRADE PAYABLES

Trade payables amount to 113,552 thousand euros (previous year: 112,664 thousand euros).

64 CURRENT FINANCIAL LIABILITIES

Current financial liabilities include, in particular, the key date valuation of put options.

Current financial liabilities in thousands of euros

	Dec. 31, 2018	Dec. 31, 2019
Put option	9,812	9,899
Earn-out component	342	342
Other financial liabilities	4	957
Total	**10,158**	**11,198**

65 CURRENT OTHER LIABILITIES

Current other liabilities in thousands of euros

	Dec. 31, 2018	Dec. 31, 2019
Liabilities for wages and salaries	16,966	19,019
Tax liabilities	23,009	27,952
Social security liabilities	3,140	2,650
Deferred liabilities	415	625
Other liabilities	1,901	1,372
Total	**45,431**	**51,618**

66 FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risks within the scope of its operating activities. In particular, these risks comprise liquidity, currency, interest rate and credit risks. The Group's management manages and limits these risks. They are monitored by means of the Group-wide risk management system.

Liquidity risk is the risk of the Group being unable to fulfil its financial obligations. This risk is dealt with by means of liquidity planning and cash management, through continuous monitoring and management of cash inflows and outflows. The main sources of liquidity are operating business and external financing. Cash outflows are mainly used for financing of working capital and investments.

As of December 31, 2019, the CEWE Group had the following lines of credit:

Lines of credit in 2019 in millions of euros

	Germany	Other countries	Total as of Dec. 31
Remaining term of up to 1 year	90.00	0.00	90.00
Remaining term of more than 1 year	90.00	0.00	90.00
Total	**180.00**	**0.00**	**180.00**

Lines of credit in 2018 in millions of euros

	Germany	Other countries	Total as of Dec. 31
Remaining term of up to 1 year	90,00	0,00	90,00
Remaining term of more than 1 year	90,00	0,00	90,00
Total	**180,00**	**0,00**	**180,00**

Of these credit lines, as of the reporting date 178.1 million euros (previous year: 176.2 million euros) have not been drawn down. As well as cash and cash equivalents in the amount of 32.4 million euros (previous year: 28.1 million euros), this amount is available for coverage of future liquidity requirements.

An overview of the maturities of the undiscounted cash flows for the Group's financial liabilities and its liabilities resulting from derivative financial instruments – including the related interest payments – shows the expected cash outflows as of the balance sheet date December 31, 2019:

Cash flows from financial liabilities in 2019 in thousands of euros

	Dec. 31, 2019 Book value	Up to 1 year	More than 1 year, up to 5 years	Total
Amounts owed to credit institutions	1,947	832	1,115	1,947
Trade payables	113,552	113,552	0	113,552
Other financial instruments	52,216	52,216	0	52,216
Total	**167,715**	**166,600**	**1,115**	**167,715**

Cash flows from financial liabilities in 2018 in thousands of euros

	Dec. 31, 2018 Book value	Up to 1 year	More than 1 year, up to 5 years	Total
Amounts owed to credit institutions	3,813	2,687	1,191	3,878
Trade payables	112,664	112,664	0	112,664
Other financial instruments	43,113	43,113	0	43,113
Total	**159,590**	**158,464**	**1,191**	**159,655**

Due to the international orientation of the CEWE Group, cash flows arise in various currencies. Currency risks result from turnover billed in a currency other than that of the related costs, the foreign-currency assets and liabilities shown in the balance sheet whose fair value may be negatively influenced by a change in exchange rates and from pending foreign-currency transactions whose future cash flows may have a negative effect due to exchange rate changes. The risk management system continuously monitors the risk positions resulting from currency risks. To limit these risks, outside the scope of deliveries and services where possible the Group reduces the volume of euro-denominated transactions for companies in non-Eurozone countries. Following a detailed review process, the company enters into hedging transactions with its house banks on a case-by-case basis for regular transactions outside the Eurozone.

The key market risk in the foreign-currency segment relates to currency positions which were open as of the reporting date. The Group's Swiss, Czech and British companies have significant foreign-currency items. For the purpose of the sensitivity analysis, the corresponding foreign-currency items are measured at hypothetical exchange rates. If these three foreign currencies were to depreciate against the euro by 20 %, the following opportunities (positive values) or risks (negative values) would result:

Currency sensitivity in thousands of euros

	2018	2019
Financial assets	– 3,662	– 7,767
Financial liabilities	3,055	3,288

If these three foreign currencies were to appreciate against the euro by 20 %, the following opportunities (positive values) or risks (negative values) would result:

Currency sensitivity in thousands of euros

	2018	2019
Financial assets	5,493	5,178
Financial liabilities	– 4,582	– 2,192

The CEWE Group does not have any particularly significant exposure to interest rate risks in relation to third parties. Interest-rate-sensitive assets comprise loans to customers and employees as well as current balances held by credit institutions. CEWE does not have any interest-rate-sensitive financial liabilities as of the balance sheet date. No significant risk positions have resulted on account of the current interest rate trend. The goal of CEWE's interest rate hedging strategy is the regular conclusion of new medium- to long-term credit agreements with fixed interest rates. If the interest rates for variable interest-rate financial assets and financial liabilities were in each case to fall by 10 %, the following opportunities (positive values) or risks (negative values) would result:

Interest rate sensitivity in thousands of euros

	2018	2019
Interest income	– 2.5	– 6.6
Interest expense	2.9	0.0

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

Interest rate sensitivity in thousands of euros

	2018	2019
Interest income	2.5	6.6
Interest expense	– 2.9	0.0

The Group entered into the following hedging transactions:

Derivatives transactions in thousands of euros

	Nominal volume		Remaining term > 1 year		Fair value	
	Dec. 31, 2018	**Dec. 31, 2019**	Dec. 31, 2018	**Dec. 31, 2019**	Dec. 31, 2018	**Dec. 31, 2019**
Interest rate swap	3,225	0	0	0	– 7	0

The nominal volume permits inferences regarding the level of use of derivatives but does not reflect the Group's risk exposure resulting from its use of derivatives. Interest rate risks for derivatives have been measured on the basis of the value-at-risk method, in line with the international bank standard. The maximum loss potential which may result from a change in market prices is calculated on the basis of historical fluctuations in value, with a confidence level of 99 % and a holding period of one day. Due to the lack of hedging relationships, derivatives have been measured at fair value in profit or loss, in accordance with the requirements of IFRS 13. The fair value of the interest rate swaps is shown in the table. According to the measurement model indicated in IFRS 13, the interest rate swaps are assignable to hierarchy Level 3, i. e. no quoted prices are used for measurement purposes, but rather measurement parameters which are either directly observable for the respective liabilities or can be indirectly derived from other prices. Financial instruments are initially measured at cost. The Group does not have any financial assets available for sale. Financial liabilities measured at fair value in profit and loss comprise derivative financial instruments. In the financial year 2019, financial assets measured at amortised cost resulted in net income/losses of 1,452 thousand euros (previous year: 2,185 thousand euros). Net income/losses resulting from the financial instruments held comprise, in particular, valuation adjustments, income from written-down receivables and the results of the fair value measurement. Dividend income and interest are not included. Net income/losses resulting from financial liabilities measured at amortised cost amount to 3,656 thousand euros in the financial year 2019 (previous year: 1,082 thousand euros).

The hedging transactions for the current period and for the prior period were not used for hedging of the acquisition costs or another book value for non-financial assets or non-financial liabilities. Derivative transactions will result in liquidity outflows in the amount of 0 thousand euros (previous year: 6 thousand euros) within a period of one year and outflows of 0 thousand euros (previous year: 0 thousand euros) within a period of two to three years. Interest income associated with financial instruments not measured in profit and loss at fair value amounts to 61 thousand euros (previous year: 608 thousand euros), while corresponding interest expenses amount to 2,455 thousand euros (previous year: 521 thousand euros). Impairment of financial instruments measured at amortised cost amounted to 1,015 thousand euros in the past financial year (previous year: 698 thousand euros); this was recognised due to depreciation of receivables.

Interest expense from lease liabilities is also included in the financial year, in the amount of 863 thousand euros (see item A 2 Leasing, **page 108**).

The reconciliation of the balance sheet items with these types of financial instruments as of December 31, 2019 is as follows:

Breakdown of financial instruments – Dec. 31, 2019 in thousands of euros

	Measured at amortised cost	Measured at fair value			Non-financial assets/liabilities	
		On basis of publicly quoted market prices (Level 1)	On basis of observable market data (Level 2)	On basis of individual non-observable input parameters (Level 3)		
	Book value	Book value	Book value	Book value	Book value	**Book value in the balance sheet**
Non-current assets						
Financial assets				5,579		5,579
FVTOCI				5,248		5,248
FVTPL				331		331
Non-current financial assets	1,468					1,468
AC	1,468					1,468
Current assets						
Trade receivable	91,162					91,162
AC	91,162					91,162
Current financial assets	5,320					5,320
AC	5,320					5,320
Cash and cash equivalents	32,357					32,357
Non-current liabilities						
Non-current interest-bearing financial liabilities	1,115					1,115
AC	1,115					1,115
Non-current liabilities from leasing	52,453					52,453
AC	52,453					52,453
Non-current other financial liabilities	1,865					
AC	1,865					
Current liabilities						
Current interest-bearing financial liabilities	832					832
AC	832					832
Current liabilities from leasing	10,576					10,576
AC	10,576					10,576
Current trade payables	113,552					113,552
AC	113,552					113,552
Current financial liabilities	11,198					11,198
AC	11,198					11,198
Current other liabilities						51,618
Non-financial liabilities					51,618	51,618
Derivatives excl. hedge accounting				0		0

AC: Measured at amortised cost; FVTOCI: At fair value through other comprehensive income; FVTPL: At fair value through profit or loss

Breakdown of financial instruments – Dec. 31, 2018 in thousands of euros

	Measured at amortised cost	Measured at fair value			Non-financial assets/liabilities	
		On basis of publicly quoted market prices (Level 1)	On basis of observable market data (Level 2)	On basis of individual non-observable input parameters (Level 3)		
	Book value	Book value	Book value	Book value	Book value	Book value in the balance sheet
Non-current assets						
Financial assets				6,855		6,855
FVTOCI				6,568		6,568
FVTPL				287		287
Non-current financial assets	1,253					1,253
AC	1,253					1,253
Current assets						
Trade receivable	92,883					92,883
AC	92,883					92,883
Current financial assets	3,363					3,363
AC	3,363					3,363
Cash and cash equivalents	28,061					28,061
Non-current liabilities						
Non-current interest-bearing financial liabilities	1,148					1,148
AC	1,148					1,148
Non-current liabilities from leasing	0					0
AC	0					0
Non-current other financial liabilities	1,552					1,552
AC	1,552					1,552
Current liabilities						
Current interest-bearing financial liabilities	2,665					2,665
AC	2,665					2,665
Current liabilities from leasing	0					0
AC	0					0
Current trade payables	112,664					112,664
AC	112,664					112,664
Current financial liabilities	10,158					10,158
AC	10,158					10,158
Current other liabilities [1]						45,431
Non-financial liabilities					45,424	45,424
Derivatives excl. hedge accounting				7		7

AC: Measured at amortised cost; FVTOCI: At fair value through other comprehensive income; FVTPL: At fair value through profit or loss

Financial assets not measured in accordance with IFRS 9 comprise reinsurance policies. They are recognised at their actuarial present value. The book values of the other financial assets, trade receivables and cash and cash equivalents and the book values of current account liabilities, trade payables and other current financial liabilities each serve as a reasonable approximation of the respective fair values. This is mainly due to the short terms of these instruments. Risk-related valuation adjustments are considered for the calculation of book values. The Group does not have any financial receivables or liabilities held for trading purposes.

CEWE measures fixed-interest and variable-interest receivables with a remaining term of more than one year on the basis of various parameters, e. g. the interest rate and the borrower's credit rating. On the basis of this measurement, any necessary valuation adjustments are included in the calculation of the book value. A fixed-interest agreement applies for current and non-current interest-bearing financial liabilities (with the exception of current account liabilities), so that here too the book value corresponds to the fair value.

Book values are determined by means of normal bank methods.

Credit risk is the risk of a counterparty failing to fulfil its obligations, resulting in a bad debt loss. Within the scope of the Group's receivables management system, as a component of its risk management system, receivables at the level of the individual companies are subject to comprehensive monthly analysis and are notified to the Group's central management, at the level of its headquarters, as part of its del credere reporting. Loan security agreements are concluded for medium-size and major customers. If the Group does not have any insurance cover or if a deductible is applicable, individual valuation adjustments are recognised on receivables in case of objective indications that it is overwhelmingly probable that this receivable is uncollectable, either in whole or in part. The general default risk is dealt with by means of individual valuation adjustments on the basis of past experience. On December 31, 2019, the maximum credit risk resulting from debtors' potential insolvency in relation to loans and receivables amounted to 97,950 thousand euros (previous year: 97,499 thousand euros) and has the following makeup:

Credit risk in thousands of euros

	Dec. 31, 2018	**Dec. 31, 2019**
Non-current financial assets	1,253	1,468
Trade receivables and other current receivables	96,246	96,482
Total	**97,499**	**97,950**

Impaired loans and receivables developed as follows:

in thousands of euros

	Dec. 31, 2018	**Dec. 31, 2019**
Gross value	6,611	7,589
Valuation adjustment	– 3,176	– 2,636
Total	**3,435**	**4,953**

A further amount of 6,048 thousand euros (previous year: 5,539 thousand euros) was already overdue but had not undergone a valuation adjustment. The age structure for the Group's overdue receivables is as follows:

in thousands of euros

	Dec. 31, 2018	**Dec. 31, 2019**
Up to 30 days	4,631	5,154
Between 30 and 90 days	772	768
More than 90 days	136	126
Total	**5,539**	**6,048**

These items are very closely monitored within the scope of the Group's receivables management system. On the basis of an assessment of the individual risks, partial valuation adjustments in the amounts indicated above are sufficient. Non-impaired financial assets are considered to be recoverable. Default risks are reduced by means of continuous monitoring of customers' credit ratings and payment behaviour, in close coordination with the company's market-oriented departments, and are covered by means of insurance, where possible. Moreover, in case of irregularities in customer relationships the volume of business is managed on the basis of individual decisions. Impairment of consumer receivables is minimised by means of a professional debt collection management system as well as risk avoidance and information-gathering parameters. These automatic system settings and the additional qualitative information serves as information which is used for calculation of individual valuation allowances.

The key equity items are presented below. Net interest-bearing financial liabilities have resulted from netting of gross interest-bearing financial liabilities against the Group's cash and cash equivalents as of the balance sheet date.

Key equity items in thousands of euros

	Dec. 31, 2018	**Dec. 31, 2019**
Total assets	472,235	567,258
Equity	254,200	269,761
Equity ratio (as %)	53,8	47,6
Non-current interest-bearing financial liabilities	1,148	1,115
Non-current liabilities from leasing	0	52,453
Current interest-bearing financial liabilities	2,665	832
Current liabilities from leasing	0	10,576
Cash and cash equivalents	28,061	32,357
Net interest-bearing financial liabilities	– 24,248	32,619

The primary goal of the CEWE Group's capital management system is to ensure that the Group remains capable of repaying its debts and maintains its financial resources. As well as safeguarding the long-term liquidity supply, the interest rate risk has been limited and a flexible credit structure has once again been maintained, to cover the seasonal nature of the Group's business performance over the course of the year. No collateral was provided. For further information, please see the comments in the risk report on **pages 64 ff.**

No capital requirements are prescribed in the articles of association of CEWE KGaA. In regard to authorised capital and the obligation to sell or issue shares in connection with stock option plans, please see the relevant passages in these notes (see item D 48, D 49, D 50, D 51, **pages 139 – 141**).

E. OTHER DISCLOSURES

67 SHAREHOLDINGS

CEWE's proportionate interests in all of its subsidiaries included in the consolidated financial statements are shown in the following table:

Shareholdings in %

	Dec. 31, 2018 Capital	Dec. 31, 2019 Capital
1. CEWE Beteiligungs GmbH, Oldenburg	100,00	100,00
2. CEWE S. A. S., Paris, France [1]	100,00	100,00
3. CEWE Belgium NV , Mechelen, Belgium [1]	100,00	100,00
4. CEWE Nederland B. V., Nunspeet, Netherlands [1]	100,00	100,00
5. CEWE Magyarország Kft., Budapest, Hungary [1]	100,00	100,00
6. CeWe Color a. s., Prague, Czech Republic [1]	100,00	100,00
7. CEWE a. s., Bratislava, Slovak Republic [1]	100,00	100,00
8. CEWE AG, Dübendorf, Switzerland [1]	100,00	100,00
9. CEWE Danmark Aps, Åbyhøj, Denmark [1]	100,00	100,00
10. CEWE Sp. z o. o., Koźle, Poland [1]	100,00	100,00
11. CEWE NORGE AS, Oslo, Norway [1]	100,00	100,00
12. CEWE-PRINT NORDIC A/S, Åbyhøj, Denmark [2]	100,00	100,00
13. CEWE Sverige AB, Gothenburg, Sweden [3]	100,00	100,00
14. CEWE Limited, Warwick, United Kingdom [1]	100,00	100,00
15. Diginet GmbH & Co. KG, Cologne	100,00	100,00
16. Bilder-planet.de GmbH, Cologne [4, 10]	100,00	100,00
17. Diginet Management GmbH, Cologne	100,00	100,00
18. Wöltje GmbH & Co. KG, Oldenburg [5]	100,00	100,00
19. Wöltje Verwaltungs-GmbH, Oldenburg [5]	100,00	100,00
20. DIRON Wirtschaftsinformatik Beteiligungs-GmbH, Münster	100,00	100,00
21. CeWe Color Inc., Delaware, USA [1]	100,00	100,00
22. cewe-print GmbH, Oldenburg	100,00	100,00
23. Saxoprint GmbH, Dresden	100,00	100,00
24. Saxoprint Ltd., London, United Kingdom [6]	100,00	100,00
25. Saxoprint AG, Zurich, Switzerland [6]	100,00	100,00
26. Saxoprint EURL, Paris, France [6]	100,00	100,00
27. CEWE Print S. r. l., Milan, Italy [7]	100,00	0,00
28. LASERLINE GmbH, Berlin [6]	100,00	100,00
29. CEWE Baski Servis ve Ticaret Limited Sirketi, Istanbul, Turkey [10]	100,00	100,00
30. DeinDesign GmbH, Bad Kreuznach	93,16	100,00
31. futalis GmbH, Leipzig	81,64	81,64
32. Stardust Media and Communications, SAS, Paris, France [1]	80,00	83,90
33. PCBAF SAS, Paris, France [8]	100,00	0,00
34. CEWE Fotovertriebsgesellschaft mbH, Vienna, Austria [1]	100,00	100,00
35. WhiteWall Media GmbH, Frechen [9]	0,00	100,00
36. Whitewall USA Inc., Delaware, USA [11]	0,00	100,00

1 Interest held through CEWE Beteiligungsgesellschaft mbH, Oldenburg
2 Interest held through CEWE Danmark Aps, Åbyhøj, Denmark
3 Interest held through CEWE Norge AS, Oslo, Norway
4 Interest held through Diginet GmbH & Co. KG, Cologne
5 Interest held through CEWE AG, Dübendorf, Switzerland
6 Interest held through Saxoprint GmbH, Dresden
7 Interest held through Saxoprint GmbH, Dresden, liquidated as of November 30, 2019
8 Interest held through Stardust Media And Communications SAS, Paris, France, merged with Stardust Media And Communications, SAS
9 Acquired as of June 1, 2019
10 Not included in the consolidated financial statements
11 Interest held through WhiteWall Media GmbH, Frechen

68 EVENTS OF PARTICULAR SIGNIFICANCE AFTER THE BALANCE SHEET DATE

As the first quarter of 2020 unfolds, the international community is increasingly being shaped by the global spread of the coronavirus. Government measures and restrictions to contain the virus are affecting everyday life in many countries. Due to its responsibility to counter the spread of the virus where possible, CEWE has likewise activated relevant emergency plans so as to avoid the infection of employees and the outage of plants or business units. This development looks likely to have global economic effects and may also have consequences for CEWE: on the turnover side, the closure of outlets may have a negative impact on POS-based turnover, such as Retail hardware business as well as CEWE PHOTOSTATIONS. The number of photos taken by consumers – which serve as the basis for future photo product orders – may likewise be negatively influenced by the duration of quarantine regulations. The decline in demand from business customers, e. g. due to the cancellation of events, trade fairs, concerts, etc., may mean the loss of turnover in the Commercial Online Printing business unit. Border closures and extended quarantine measures may also disrupt supply chains for procurement and sales purposes. The present situation may result in liquidity problems for business partners, due to the interruption in operational finance options.

However, it is conceivable that CEWE may benefit from positive effects in this unusual situation, which might offset the possible negative impacts outlined above. In particular, consumers will be able to order CEWE photo products in the Photofinishing business unit online, directly from home, where customers will also be able to take receipt of the finished products. There is no need to visit a retail outlet, and customers should be able to continue to order and receive these products even during a quarantine phase. Moreover, CEWE photo products are typical products which people enjoy spending time designing at home. This was apparent during the economic crisis back in 2008/2009, which had virtually no adverse impact on CEWE. Even though the current situation is different, this effect may nonetheless reappear to a certain extent.

With the measures which it has taken, CEWE is well prepared in order to provide all of its employees with the best possible protection and to ensure that its products can be ordered and delivered. With 13 Photofinishing production plants, CEWE has a strong presence throughout Europe. Even if one plant were unable to produce or were unable to do so in full, customer orders can be directly rerouted electronically to other production plants, and orders can be produced and sent from there. Even in case of potential restrictions affecting the business partners served by CEWE, customers will still be able to place online orders with these partners or with CEWE directly. CEWE delivers directly to customers' homes through its shipping partners.

Since these events are very recent and are unfolding at a rapid pace, it is currently not possible to quantify the effects on CEWE's business activities. Accordingly, the earnings targets for 2020 which are indicated in the report on expected developments in this annual report do not include potential effects of the corona crisis on CEWE's business development. As things currently stand, we assume that it will not be possible to achieve these targets in 2020.

69 COMMENTS ON THE CASH FLOW STATEMENT

The cash flow statement shows how the Group's cash and cash equivalents have developed during the financial years 2019 and 2018. In accordance with IAS 7, this statement distinguishes between cash flow from operating activities, cash flow from investing activities and cash flow from financing activities. Cash and cash equivalents shown comprise the balance sheet items bank balances with a remaining term of up to three months and cash in hand including fixed deposit balances. This corresponds to the cash and cash equivalents item presented in the balance sheet.

The inflows and outflows resulting from the change in financial liabilities are attributable to repayments, reclassifications due to maturity periods and loans taken up as follows:

Change in financial liabilities in 2019 in thousands of euros

	Current interest-bearing financial liabilities	Non-current interest-bearing financial liabilities	Gross financial liabilities
As of Jan. 1	**2,665**	**1,148**	**3,813**
Repayment	-1,833	-33	-1,866
As of Dec. 31	**82**	**1,115**	**1,947**

Change in financial liabilities in 2018 in thousands of euros

	Current interest-bearing financial liabilities	Non-current interest-bearing financial liabilities	Gross financial liabilities
As of Jan. 1	**1,581**	**0**	**1,581**
Loans taken out	2,183	62	2,245
Initial consolidation	451	1,086	1,537
Repayment	-1,550	0	-1,550
As of Dec. 31	**2,665**	**1,148**	**3,813**

70 OTHER FINANCIAL OBLIGATIONS

Passive leases and tenancies exist which constitute operating lease arrangements in terms of their economic content, so that the leasing assets are attributable to the lessor rather than CEWE Stiftung & Co. KGaA, Oldenburg. This mainly comprises contracts for the use of production and office space, motor vehicles and also a few agreements for office equipment and IT hardware. The rents paid in the financial year amount to 686 thousand euros (previous year: 13,163 thousand euros). These contracts have terms of between 1 and 29 years.

Lease payments in thousands of euros

	Dec. 31, 2018	Dec. 31, 2019
Total future minimum lease payments	**61,888**	**1,261**
Due within a period of one year	9,057	487
Due within a period of between two and five years	25,621	682
Due after more than five years	27,210	92

Assets leased within the scope of operating leases have a total book value of 17,240 thousand euros (previous year: 17,643 thousand euros). The lease agreements do not include any clauses (e.g. extension, purchase or price adjustment options) which would give rise to an assumption of financial leasing for the lessee. Total future minimum lease income as the lessor under non-terminable operating lease agreements is as follows:

Lease income in thousands of euros

	Dec. 31, 2018	Dec. 31, 2019
Total future minimum lease income	**21,452**	**16,507**
Due within a period of one year	2,021	5,522
Due within a period of between two and five years	7,894	9,130
Due after more than five years	11,537	1,855

This involves the leasing of commercial space as well as equipment leased to customers. The rent instalments collected in the financial year amount to 2,092 thousand euros (previous year: 2,010 thousand euros). They are shown under the item “Additional other operating income”, page 121. Any leasing components in existing contracts are registered and reported within the scope of a systematic contract management system.

71 SEGMENT REPORTING BY BUSINESS UNIT

As of these financial statements, the Group has four business units subject to mandatory reporting. Three of them are the Group's strategic business units. They are the Photofinishing, Commercial Online Printing and Retail business units. The Group's strategic business units offer various products and services and require different technologies as well as different investment and marketing strategies. For each strategic business unit, the Group's Board of Management reviews internal management reports at least once every quarter. The accounting and measurement methods used for the business units subject to mandatory reporting are those outlined in section B. In accordance with the internal reporting, revenues are reported according to consolidation effects.

Turnover corresponds to the breakdown by geographical region shown in section C 26, page 121.

These turnover categories are Photofinishing revenue, Retail revenue and revenue from Commercial Online Printing. A breakdown of these categories is provided in the segment reporting by business unit. Of the segment turnover, 386,096 thousand euros (previous year: 347,075 thousand euros) relates to German turnover and 334,302 thousand euros (previous year: 306,216 thousand euros) to foreign turnover.

In the past financial year and in the previous year, turnover with one key customer was in excess of 10 %. Revenues generated with this customer are largely attributable to the Photofinishing business unit.

The breakdown of intangible assets and property, plant and equipment is as follows for the following geographical regions:

Breakdown of intangible assets and property, plant and equipment for geographical regions in thousands of euros

	2018	2019
Germany	166,065	204,908
Other countries	22,666	55,214
Total	**188,731**	**260,122**

72 OTHER COMMENTS

Contingent liabilities resulted from the grant of suretyships and guarantees for third parties, possible litigation risks and other issues and amounted to 1,100 thousand euros (previous year: 960 thousand euros). The risk of a claim under these contingent liabilities is seen as either slight or not very probable. The assessment of the respective amounts and the probability of realisation are continuously monitored. The Group does not have any contingent assets.

The following total remuneration has been paid to the active members of the Board of Management which handles management duties and to the Supervisory Board for the performance of their duties:

Remuneration received in thousands of euros

	Dec. 31, 2018	Dec. 31, 2019
Fixed gross remuneration		
Fixed remuneration	1,698	1,716
Fringe benefits	110	114
Total fixed gross remuneration	**1,808**	**1,830**
Variable remuneration		
One-year variable remuneration	588	637
Multi-year variable remuneration		
Bonus bank	88	115
Stock Option Plan 2010 – 2015	0	208
Other items		
Total variable remuneration	**676**	**960**
Benefits upon termination of the employment relationship (pension expenses)	1,580	2,036
Total remuneration paid to Board of Management	**4,064**	**4,826**
Remuneration paid to Supervisory Board	658	702
Total remuneration paid to Board of Management and Supervisory Board	**4,722**	**5,528**

The table shows the inflow of cash in the past financial year and in the previous year as a result of fixed remuneration, fringe benefits and one-year and multi-year variable remuneration as well as pension expenses. Remuneration resulting from the bonus bank relates to claims which have fallen due, plus the contractually stipulated amount of interest. The current service cost has been calculated in accordance with IAS 19; it does not represent an inflow in the narrow sense of the term but has been included to clarify the total remuneration provided.

The remuneration paid to the members of the Supervisory Board for their service on this body is stipulated in the articles of association and comprises fixed and variable components. This remuneration is exclusively granted on a short-term basis.

Other than the remuneration outlined above, no further remuneration or claims have been granted in the past financial year or the previous year but not yet reported in consolidated financial statements.

Disclosures regarding the remuneration of the individual members of the Board of Management and the Supervisory Board are provided in the remuneration report, as a component of the combined management report (pages 79 ff.).

None of the active or retired members of the Board of Management has received third-party payments in relation to their service; the same applies for the members of the Supervisory Board. Loans or advance payments have not been granted in any case. Nor has the company entered into any contingent liabilities for the benefit of the members of the Board of Management or the Supervisory Board.

Members of the Supervisory Board have not provided advisory and mediation services or other personal services either in the year under review or in the previous year.

Remuneration was paid to retired members of the Board of Management in the amount of 100 thousand euros thousand euros (previous year: 418 thousand euros). Pensions paid to former members of the Board of Management of Neumüller CEWE COLOR Stiftung, as the general partner of CEWE Stiftung & Co. KGaA, and the old CEWE COLOR Holding AG amount to 1,019 thousand euros (previous year: 912 thousand euros). Pension accruals established for these persons amount to 18,894 thousand euros (previous year: 17,730 thousand euros). CEWE does not have any obligations in relation to this group of persons for which it has failed to establish accruals.

The members of the Board of Management and the Board of Trustees of Neumüller CEWE COLOR Stiftung and the Supervisory Board, the heirs of Senator h.c. Heinz Neumüller, Oldenburg, and the affiliates of the heirs are defined as related parties of the CEWE Group. Close family members and related parties of this group of persons are also related parties of the CEWE Group.

The Group entered into transactions with other related parties in 2019. Key transactions relate to individual commercial tenancies concluded between the Group and affiliates of the heirs of Senator h.c. Heinz Neumüller, Oldenburg. The volume of services purchased amounted to 656 thousand euros (previous year: 627 thousand euros). All transactions have been entered into on normal market terms, in line with the arm's length principle.

73 SUBSIDIARIES' USE OF EXEMPTIONS

The following subsidiaries fully included in these consolidated financial statements make use of the exemption from the disclosure requirements under § 325 HGB and the exemption from the obligation to prepare a management report and notes in accordance with § 264b HGB:

- Diginet GmbH & Co. KG, Cologne
- Wöltje GmbH & Co. KG, Oldenburg

A profit and loss transfer agreement has been concluded between CEWE Stiftung & Co. KGaA and cewe-print GmbH, Oldenburg. cewe-print GmbH, Oldenburg, has been fully included in these consolidated financial statements and makes use of the exemption from the disclosure requirements under § 325 HGB as well as the simplified reporting options, in accordance with § 264 (3) HGB.

74 EXECUTIVE BODIES OF THE COMPANY

SUPERVISORY BOARD

Including seats on supervisory boards and similar or foreign executive bodies of CEWE Stiftung & Co. KGaA

Otto Korte, Oldenburg (Chairman)
Lawyer/tax adviser/tax law specialist and partner of the law firm Hühne Klotz & Partner mbH, Oldenburg
- Chairman of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg
- Member of the Board of Trustees of Neumüller CEWE COLOR Stiftung, Oldenburg
- Chairman of the board of the foundation Stiftung Wirtschaftsakademie Ost-Friesland, Leer

Paolo Dell'Antonio, Düsseldorf
Spokesman of the board of management of Wilh. Werhahn KG, Neuss
- Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg
- Member of the shareholders' committee of Bitburger Holding GmbH and Bitburger Braugruppe GmbH, Bitburg[1]
- Spokesman of the board of management of Wilh. Werhahn KG, Neuss (since May 2018)
- Spokesman of the board of management of Werhahn Industrieholding SE, Neuss (since June 21, 2018)[2]
- Member of the board of management of Wilh. Werhahn KG, Neuss (to April 2018)
- Member of the board of management of Werhahn Industrieholding SE, Neuss (to June 20, 2018)[2]
- Member of the supervisory board of Bankhaus Werhahn GmbH, Neuss[1, 2]
- Member of the supervisory board of Bank11 für Privatkunden und Handel GmbH, Neuss[1, 2]
- Member of the supervisory board of abcfinance GmbH, Cologne[1, 2]
- Member of the supervisory board of abcbank GmbH, Cologne[1, 2]
- Chairman of the supervisory board of Zwilling J. A. Henckels AG, Solingen[1, 2]
- Member of the supervisory board of Basalt-Actien-Gesellschaft, Linz[1, 2]
- Member of the supervisory board of Yareto GmbH, Neuss[1, 2]
- Member of the advisory board of Rathscheck Schiefer und Dachsysteme, Mayen[3]
- Chairman of the advisory board of ZWILLING Beauty Group GmbH, Düsseldorf[3]
- Member of the advisory board of United Salon Technologies GmbH, Solingen[3]

Patricia Geibel-Conrad, Leonberg (since June 6, 2018)
Accountant/tax consultant, own practice, management consulting firm
- Member of the Supervisory Board and Chairwoman of the Audit Committee of CEWE Stiftung & Co. KGaA, Oldenburg
- Member of the supervisory board and the audit committee of HOCHTIEF Aktiengesellschaft, Essen[1]
- Member of the supervisory board and chairwoman of the audit committee of DEUTZ AG, Cologne[1]

Professor Dr Christiane Hipp, Berlin
Acting president and vice president for research and the next generation of scientific talent, professor (Brandenburg University of Technology Cottbus-Senftenberg)
- Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg
- Member of the Board of Trustees of the German Federal Environmental Foundation (Deutsche Bundesstiftung Umwelt – DBU)

Dr Birgit Vemmer, Bielefeld
Management consultant and coach
- Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg

Dr Hans-Henning Wiegmann, Schlangenbad
Business graduate
- Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg

Petra Adolph, Hanover
Trade union secretary, IG BCE
- Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg
- Member of the supervisory board of K+S Aktiengesellschaft, Kassel

Marion Gerdes, Berne
Industrial Manager/Head of Personnel, CEWE Stiftung & Co. KGaA, Oldenburg
- Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg

1 Member of similar German and foreign executive bodies of business enterprises
2 Group mandate
3 Voluntary bodies

Insa Lukaßen, Oldenburg
Head of Mail-Order Shipping, CEWE Stiftung & Co. KGaA, Oldenburg
» Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg

Alexander Oyen, Bremen
Head of the Oldenburg branch of the Mining, Chemicals and Energy trade union (IG BCE)
» Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg

Markus Schwarz, Oldenburg (Deputy Chairman)
Member of the works council (released from duties) of CEWE Stiftung & Co. KGaA, Oldenburg
» Deputy Chairman of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg

Elwira Wall, Hatten
Project manager, document management system (DMS), data protection, CEWE Stiftung & Co. KGaA, Oldenburg
» Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg

General partner of CEWE Stiftung & Co. KGaA:
» Neumüller CEWE COLOR Stiftung

BOARD OF MANAGEMENT

Dr Christian Friege, Oldenburg
Chairman of the Board of Management of Neumüller CEWE COLOR Stiftung, Oldenburg
Responsible for National and International Distribution
» Member of the advisory board of enportal GmbH, Hamburg

Patrick Berkhouwer, Bremen
Member of the Board of Management of Neumüller CEWE COLOR Stiftung, Oldenburg
Responsible for Foreign Markets and Expansion

Dr Reiner Fageth, Oldenburg
Member of the Board of Management of Neumüller CEWE COLOR Stiftung, Oldenburg
Responsible for Technology, IT and Research & Development
» Member of the supervisory board of CEWE COLOR Inc., Delaware, USA [1, 2]
» Member of the advisory board of ELA Container GmbH, Haren (Ems)

Carsten Heitkamp, Oldenburg
Member of the Board of Management of Neumüller CEWE COLOR Stiftung, Oldenburg
Responsible for the German Plants, SAXOPRINT, Personnel, Logistics,
Purchasing and Materials Management

Dr Olaf Holzkämper, Oldenburg
Member of the Board of Management of Neumüller CEWE COLOR Stiftung, Oldenburg
Responsible for Finance & Controlling, Business Development, Investor Relations, Corporate Information Management, Legal and On-Site Finishing
» Member of the supervisory board of Remmers Group

Thomas Mehls, Oldenburg
Member of the Board of Management of Neumüller CEWE COLOR Stiftung, Oldenburg
Responsible for Marketing, Online Photo Service, CEWE-Print, viaprinto,
New Business Acquisition and Sustainability
» Member of the supervisory board of Baskets Oldenburg GmbH & Co. KG, Oldenburg

Frank Zweigle, Oldenburg
Member of the Board of Management of Neumüller CEWE COLOR Stiftung, Oldenburg
Responsible for the Administrative Activities of Neumüller CEWE COLOR Stiftung

Please also see the comments in the remuneration report on **pages 79 ff.**

1 Group mandate
2 Voluntary bodies

75 RELEASE AND PUBLICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

The consolidated financial statements as of December 31, 2019 prepared by the Board of Management of the general partner, Neumüller CEWE COLOR Stiftung, and the combined management report of the CEWE Group are released for publication upon their signing by the Board of Management.

76 DECLARATION REGARDING THE GERMAN CORPORATE GOVERNANCE CODE

The Board of Management and the Supervisory Board have submitted the declaration of conformity with the German Corporate Governance Code required under § 161 AktG and have made this declaration available to the shareholders on the company's website, **www.cewe.de**.

Oldenburg, March 18, 2020

CEWE Stiftung & Co. KGaA
For the general partner Neumüller CEWE COLOR Stiftung, Oldenburg
– The Board of Management –

RESPONSIBILITY STATEMENT

Declaration in accordance with §§ 297 (2) clause 4 and 315 (1) clause 6 HGB (responsibility statement)
We hereby declare that, to the best of our knowledge, the consolidated financial statements provide a true and fair view of the Group's net assets, financial position and results of operations in accordance with the applied principles of orderly reporting in consolidated financial statements and that the notes to the consolidated financial statements provide the necessary disclosures and specific information accurately describing the Group's position.

We also confirm that, to the best of our knowledge, the combined management report includes a fair review of the development and performance of the business and the position of the Group and thus describes the key risks and opportunities associated with the Group's expected development in the new financial year.

Oldenburg, March 18, 2020

CEWE Stiftung & Co. KGaA
For the general partner Neumüller CEWE COLOR Stiftung
– The Board of Management –

Dr Christian Friege
(Chairman of the Board of Management)

Patrick Berkhouwer | Dr Reiner Fageth | Carsten Heitkamp

Dr Olaf Holzkämper | Thomas Mehls | Frank Zweigle

AUDIT OPINION OF THE INDEPENDENT AUDITOR CEWE STIFTUNG & CO. KGAA, OLDENBURG

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of CEWE Stiftung und Co. KGaA, Oldenburg, and its subsidiaries (the Group), which comprise the consolidated profit and loss account and the consolidated statement of comprehensive income for the financial year from January 1, 2019 to December 31, 2019, the consolidated balance sheet as at December 31, 2019, the consolidated statement of changes in equity and consolidated cash flow statement for the financial year from January 1, 2019 to December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report (report on the position of the company and the group) of CEWE Stiftung und Co. KGaA for the financial year from January 1, 2019 to December 31, 2019. In accordance with German legal requirements we have not audited the content of those parts of the combined management report listed under “Other information”.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e paragraph 1 HGB (Handelsgesetzbuch: German Commercial Code) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2019, and of its financial performance for the financial year from January 1, 2019 to December 31, 2019, and

- the accompanying combined management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the parts of the group management report listed in the appendix.

Pursuant to § 322 paragraph 3 sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW).

Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1, 2019 to December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

We have identified the following specific issues as key audit matters:

1. Realisation of turnover in the Photofinishing segment
2. Balance-sheet reporting of the purchase of the shares in the “WhiteWall-Group”

1. Realisation of turnover in the photofinishing segment

Specific issue

In its consolidated financial statements as of December 31, 2019, the company has reported revenues in its Photofinishing segment in the amount of EUR 499.0 million(76.4 % of total revenues). Due to the highly automated procedure through which these revenues are realised, the very large volume of data processed and the variety of IT systems due to the diverse product range, in our view particularly stringent requirements apply for the IT systems in terms of correct recognition of and accrual accounting for revenues. In view of this situation, the IT systems were particularly significant for us within the scope of our audit, in relation to the realisation of turnover in the Photofinishing segment.

The disclosures made by CEWE Stiftung & Co. KGaA concerning revenues in the Photofinishing segment may be found in section “C 26” page 121 of the notes to the consolidated financial statements.

Audit response

To address the risk associated with the realisation of turnover in the Photofinishing segment, we have performed uniform audit procedures for all of the segments. We have assessed implementation of the Group rules on the realisation of turnover in the IT systems in terms of whether the software in question is suitable to appropriately map the business transactions. As well as a basic audit, our audit approach includes function-based testing of relevant check mechanisms as well as ad hoc and analytical audit procedures. In particular, we have evaluated whether the IT control system has been appropriately designed for the IT systems used throughout the Group for invoicing and their interfaces in relation to the relevant general ledger. To review the effectiveness of this IT control system, we have implemented control tests for the control activities implemented within the scope of these processes. We have consulted internal specialists in relation to these audit activities. We have also established on a sample basis that the accrual accounting for revenues has been correctly implemented.

2. Balance-sheet reporting of the purchase of the shares in the “WhiteWall Group”

Specific issue

As of June 1, 2019, the CEWE Group has acquired 100.00 % of the shares in WhiteWall Media GmbH, Frechen and their 100 % subsidiary Whitewall USA Inc, Delaware (“WhiteWall Group”).

The purchase price was 32.8 million euros. As a rule, the assets and liabilities acquired are reported at fair value as of the date of acquisition. Including net assets in the amount of 2.9 million euros which are attributable to the acquired company and which include other intangible assets in the amount of 11.9 million euros that were capitalised within the scope of the purchase price allocation, goodwill has resulted in the amount of 18.0 million euros.

Due to the significant overall impact of the acquisition of this company, in volume terms, on the net assets, financial position and results of operations of the CEWE Group, as well as the discretion regarding measurement of the acquired assets and liabilities, this acquisition was a key audit matter within the scope of our audit.

The details provided by the CEWE Group regarding these acquisitions may be found in section A 3, Scope of consolidation and A 4, Consolidation principles, of the notes to the consolidated financial statements.

Audit response

We initially reviewed the contractual arrangements, and established an understanding of them, within the scope of our audit of the balance-sheet reporting of this acquisition. We assessed whether the date of the acquisition has been appropriately taken into consideration in these consolidated financial statements.

We also assessed the measurement of the acquired assets and liabilities at fair value as of the date of acquisition. Insofar as recognised fair values were determined on the basis of measurement models, we assessed the appropriateness and the correct application of these models as well as the plausibility of the assumptions made regarding the underlying parameters, in particular concerning future cash flows, interest rates and growth rates. We also examined the completeness and the accuracy of the notes which are required according to IFRS 3.

Other Information

The executive directors are responsible for the other information. The other information comprises:

» Unaudited content of those parts of the group management report listed in the appendix to the auditor's report,
» The remaining parts of the annual report, with the exception of the audited consolidated financial statements and group management report and our auditor's report,
» The corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code, and
» The confirmation pursuant to § 297 Abs. 2 Satz 4 HGB regarding the consolidated financial statements and the confirmation pursuant to § 315 Abs. 1 Satz 5 HGB regarding the group management report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an (audit) opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

» is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
» otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our (audit) opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

» Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our (audit) opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

» Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an (audit) opinion on the effectiveness of these systems.

» Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

» Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective (audit) opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

» Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

» Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express (audit) opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our (audit) opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with (German) law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate (audit) opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as group auditor by the annual general meeting on June 15, 2019. We were engaged by the supervisory boardon September 16, 2019. We have been the group auditor of the CEWE Stiftung & Co. KGaA without interruption since the financial year 2014.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement
The German Public Auditor responsible for the engagement is Mr. Tobias Härle.

Hamburg, March 18, 2020

BDO AG
Wirtschaftsprüfungsgesellschaft

Sabath	Härle
German Public Auditor	German Public Auditor

THE CEWE GROUP – STRUCTURE AND EXECUTIVE BODIES

NEUMÜLLER CEWE COLOR STIFTUNG

Board of Trustees

- Dr Rolf Hollander, Oldenburg (Chairman)
- Otto Korte, Oldenburg (Deputy Chairman)
- Helmut Hartig, Oldenburg
- Dr Kay Hafner, Essen (since January 1, 2019)
- Matthias Peters, Hamburg
- Katharine Le Thierry (since January 1, 2019)

Board of Management

- Dr Christian Friege, Oldenburg (Chairman)
- Patrick Berkhouwer, Bremen
- Dr Reiner Fageth, Oldenburg
- Carsten Heitkamp, Oldenburg
- Dr Olaf Holzkämper, Oldenburg
- Thomas Mehls, Oldenburg
- Frank Zweigle, Oldenburg

CEWE STIFTUNG & CO. KGAA

Supervisory Board

- Otto Korte, Oldenburg (Chairman)
  Lawyer/tax adviser/tax law specialist and partner of the law firm Hühne Klotz & Partner mbH, Oldenburg

- Paolo Dell'Antonio, Braunschweig
  Spokesman of the board of management of Wilh. Werhahn KG, Neuss

- Patricia Geibel-Conrad, Leonberg (since June 6, 2018)
  Accountant/tax consultant, own practice, Management consulting firm

- Prof Dr Christiane Hipp, Berlin
  Acting president and vice president for research and the next generation of scientific talent, professor (Brandenburg University of Technology Cottbus-Senftenberg)

- Corinna Linner, Baldham (to June 6, 2018)
  Auditor and economist

- Dr Birgit Vemmer, Bielefeld (since June 6, 2018)
  Management consultant and coach

- Dr Hans-Henning Wiegmann, Schlangenbad
  Business graduate

- Vera Ackermann, Hude (to June 6, 2018)
  Former secretary of the Mining, Chemicals and Energy trade union (IG BCE), Oldenburg

- Petra Adolph, Hanover
  Secretary of the Mining, Chemicals and
  Energy trade union (IG BCE), Oldenburg

- Marion Gerdes, Berne
  Industrial Manager/Head of Personnel,
  CEWE Stiftung & Co. KGaA, Oldenburg

- Insa Lukaßen, Oldenburg
  Head of Mail-Order Shipping,
  CEWE Stiftung & Co. KGaA, Oldenburg

- Alexander Oyen, Bremen (since June 6, 2018)
  Branch head of the Mining, Chemicals and
  Energy trade union (IG BCE), Oldenburg

- Markus Schwarz, Oldenburg (Deputy Chairman)
  Member of the works council (released from duties) of
  CEWE Stiftung & Co. KGaA, Oldenburg

- Elwira Wall, Hatten
  Project manager, document management system (DMS),
  data protection, CEWE Stiftung & Co. KGaA, Oldenburg

General partner of CEWE Stiftung & Co. KGaA

- Neumüller CEWE COLOR Stiftung, Oldenburg

5

FURTHER INFORMATION

FINANCIAL STATEMENTS OF CEWE STIFTUNG & CO. KGAA

PROFIT AND LOSS ACCOUNT OF CEWE STIFTUNG & CO. KGAA

for the financial year 2019 (in accordance with the German Commercial Code)

in thousands of euros

	2018	2019
Revenues	338,323	358,459
Increase/decrease in finished and unfinished goods	54	94
Other own work capitalised	102	169
Other operating income	10,953	6,559
Cost of materials		
Expenses for raw materials and supplies and for purchased merchandise	–69,094	–71,089
Expenses for purchased services	–19,143	–19,776
	–88,237	**–90,865**
Personnel expenses		
Wages and salaries	–76,386	–81,300
Social security contributions and expenses for pensions and support	–16,417	–17,843
	–92,803	**–99,143**
Amortisation of intangible assets, depreciation of property, plant and equipment	–20,038	–19,960
Other operating expenses	–101,985	–105,018
Income from equity investments	7,653	8,754
Income from loans of financial assets	835	694
Other interest and similar income	1,040	1,194
Amortisation of financial assets	0	0
Interest and similar expenses	–2,244	–1,849
Income from profit transfer	583	425
Profit/loss on ordinary activities	**54,236**	**59,513**
Earnings before income taxes	**54,236**	**59,513**
Income taxes	–18,222	–18,700
Earnings after taxes	**36,014**	**40,813**
Other taxes	–89	–157
Net income for the year	**35,925**	**40,656**
Remaining profit carried forward from previous year	**129**	**102**
Unappropriated profits	**36,054**	**40,758**

BALANCE SHEET OF CEWE STIFTUNG & CO. KGAA

as of December 31, 2019 (in accordance with the German Commercial Code)

in thousands of euros

ASSETS	2018	2019
Fixed assets		
Intangible assets		
Concessions, industrial property rights acquired for a consideration and similar rights and assets and related licences	6,470	9,438
Goodwill	11	8
Advance payments	401	120
	6,882	**9,562**
Property, plant and equipment		
Land, leasehold rights and buildings, incl. buildings on third-party land	35,208	34,952
Technical equipment and machinery	43,885	42,226
Other equipment, furniture and fixtures	7,564	7,764
Advance payments and assets under construction	601	1,177
	87,258	**86,119**
Financial assets		
Interests in affiliates	83,487	100,239
Loans to affiliates	62,884	73,808
Equity investments	5,729	5,384
Other loans	205	246
	152,305	**179,677**
Current assets		
Inventories		
Raw materials and supplies	13,003	12,777
Unfinished goods, work in progress	136	231
Finished goods and merchandise	421	436
	13,560	**13,444**
Receivables and other assets		
Trade receivables	58,692	50,899
Receivables from affiliates	132,289	161,583
Other assets	7,696	8,057
	198,677	**220,539**
Cash on hand and cash in banks	10,589	14,017
Deferred expenses and accrued income	**2,385**	**2,839**
	471,656	**526,198**

in thousands of euros

EQUITY AND LIABILITIES	2018	**2019**
Equity		
Subscribed capital	19,240	19,279
Nominal value of treasury shares	– 270	– 229
Issued capital	**18,970**	**19,050**
Capital reserve	76,679	77,836
Retained earnings		
Statutory reserve	1,534	1,534
Other retained earnings	150,499	172,678
	152,033	**174,212**
Unappropriated profits	36,054	40,758
	283,736	**311,856**
Special item for investment subsidies	**238**	**215**
Accruals		
Accruals for pensions and similar obligations	16,504	19,392
Tax accruals	5,834	4,620
Other accruals	27,224	28,751
	49,562	**52,763**
Liabilities		
Amounts owed to credit institutions	2,046	385
Payments received on account of orders	514	589
Trade payables	35,109	30,203
Amounts owed to affiliates	83,250	113,754
Other liabilities	16,983	16,263
	137,902	**161,194**
Deferred income and accrued expenses	**218**	**170**
	471,656	**526,198**

MULTI-YEAR OVERVIEW

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR

in millions of euros

	2012	2013	2014	2015 [1]	2016 [1]	2017 [1]	2018	**2019**
Revenues	507.2	536.2	523.8	554.2	593.1	599.4	649.3	714.9
Increase/decrease in finished and unfinished goods	0.1	0.3	0.2	0.4	-0.5	0.1	-0.1	0.2
Other own work capitalised	1.1	1.0	0.9	0.9	0.8	0.9	1.1	1.0
Other operating income	29.7	24.6	21.4	19.6	20.8	23.2	25.0	22.1
Cost of materials	-185.6	-190.0	-162.7	-162.2	-168.6	-168.4	-177.1	-185.5
Gross profit	**352.4**	**372.2**	**383.6**	**412.8**	**445.6**	**455.1**	**498.2**	**552.7**
Personnel expenses	-122.4	-129.9	-135.9	-143.7	-153.4	-160.3	-175.8	-194.8
Other operating expenses	-164.7	-175.4	-181.7	-194.0	-201.9	-205.5	-226.9	-243.3
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**65.3**	**66.8**	**66.0**	**75.1**	**90.3**	**89.3**	**95.5**	**114.6**
Amortisation of intangible assets, depreciation of property, plant and equipment	-37.0	-37.9	-33.5	-38.7	-43.3	-40.1	-39.9	-56.8
Earnings before interest and taxes (EBIT) [1]	**28.3**	**28.9**	**32.6**	**36.4**	**47.0**	**49.2**	**55.7**	**57.8**
Financial income	–	0.3	0.4	0.4	0.9	0.5	0.7	0.1
Financial expenses	–	-2.2	-1.4	-0.9	-1.7	-0.8	-1.1	-3.7
Financial result	**-2.2**	**-1.9**	**-1.0**	**-0.5**	**-0.9**	**-0.4**	**-0.4**	**-3.6**
Earnings before taxes (EBT)	**26.1**	**27.1**	**31.5**	**35.9**	**46.2**	**48.9**	**55.3**	**54.3**
Income taxes	-7.3	-4.8	-10.1	-14.1	-16.6	-16.0	-17.0	-21.6
Earnings after taxes from continuing operations	**18.8**	**22.3**	**21.4**	**21.8**	**29.6**	**32.8**	**38.2**	**32.7**
Post-tax profit/loss for discontinued operation	–	–	–	–	–	–	-1.9	-0.9
Earnings after taxes	**18.8**	**22.3**	**21.4**	**21.8**	**29.6**	**32.8**	**36.3**	**31.8**

1 The reference figures have been restated (cf. comments in section A).

CASH FLOW FOR THE YEAR

in millions of euros

	2012	2013	2014	2015	2016	2017	2018	**2019**
Cash flow from operating activities	51.4	48.3	71.2	59.6	93.0	72.4	78.7	102.1
Cash flow from investing activities	-45.8	-35.1	-43.1	-55.2	-46.6	-70.2	-76.2	-67.2
Free cash flow	5.5	13.1	28.1	4.4	46.4	2.2	2.5	34.9
Cash flow from financing activities	-23.2	-12.3	-14.5	-10.3	-19.8	-11.7	-13.4	-30.7
Change in cash and cash equivalents	-17.7	0.8	13.6	-5.9	26.7	-9.5	-10.9	4.3

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE FOURTH QUARTER

in millions of euros

	Q4 2012	Q4 2013	Q4 2014	Q4 2015 [1]	Q4 2016 [1]	Q4 2017 [1]	Q4 2018	Q4 2019
Revenues	178.2	191.2	194.8	215.8	228.5	234.5	260.5	291.7
Increase/decrease in finished and unfinished goods	-0.1	0.2	0.0	0.2	0.0	0.3	0.0	0.5
Other own work capitalised	0.4	0.4	0.3	0.2	0.3	0.2	0.6	0.5
Other operating income	10.3	7.8	9.0	6.1	7.0	9.2	7.1	7.1
Cost of materials	-59.5	-56.0	-52.4	-55.2	-55.7	-57.1	-60.3	-63.2
Gross profit	**129.3**	**143.6**	**151.7**	**167.1**	**180.2**	**187.2**	**207.8**	**236.5**
Personnel expenses	-34.2	-36.6	-40.3	-42.6	-45.5	-47.7	-52.3	-60.6
Other operating expenses	-56.8	-61.5	-65.1	-70.7	-75.8	-79.5	-87.2	-99.8
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**38.4**	**45.4**	**46.3**	**53.8**	**58.8**	**60.0**	**68.3**	**76.0**
Amortisation of intangible assets, depreciation of property, plant and equipment	-9.4	-11.8	-9.0	-13.0	-15.9	-13.9	-10.3	-17.0
Earnings before interest and taxes (EBIT) [1]	**29.0**	**33.6**	**37.3**	**40.8**	**42.9**	**46.1**	**58.1**	**59.0**
Financial income	–	0.1	0.1	0.4	0.1	0.0	0.0	0.0
Financial expenses	–	-0.9	-0.3	-0.4	-1.3	-0.6	-0.2	-2.8
Financial result	**-0.4**	**-0.7**	**-0.2**	**0.0**	**-1.3**	**-0.6**	**-0.1**	**-2.8**
Earnings before taxes (EBT)	**28.5**	**32.9**	**37.2**	**40.8**	**41.7**	**45.5**	**57.9**	**56.3**
Income taxes	-6.4	-5.1	-11.3	-15.4	-16.9	-14.8	-18.1	-23.2
Earnings after taxes from continuing operations	**22.1**	**27.7**	**25.9**	**25.3**	**24.8**	**30.7**	**39.8**	**33.1**
Post-tax profit/loss for discontinued operation	–	–	–	–	–	–	-0.6	-0.2
Earnings after taxes	**22.1**	**27.7**	**25.9**	**25.3**	**24.8**	**30.7**	**39.2**	**32.9**

1 The reference figures have been restated (cf. comments in section A).

CASH FLOW IN THE FOURTH QUARTER

in millions of euros

	Q4 2012	Q4 2013	Q4 2014	Q4 2015	Q4 2016	Q4 2017	Q4 2018	Q4 2019
Cash flow from operating activities	48.5	41.1	48.3	49.1	59.6	67.6	77.0	93.0
Cash flow from investing activities	-10.8	-10.7	-16.2	-11.2	-15.7	-13.3	-8.6	-11.9
Free cash flow	37.7	30.4	32.1	37.9	44.0	54.3	68.4	81.2
Cash flow from financing activities	-31.2	-24.1	-16.3	-26.4	-10.8	-29.2	-53.3	-61.4
Change in cash and cash equivalents	6.4	6.3	15.8	11.5	33.2	25.1	15.0	19.8

MULTI-YEAR OVERVIEW

GROUP BALANCE SHEET

in millions of euros

ASSETS	2012	2013	2014	2015	2016	2017	2018	2019
Property, plant and equipment	101.2	98.6	102.5	108.6	124.5	148.1	160.2	221.1
Investment properties	4.5	4.3	5.0	5.1	4.9	17.9	17.6	17.2
Goodwill	28.5	25.4	25.4	32.7	25.8	25.8	59.7	77.8
Intangible assets	21.8	20.0	19.3	23.6	19.2	14.1	28.5	39.0
Financial assets	0.3	1.2	3.3	4.3	6.2	6.8	6.9	5.6
Non-current receivables from income tax refunds	2.1	1.6	1.1	0.5	0.0	0.0	0.0	0.0
Non-current financial assets	0.4	1.5	2.9	1.6	0.5	0.4	1.3	1.5
Non-current other receivables and assets	0.2	0.2	0.2	0.4	0.6	0.6	0.3	0.7
Deferred tax assets	8.4	9.4	8.1	7.3	6.8	7.8	12.3	14.2
Non-current assets	**167.5**	**162.0**	**167.8**	**184.1**	**188.6**	**221.5**	**286.7**	**377.0**
Inventories	62.7	59.1	48.9	50.7	49.4	50.3	49.0	48.4
Current trade receivables	72.2	88.8	84.3	90.4	84.2	84.5	92.9	91.2
Current receivables from income tax refunds	1.6	2.1	1.8	1.1	1.3	1.5	2.7	1.5
Current financial assets	3.2	3.0	3.0	2.5	3.0	2.4	3.4	5.3
Additional other current receivables and assets	4.7	3.8	4.9	5.7	5.5	5.6	9.5	8.6
Cash and cash equivalents	13.4	14.0	27.7	21.7	48.6	38.8	28.1	32.4
	157.7	**170.8**	**170.5**	**172.1**	**191.9**	**183.1**	**185.5**	**187.3**
Assets held for sale	0.2	1.0	1.3	1.2	0.5	1.4	0.0	3.0
Current assets	**157.9**	**171.8**	**171.9**	**173.3**	**192.4**	**184.5**	**185.5**	**190.2**
	325.4	**333.9**	**339.7**	**357.3**	**381.0**	**406.1**	**472.2**	**567.3**

in millions of euros

EQUITY AND LIABILITIES	2012	2013	2014	2015[1]	2016[1]	2017[1]	2018	2019
Subscribed capital	19.2	19.2	19.2	19.2	19.2	19.2	19.2	19.3
Capital reserve	56.2	56.6	69.3	70.2	71.2	73.1	75.3	76.5
Treasury shares at acquisition cost	−23.9	−23.4	−8.5	−7.5	−8.5	−7.9	−7.2	−6.7
Retained earnings and unappropriated profits	80.7	90.3	93.6	104.3	121.5	140.6	166.8	180.6
Equity	**132.2**	**142.8**	**173.6**	**186.3**	**203.4**	**225.0**	**254.2**	**269.8**
Non-current special items for investment grants	17.4	17.9	21.9	22.9	25.5	27.2	29.2	35.5
Non-current accruals for pensions	4.1	3.3	2.8	4.1	2.9	1.5	2.9	3.5
Non-current deferred tax liabilities	0.5	0.4	0.2	0.2	0.0	0.0	0.0	0.5
Non-current other accruals	23.5	4.2	2.7	1.8	0.0	0.0	1.1	1.1
Non-current interest-bearing financial liabilities	–	–	–	–	–	–	–	52.5
Non-current financial liabilities	4.2	3.0	0.0	0.0	0.2	0.1	1.6	1.9
Non-current other liabilities	0.3	0.2	0.2	0.5	0.5	0.5	0.6	0.5
Non-current liabilities	**50.0**	**29.0**	**27.8**	**29.5**	**29.1**	**29.4**	**35.4**	**95.4**
Current special items for investment grants	3.0	4.2	4.5	7.7	12.6	5.9	8.2	7.5
Current tax liabilities	2.6	4.2	3.3	2.9	3.5	3.5	3.5	6.3
Current other accruals	8.0	26.1	1.6	4.9	0.2	1.6	2.7	0.8
Current interest-bearing financial liabilities	–	–	–	–	–	–	–	10.6
Current trade payables	102.2	101.1	96.1	90.9	96.1	95.9	112.7	113.6
Current financial liabilities	4.5	3.9	3.6	0.3	1.5	1.3	10.2	11.2
Current other liabilities	22.9	22.7	29.2	34.8	34.6	43.5	45.4	51.6
	143.2	**162.1**	**138.2**	**141.6**	**148.4**	**151.7**	**182.6**	**201.6**
Liabilities classified as held of sale	–	–	–	–	–	–	–	0.5
Current liabilities	**143.2**	**162.1**	**138.2**	**141.6**	**148.4**	**151.7**	**182.6**	**202.1**
	325.4	**333.9**	**339.7**	**357.3**	**381.0**	**406.1**	**472.2**	**567.3**

1 The reference figures have been restated (cf. comments in section A).

MULTI-YEAR OVERVIEW

KEY INDICATORS

Volumes and employees

		2012	2013	2014	2015	2016	2017	2018	**2019**
Digital photos	in millions of units	2,298.9	2,252.9	2,203.9	2,164.1	2,176.2	2,128.1	2,185.0	2,363.7
Photos from film	in millions of units	162.3	114.4	88.6	70.7	56.0	47.0	41.1	37.5
Total volume of photos	in millions of units	2.461	2.367	2.293	2.235	2.232	2.175	2.226	2.401
CEWE PHOTOBOOKS	in millions of units	5.6	5.8	5.9	6.0	6.2	6.0	6.2	6.6
Employees (average)	converted to full-time equivalent	3.305	3.228	3.219	3.420	3.496	3.589	3.900	4.165
Employees (as of the reporting date)	converted to full-time equivalent	3.895	3.781	3.675	3.698	3.967	4.103	4.199	4.371

Income

		2012	2013	2014	2015 [1]	2016 [1]	2017 [1]	2018	**2019**
Turnover	in millions of euros	507.2	536.2	523.8	554.2	593.1	599.4	649.3	714.9
EBITDA	in millions of euros	66.1	66.8	66.0	75.1	90.3	89.3	95.5	114.6
EBITDA margin	as % of turnover	13.0	12.5	12.6	13.6	15.2	14.9	14.7	16.0
EBIT	in millions of euros	28.3	28.9	32.6	36.4	47.0	49.2	55.7	57.8
EBIT margin	as % of turnover	5.6	5.4	6.2	6.6	7.9	8.2	8.6	8.1
Restructuring expenses	in millions of euros	0.0	3.3	0.0	1.0	0.2	0.0	0.0	5.0
EBIT prior to restructuring	in millions of euros	28.3	32.2	32.6	37.4	47.2	49.2	55.7	62.8
EBT	in millions of euros	26.1	27.1	31.5	35.9	46.2	48.9	55.3	54.3
Earnings after taxes	in millions of euros	18.8	22.3	21.4	21.8	29.6	32.8	36.3	31.8

1 The reference figures have been restated (cf. comments in section A).

Capital

		2012	2013	2014	2015 [1]	2016 [1]	2017 [1]	2018	2019
Total assets	in millions of euros	325.4	333.9	339.7	357.3	381.0	406.1	472.2	567.3
Capital employed (CE)	in millions of euros	190.3	197.9	203.0	220.7	232.8	292.3	292.3	377.1
Equity	in millions of euros	132.2	142.8	173.6	186.3	203.4	225.0	254.2	269.8
Equity ratio	as % of the balance sheet total	40.6	42.8	51.1	52.1	53.4	55.4	53.8	47.6
Net financial liabilities	in millions of euros	18.1	16.3	– 23.5	– 15.0	– 48.5	– 37.2	– 24.2	32.6
ROCE (previous 12 months)	as % of average capital employed	14.5	15.0	16.8	17.2	21.4	20.3	18.5	15.0

1 The reference figures have been restated (cf. comments in section A).

Share

		2012	2013	2014	2015 [1]	2016 [1]	2017 [1]	2018	2019
Number of shares (nominal value: 2.60 euros)	in units	7,380,020	7,380,020	7,380,020	7,400,020	7,400,020	7,400,020	7,400,020	7,400,020
Earnings per share (diluted)	in euros	2.87	3.36	3.07	3.05	4.12	4.54	5.01	4.38
Year-end price	in euros	31.04	42.75	51.51	54.61	84.57	88.05	62.10	105.80
Dividend per share	in euros	1.45	1.50	1.55	1.60	1.80	1.85	1.95	2.00 [2]
Dividend yield on year-end price	as %	4.67	3.51	3.01	2.93	2.10	2.10	3.14	1.89

1 The reference figures have been restated (cf. comments in section A).
2 Dividend proposal to be presented by the Board of Management and the Supervisory Board to the general meeting on June 10, 2020

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see overview of all of CEWE's locations page 4

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Click on "Sales and Production Sites"

FINANCIAL CALENDAR

(DATES CURRENTLY SCHEDULED)

May 12, 2020	Publication of the Interim Statement Q1 – 2020
May 12, 2020	Press release on the Interim Statement Q1 – 2020
June 10, 2020	General Meeting 2020
August 6, 2020	Publication of the Interim Report Q2 – 2020
August 6, 2020	Press release on the Interim Report Q2 – 2020
September 22, 2020	Berenberg & Goldman Sachs German Corporate Conference 2020, Munich
September 23, 2020	Baader Investment Conference 2020, Munich
November 12, 2020	Publication of the Interim Statement Q3 – 2020
November 12, 2020	Press release on the Interim Statement Q3 – 2020
November 16, 2020	German Equity Forum 2020, Frankfurt

You will also find upcoming dates and events on the Internet at
company.cewe.de

IMPRINT

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Cover: Reza Vahdati “Baseball Hold”
p. 8: Richard Whitson “Catching Some Morning Air”
p. 26: Volker Sander “In the Middle”
p. 97: Teresa Comes “Silence”
All other photos: CEWE Stiftung & Co. KGaA, Oldenburg

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